

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2019

Board Members:

Robert Graff, Chairman

Tory Smith

Jeff Todd

Cheri Wittler

Kimberley Farries

Megan Jaeger

Melani Paiz

Superintendent:

Kevin Pickner

Business Manager:

Mary Sieck

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> | 1 - 2 |
| Schedule of Prior Audit Findings | 3 |
| Schedule of Current Audit Findings | 4 - 5 |
| Independent Auditors' Report | 6 - 7 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| As of June 30, 2019: | |
| Statement of Net Position | 8 |
| Year Ended June 30, 2019: | |
| Statement of Activities | 9 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| As of June 30, 2019: | |
| Balance Sheet | 10 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 11 |
| Year Ended June 30, 2019: | |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 12 - 13 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 14 |
| Proprietary Funds: | |
| As of June 30, 2019: | |
| Statement of Net Position | 15 |
| Year Ended June 30, 2019: | |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

TABLE OF CONTENTS (Continued)

| | <u>Page</u> |
|--|-------------|
| Statement of Revenues, Expenses and Changes in Net Position | 16 |
| Statement of Cash Flows | 17 |
| Fiduciary Funds: | |
| As of June 30, 2019: | |
| Statement of Net Position | 18 |
| Notes to the Financial Statements | 19 - 38 |
| Required Supplementary Information: | |
| Year Ended June 30, 2019: | |
| Budgetary Comparison Schedule - General Fund - Budgetary Basis | 39 - 40 |
| Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis | 41 |
| Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis | 42 |
| Notes to Required Supplementary Information - Budgetary Comparison Schedules | 43 |
| Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) | 44 |
| Schedule of the School District Pension Contributions | 45 |
| Notes to Required Supplementary Information - Pension Schedules | 46 |

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

ROY R FAUTH, CPA
WILLIAM J BACHMEIER, CPA

117 E 3RD STREET • PO Box 127
MILLER, SD 57362
605- 853-2744 • 605- 853-2745 (FAX)

WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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
Agar-Blunt-Onida School District No 58-3
Sully 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 the Agar-Blunt-Onida School District No 58-3, South Dakota (School District), as of June 30, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be material weaknesses as items #2019-01 and #2019-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Kohlman, Bierbach & Anderson, LLP

November 12, 2019

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

Prior Audit Findings:

Finding #2018-01

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, payables, inventory, capital assets, indebtedness, equity, and the preparation of Trust and Agency receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. It is not known how long this deficiency has existed. This comment is restated in the current year as finding #2019-01.

Finding #2018-02

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This comment is restated in the current year as finding #2019-02.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2019

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2019-01

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, payables, payroll, inventory, capital assets, indebtedness, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations, which could result in errors not being found in a timely manner. It is not known how long this deficiency has existed.

Cause

The School District has only one employee who prepares all accounting records.

Effect

This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions.

Recommendation

We recommend the board take a more active role in their oversight of cash, revenues, receivables, payables, payroll, inventory, capital assets, indebtedness, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations.

Management's Response

Robert Graff is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of Agar-Blunt-Onida School District No 58-3 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. Agar-Blunt-Onida School District No 58-3 has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, payables, payroll, inventory, capital assets, indebtedness, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations. Agar-Blunt-Onida School District No 58-3 is aware of this problem and is attempting to provide compensating controls by having the board president and administrative assistant review the monthly bank statement. Also, the administrative assistant reviews the automatic payments and direct deposits associated with the monthly payroll for accuracy. However, this lack of segregation of duties regarding cash, revenues, receivables, payables, payroll, inventory, capital assets, indebtedness, equity, and the preparation of Trust and Agency receipts, disbursements and bank reconciliations continues to exist.

Finding #2019-02

Criteria

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2019
(Continued)

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause

The School District had some adjustments that needed to be made in order to get their accounting records in accordance with GAAP.

Effect

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

Recommendation

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

Management's Response

Robert Graff is the contact person responsible for the corrective action plan for this comment. He stated that the School District will assume the risk associated with this condition. It is cost prohibitive to hire additional staff to review the School District's records for material adjustments. The School District's business manager will work more diligently to identify material adjustments prior to submitting the annual report to the South Dakota Department of Education.

COMPLIANCE AND OTHER MATTERS:

There are no written compliance and other matters audit findings to report.

Closing Conference

The contents of this report were discussed with Robert Graff, Kevin Pickner, and Mary Sieck on September 11, 2019.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

ROY R FAUTH, CPA
WILLIAM J BACHMEIER, CPA

117 E 3RD STREET • PO BOX 127
MILLER, SD 57362
605- 853-2744 • 605- 853-2745 (FAX)

WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
Agar-Blunt-Onida School District No 58-3
Sully County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Agar-Blunt-Onida School District No 58-3, South Dakota (School District), as of June 30, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Agar-Blunt-Onida School District No 58-3, as of June 30, 2019, 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 Budgetary Comparison Schedules, the Schedule of the School District Pension Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 39 through 46 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohlman, Bierschbach & Anderson, LLP

November 12, 2019

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

STATEMENT OF NET POSITION

JUNE 30, 2019

| | PRIMARY GOVERNMENT | | |
|---|----------------------------|-----------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 7,387,122 | \$ 9,010 | \$ 7,396,132 |
| Investments | 200,000 | -- | 200,000 |
| Taxes receivable | 2,136,872 | -- | 2,136,872 |
| Inventories | 67,966 | 1,119 | 69,085 |
| Other assets | 196,067 | 1,800 | 197,867 |
| Net pension asset | 2,193 | 42 | 2,235 |
| Capital Assets: | | | |
| Land, improvements and construction in progress | 139,430 | -- | 139,430 |
| Other capital assets, net of depreciation | <u>10,780,237</u> | <u>32,142</u> | <u>10,812,379</u> |
| TOTAL ASSETS | <u>20,909,887</u> | <u>44,113</u> | <u>20,954,000</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related deferred outflows | <u>774,124</u> | <u>16,518</u> | <u>790,642</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>774,124</u> | <u>16,518</u> | <u>790,642</u> |
| LIABILITIES: | | | |
| Accounts payable | 67,121 | 244 | 67,365 |
| Other current liabilities | 457,103 | 2,567 | 459,670 |
| Noncurrent Liabilities: | | | |
| Due within one year | 499,506 | -- | 499,506 |
| Due in more than one year | <u>5,692,284</u> | <u>--</u> | <u>5,692,284</u> |
| TOTAL LIABILITIES | <u>6,716,014</u> | <u>2,811</u> | <u>6,718,825</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Taxes levied for future period | 2,621,738 | -- | 2,621,738 |
| Pension related deferred inflows | <u>195,870</u> | <u>2,630</u> | <u>198,500</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,817,608</u> | <u>2,630</u> | <u>2,820,238</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 4,774,667 | 32,142 | 4,806,809 |
| Restricted for: | | | |
| Capital outlay purposes | 3,338,448 | -- | 3,338,448 |
| Special education purposes | 761,212 | -- | 761,212 |
| SDRS pension purposes | 580,447 | 13,930 | 594,377 |
| Unrestricted | <u>2,695,615</u> | <u>9,118</u> | <u>2,704,733</u> |
| TOTAL NET POSITION | <u>\$12,150,389</u> | <u>\$55,190</u> | <u>\$12,205,579</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------------|-------------------------|------------------------------------|---|--------------------------|----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Primary Government | | Total |
| | | | | Governmental Activities | Business-Type Activities | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| Instruction | \$2,546,785 | \$ -- | \$161,638 | \$ (2,385,147) | | \$ (2,385,147) |
| Support services | 1,738,350 | 45,380 | 2,768 | (1,690,202) | | (1,690,202) |
| *Interest on long-term debt | 170,150 | -- | -- | (170,150) | | (170,150) |
| Cocurricular activities | <u>302,657</u> | <u>19,689</u> | <u>--</u> | <u>(282,968)</u> | | <u>(282,968)</u> |
| Total Governmental Activities | <u>4,757,942</u> | <u>65,069</u> | <u>164,406</u> | <u>(4,528,467)</u> | | <u>(4,528,467)</u> |
| Business-Type Activities: | | | | | | |
| Food service | 135,714 | 66,583 | 44,245 | | \$(24,886) | (24,886) |
| Drivers education | <u>7,292</u> | <u>3,345</u> | <u>--</u> | | <u>(3,947)</u> | <u>(3,947)</u> |
| Total Business-Type Activities | <u>143,006</u> | <u>69,928</u> | <u>44,245</u> | | <u>(28,833)</u> | <u>(28,833)</u> |
| Total Primary Government | <u>\$4,900,948</u> | <u>\$134,997</u> | <u>\$208,651</u> | <u>(4,528,467)</u> | <u>(28,833)</u> | <u>(4,557,300)</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| | | | | 5,131,282 | -- | 5,131,282 |
| | | | | 208,166 | -- | 208,166 |
| Revenue from state sources: | | | | | | |
| | | | | 115,659 | -- | 115,659 |
| Grants and contributions not restricted to specific programs | | | | | | |
| | | | | 517 | -- | 517 |
| Unrestricted investment earnings | | | | | | |
| | | | | 11,005 | -- | 11,005 |
| Other general revenues | | | | | | |
| | | | | 38,293 | -- | 38,293 |
| Transfers | | | | | | |
| | | | | <u>(29,376)</u> | <u>29,376</u> | <u>--</u> |
| Total General Revenues and Transfers | | | | <u>5,475,546</u> | <u>29,376</u> | <u>5,504,922</u> |
| CHANGE IN NET POSITION | | | | 947,079 | 543 | 947,622 |
| NET POSITION - BEGINNING | | | | <u>11,203,310</u> | <u>54,647</u> | <u>11,257,957</u> |
| NET POSITION - ENDING | | | | <u>\$12,150,389</u> | <u>\$ 55,190</u> | <u>\$12,205,579</u> |

* 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 notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------------|------------------------------------|---------------------------------------|---|
| ASSETS: | | | | |
| Cash and cash equivalents | \$2,872,529 | \$3,682,790 | \$ 831,803 | \$7,387,122 |
| Investments | 200,000 | -- | -- | 200,000 |
| Taxes receivable - current | 975,250 | 923,130 | 185,230 | 2,083,610 |
| Taxes receivable - delinquent | 27,181 | 22,516 | 3,565 | 53,262 |
| Due from federal government | 20,241 | -- | 27,857 | 48,098 |
| Due from state government | 61,545 | -- | -- | 61,545 |
| Due from county government | 484 | -- | -- | 484 |
| Inventory of supplies | -- | 67,966 | -- | 67,966 |
| Deposits | 33,469 | -- | -- | 33,469 |
| Prepaid expenses | <u>52,471</u> | <u>--</u> | <u>--</u> | <u>52,471</u> |
| TOTAL ASSETS | <u>\$4,243,170</u> | <u>\$4,696,402</u> | <u>\$1,048,455</u> | <u>\$9,988,027</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 34,675 | \$ 23,646 | \$ 8,800 | \$ 67,121 |
| Contracts payable | 217,887 | -- | 38,772 | 256,659 |
| Construction contracts payable | -- | 166,000 | -- | 166,000 |
| Payroll deductions and withholdings and employer matching payable | <u>29,197</u> | <u>--</u> | <u>5,247</u> | <u>34,444</u> |
| TOTAL LIABILITIES | <u>281,759</u> | <u>189,646</u> | <u>52,819</u> | <u>524,224</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenue - property taxes | 27,181 | 22,516 | 3,565 | 53,262 |
| Taxes levied for future period | <u>1,219,006</u> | <u>1,168,308</u> | <u>234,424</u> | <u>2,621,738</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,246,187</u> | <u>1,190,824</u> | <u>237,989</u> | <u>2,675,000</u> |
| FUND BALANCES: | | | | |
| Nonspendable | 85,940 | 67,966 | -- | 153,906 |
| Restricted | -- | 3,247,966 | 757,647 | 4,005,613 |
| Assigned | 336,860 | -- | -- | 336,860 |
| Unassigned | <u>2,292,424</u> | <u>--</u> | <u>--</u> | <u>2,292,424</u> |
| TOTAL FUND BALANCES | <u>2,715,224</u> | <u>3,315,932</u> | <u>757,647</u> | <u>6,788,803</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$4,243,170</u> | <u>\$4,696,402</u> | <u>\$1,048,455</u> | <u>\$9,988,027</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

| | |
|--|---------------------|
| Total Fund Balances - Governmental Funds | \$ 6,788,803 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | 2,193 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. | 10,919,667 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | 774,124 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| CO certificates \$6,145,000 | |
| Accrued leave \$ <u>46,790</u> | (6,191,790) |
| Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. | |
| Taxes receivable \$ <u>53,262</u> | 53,262 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | <u>(195,870)</u> |
| Net Position - Governmental Activities | <u>\$12,150,389</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

| | General Fund | Capital Outlay Fund | Special Education Fund | Total Governmental Funds |
|---|-------------------------|---------------------------|------------------------------|--------------------------------|
| REVENUES: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$2,355,404 | \$2,317,600 | \$406,705 | \$5,079,709 |
| Prior years' ad valorem taxes | 10,293 | 6,894 | 1,079 | 18,266 |
| Tax deed revenue | 82 | -- | -- | 82 |
| Utility taxes | 208,166 | -- | -- | 208,166 |
| Penalties and interest on taxes | 5,264 | 4,923 | 760 | 10,947 |
| Earnings on investments and deposits | 7,427 | 2,772 | 806 | 11,005 |
| Cocurricular activities: | | | | |
| Admissions | 19,439 | -- | -- | 19,439 |
| Rentals | 250 | -- | -- | 250 |
| Other revenue from local sources: | | | | |
| Contributions and donations | 332 | -- | 185 | 517 |
| Services provided other school districts | -- | -- | 13,558 | 13,558 |
| Refund of prior years' expenditures | 3,604 | -- | -- | 3,604 |
| Charges for services | 4,446 | -- | 376 | 4,822 |
| Other | 9,921 | -- | -- | 9,921 |
| Revenue from Intermediate Sources: | | | | |
| County sources: | | | | |
| County apportionment | 24,589 | -- | -- | 24,589 |
| Revenue in lieu of taxes | 179 | -- | -- | 179 |
| Revenue for joint facilities | 27,000 | -- | -- | 27,000 |
| Revenue from State Sources: | | | | |
| Grants-in-aid: | | | | |
| Unrestricted grants-in-aid | 115,659 | -- | -- | 115,659 |
| Restricted grants-in-aid | 2,768 | -- | -- | 2,768 |
| Revenue from Federal Sources: | | | | |
| Grants-in-aid: | | | | |
| Restricted grants-in-aid received directly from federal government | 15,126 | -- | -- | 15,126 |
| Restricted grants-in-aid received from federal government through the state | <u>72,253</u> | <u>--</u> | <u>74,259</u> | <u>146,512</u> |
| TOTAL REVENUE | <u>2,882,202</u> | <u>2,332,189</u> | <u>497,728</u> | <u>5,712,119</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 796,367 | 180,275 | -- | 976,642 |
| Middle/Junior high | 196,652 | 33,099 | -- | 229,751 |
| High school | 464,796 | 43,090 | -- | 507,886 |
| Special programs: | | | | |
| Programs for special education | -- | -- | 461,406 | 461,406 |
| Culturally different | 33,611 | -- | -- | 33,611 |
| Educationally deprived | 81,448 | -- | -- | 81,448 |

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------------------|---------------------------------------|---|
| Support Services: | | | | |
| Students: | | | | |
| Guidance | 63,336 | -- | -- | 63,336 |
| Health | 7,237 | -- | -- | 7,237 |
| Psychological | -- | -- | 7,251 | 7,251 |
| Speech pathology | -- | -- | 67,621 | 67,621 |
| Student therapy services | -- | -- | 44,571 | 44,571 |
| Instructional staff: | | | | |
| Improvement of instruction | 10,860 | -- | -- | 10,860 |
| Educational media | 68,378 | -- | -- | 68,378 |
| General administration: | | | | |
| Board of education | 59,133 | -- | -- | 59,133 |
| Executive administration | 165,998 | -- | -- | 165,998 |
| School administration: | | | | |
| Office of the principal | 201,046 | 1,555 | -- | 202,601 |
| Other | 440 | -- | -- | 440 |
| Business: | | | | |
| Fiscal services | 108,079 | -- | -- | 108,079 |
| Facilities acquisition and construction | -- | 83,314 | -- | 83,314 |
| Operation and maintenance of plant | 516,202 | 20,643 | -- | 536,845 |
| Student transportation | 76,750 | -- | -- | 76,750 |
| Food services | -- | 6,439 | -- | 6,439 |
| Central: | | | | |
| Staff | 213 | -- | -- | 213 |
| Special education: | | | | |
| Administrative costs | -- | -- | 7,800 | 7,800 |
| Other special education costs | -- | -- | 7,807 | 7,807 |
| Debt Services | -- | 660,150 | -- | 660,150 |
| Cocurricular Activities: | | | | |
| Male activities | 54,510 | 7,967 | -- | 62,477 |
| Female activities | 29,886 | -- | -- | 29,886 |
| Transportation | 8,407 | -- | -- | 8,407 |
| Combined activities | 90,313 | 18,865 | -- | 109,178 |
| Capital Outlay | <u>2,552</u> | <u>662,760</u> | <u>--</u> | <u>665,312</u> |
| TOTAL EXPENDITURES | <u>3,036,214</u> | <u>1,718,157</u> | <u>596,456</u> | <u>5,350,827</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>(154,012)</u> | <u>614,032</u> | <u>(98,728)</u> | <u>361,292</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 250,000 | -- | -- | 250,000 |
| Transfers out | <u>(23,417)</u> | <u>(250,000)</u> | <u>--</u> | <u>(273,417)</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019
(Continued)

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------------|------------------------------------|---------------------------------------|---|
| TOTAL OTHER FINANCING SOURCES (USES) | <u>226,583</u> | <u>(250,000)</u> | -- | <u>(23,417)</u> |
| NET CHANGE IN FUND BALANCES | 72,571 | 364,032 | (98,728) | 337,875 |
| FUND BALANCE - BEGINNING | <u>2,642,653</u> | <u>2,951,900</u> | <u>856,375</u> | <u>6,450,928</u> |
| FUND BALANCE - ENDING | <u>\$2,715,224</u> | <u>\$3,315,932</u> | <u>\$757,647</u> | <u>\$6,788,803</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

| | | |
|--|------------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ 337,875 |
| 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. | | 665,312 |
| 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. | | (393,709) |
| In the statement of activities, losses (\$8,764) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. | | (8,764) |
| Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position. | | |
| CO certificates | <u>\$490,000</u> | 490,000 |
| In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria." | | 22,278 |
| 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. | | |
| Sick leave | \$7,550 | |
| Other leave types | <u>1,267</u> | (8,817) |
| 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. | | (163,813) |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | | <u>6,717</u> |
| Change in Net Position of Governmental Activities | | <u>\$ 947,079</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

| | Enterprise Funds | | Totals |
|--|-------------------------|-----------------------------|-------------------------|
| | Food Service Fund | Other Enterprise Fund | |
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 4,884 | \$4,126 | \$ 9,010 |
| Accounts receivable, net | -- | 175 | 175 |
| Inventory - stores for resale | 510 | -- | 510 |
| Inventory of donated food | 609 | -- | 609 |
| Prepaid expenses | <u>1,625</u> | <u>--</u> | <u>1,625</u> |
| Total Current Assets | <u>7,628</u> | <u>4,301</u> | <u>11,929</u> |
| Noncurrent Assets: | | | |
| Net pension asset | 36 | 6 | 42 |
| Capital Assets: | | | |
| Machinery and equipment - local funds | 111,142 | -- | 111,142 |
| Less: accumulated depreciation | <u>(79,000)</u> | <u>--</u> | <u>(79,000)</u> |
| Total Noncurrent Assets | <u>32,178</u> | <u>6</u> | <u>32,184</u> |
| TOTAL ASSETS | <u>39,806</u> | <u>4,307</u> | <u>44,113</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related deferred outflows | <u>15,166</u> | <u>1,352</u> | <u>16,518</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>15,166</u> | <u>1,352</u> | <u>16,518</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable | -- | 244 | 244 |
| Contracts payable | -- | 2,268 | 2,268 |
| Payroll deductions and withholdings and employer matching payable | <u>--</u> | <u>299</u> | <u>299</u> |
| TOTAL LIABILITIES | <u>--</u> | <u>2,811</u> | <u>2,811</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Pension related deferred inflows | <u>2,447</u> | <u>183</u> | <u>2,630</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>2,447</u> | <u>183</u> | <u>2,630</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 32,142 | -- | 32,142 |
| Restricted for SDRS pension purposes | 12,755 | 1,175 | 13,930 |
| Unrestricted net position | <u>7,628</u> | <u>1,490</u> | <u>9,118</u> |
| TOTAL NET POSITION | <u>\$ 52,525</u> | <u>\$ 2,665</u> | <u>\$ 55,190</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2019

| | Enterprise Funds | | Totals |
|--|-------------------------|-----------------------------|------------------|
| | Food Service Fund | Other Enterprise Fund | |
| OPERATING REVENUE: | | | |
| Food Sales: | | | |
| Student | \$ 57,713 | \$ -- | \$ 57,713 |
| Adult | 3,975 | -- | 3,975 |
| Ala carte | 4,722 | -- | 4,722 |
| Other charges for goods and services | <u>173</u> | <u>3,345</u> | <u>3,518</u> |
| TOTAL OPERATING REVENUE | <u>66,583</u> | <u>3,345</u> | <u>69,928</u> |
| OPERATING EXPENSES: | | | |
| Salaries | 38,981 | 5,582 | 44,563 |
| Employee benefits | 27,114 | 1,018 | 28,132 |
| Purchased services | 1,920 | 341 | 2,261 |
| Supplies | 2,784 | 351 | 3,135 |
| Cost of sales - purchased | 46,284 | -- | 46,284 |
| Cost of sales - donated | 11,409 | -- | 11,409 |
| Other | 627 | -- | 627 |
| Depreciation | <u>4,841</u> | <u>--</u> | <u>4,841</u> |
| TOTAL OPERATING EXPENSES | <u>133,960</u> | <u>7,292</u> | <u>141,252</u> |
| OPERATING LOSS | <u>(67,377)</u> | <u>(3,947)</u> | <u>(71,324)</u> |
| NONOPERATING REVENUE: | | | |
| State grants | 501 | -- | 501 |
| Federal grants | 31,989 | -- | 31,989 |
| Donated food | 11,755 | -- | 11,755 |
| NONOPERATING EXPENSE: | | | |
| Loss on disposal of capital assets | <u>(1,754)</u> | <u>--</u> | <u>(1,754)</u> |
| TOTAL NONOPERATING REVENUE | <u>42,491</u> | <u>--</u> | <u>42,491</u> |
| LOSS BEFORE CONTRIBUTIONS AND TRANSFERS | (24,886) | (3,947) | (28,833) |
| CAPITAL CONTRIBUTIONS | 5,959 | -- | 5,959 |
| TRANSFERS IN | <u>20,000</u> | <u>3,417</u> | <u>23,417</u> |
| CHANGE IN NET POSITION | 1,073 | (530) | 543 |
| NET POSITION - BEGINNING | <u>51,452</u> | <u>3,195</u> | <u>54,647</u> |
| NET POSITION - ENDING | <u>\$ 52,525</u> | <u>\$ 2,665</u> | <u>\$ 55,190</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

| | Enterprise Funds | | Totals |
|--|-------------------------|-----------------------------|------------|
| | Food Service Fund | Other Enterprise Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash receipts from customers | \$ 66,583 | \$ 3,170 | \$ 69,753 |
| Cash payments to employees for services | (64,026) | (3,767) | (67,793) |
| Cash payments to suppliers of goods or services | (51,442) | (646) | (52,088) |
| Net cash used by operating activities | (48,885) | (1,243) | (50,128) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers from General Fund | 20,000 | 3,417 | 23,417 |
| Operating grants | 32,490 | -- | 32,490 |
| Net cash flows from noncapital financing activities | 52,490 | 3,417 | 55,907 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| | -- | -- | -- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| | -- | -- | -- |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,605 | 2,174 | 5,779 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,279 | 1,952 | 3,231 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 4,884 | \$ 4,126 | \$ 9,010 |
| <u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u> | | | |
| OPERATING LOSS | \$(67,377) | \$(3,947) | \$(71,324) |
| ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES: | | | |
| Depreciation | 4,841 | -- | 4,841 |
| Value of donated commodities used | 11,409 | -- | 11,409 |
| Change in assets and liabilities: | | | |
| Receivables | -- | (175) | (175) |
| Prepaid expenses | 33 | -- | 33 |
| Inventories | 163 | -- | 163 |
| Net pension asset | 57 | (2) | 55 |
| Pension related deferred outflows | 1,937 | 172 | 2,109 |
| Accounts and other payables | (459) | 345 | (114) |
| Contracts payable | (85) | 2,268 | 2,183 |
| Pension related deferred inflows | 596 | 96 | 692 |
| NET CASH USED BY OPERATING ACTIVITIES | \$(48,885) | \$(1,243) | \$(50,128) |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | | |
| Loss on disposal of capital assets not affecting operating income | \$ 1,754 | \$ -- | \$ 1,754 |
| Value of commodities received | \$ 11,755 | \$ -- | \$ 11,755 |
| Equipment purchased by capital outlay fund | \$ 5,959 | \$ -- | \$ 5,959 |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS: | |
| Cash and cash equivalents | <u>\$69,235</u> |
| TOTAL ASSETS | <u>\$69,235</u> |
| LIABILITIES: | |
| Amounts held for others | <u>\$69,235</u> |
| TOTAL LIABILITIES | <u>\$69,235</u> |

The notes to the financial statements are an integral part of this statement.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 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 Agar-Blunt-Onida School District No 58-3 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

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

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

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

Fund Financial Statements:

Fund financial statements of the 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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

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 ten 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 five 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 Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources 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 who reside within the School District. This fund is financed by grants and property taxes. 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 or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. 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.)

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

- b. 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.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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.

Drivers Education Fund - A fund used to record financial transactions related to the drivers' education operations. This fund is financed by user charges. This is not a major fund and is the only "other enterprise fund" in the Enterprise Fund financial statements.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

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 agency funds to hold assets as an agent in a trustee capacity for various classes, clubs, and school organizations.

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.

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 fund types.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, 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 for the School District is 60 days. The revenues which are accrued at June 30, 2019, are for federal reimbursement and for property taxes.

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 a 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 fund and fiduciary fund types 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.

d. 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 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.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

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

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction-period interest is capitalized in accordance with USGAAP.

The total June 30, 2019 balance of capital assets for governmental activities includes approximately 15 percent for which the costs were determined by estimates of the original costs. The total June 30, 2019 balance of capital assets for business-type activities includes approximately 35 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by appraisals.

Depreciation of all exhaustible capital 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:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|--|-------------------------------------|--------------------------------|----------------------------------|
| Land | \$ -- | N/A | N/A |
| Buildings | \$ 25,000 | Straight-line | 50 years |
| Machinery and Equipment - Governmental | \$ 5,000 | Straight-line | 7 - 20 years |
| Machinery and Equipment - Proprietary | \$ 500 | Straight-line | 10 - 15 years |

Land is an inexhaustible capital asset and is not depreciated.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

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.

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of accrued leave payable and capital outlay certificates payable.

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

g. 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 two categories, as follows:

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

h. 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.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

i. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. 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.

k. 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.

l. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

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 or 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 Nonspendable Fund Balance is comprised of the following:

Amount reported in non-spendable form such as inventory, prepaid expenses, and deposits.

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

The Government does not have a formal minimum fund balance policy.

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

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

A schedule of fund balances is provided as follows:

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - (Continued)

Agar-Blunt-Onida School District No 58-3
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2019

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Total Governmental Funds</u> |
|----------------------------|---------------------------|--------------------------------|-----------------------------------|-------------------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Inventory | \$ -- | \$ 67,966 | \$ -- | \$ 67,966 |
| Prepaid expenses | 52,471 | -- | -- | 52,471 |
| Deposits | 33,469 | -- | -- | 33,469 |
| Restricted for: | | | | |
| Capital Outlay Fund | -- | 3,247,966 | -- | 3,247,966 |
| Special Education Fund | -- | -- | 757,647 | 757,647 |
| Assigned to: | | | | |
| Unemployment | 23,077 | -- | -- | 23,077 |
| Subsequent year's budget | 313,783 | -- | -- | 313,783 |
| Unassigned | <u>2,292,424</u> | <u>--</u> | <u>--</u> | <u>2,292,424</u> |
| Total Fund Balances | <u>\$2,715,224</u> | <u>\$3,315,932</u> | <u>\$757,647</u> | <u>\$6,788,803</u> |

m. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, 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.

NOTE 2 - DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all the funds except for the Food Service Fund and the Agency Funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District'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.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - (Continued)

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

As of June 30, 2019, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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. More than 5 percent of the School District's investments are in certificates of deposits - 100%.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables and payables are aggregated in the Statement of Net Position. However, the detail of all receivables and current payables is shown in the Governmental Funds Balance Sheet. Unavailable revenue - property taxes, which is shown as a current liability on the Governmental Funds Balance Sheet, is also shown on the Statement of Net Position, with the difference of \$53,262 between the two statements shown as a reconciling item on the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position. The detail of the noncurrent liabilities on the Statement of Net Position is shown at Note 7. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectables have been established as follows:

They have been estimated as immaterial, with an allowance balance of zero.

NOTE 4 - INVENTORY

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - (Continued)

In the government-wide financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. 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.

NOTE 5 - PROPERTY TAXES

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 not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019, is as follows:

Primary Government

| | <u>Balance</u> <u>07/01/2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>06/30/2019</u> |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 11,430 | \$ -- | \$ -- | \$ 11,430 |
| Construction in progress | <u>440,256</u> | <u>128,000</u> | <u>440,256</u> | <u>128,000</u> |
| Total, not being depreciated | <u>451,686</u> | <u>128,000</u> | <u>440,256</u> | <u>139,430</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 10,392,898 | 205,000 | -- | 10,597,898 |
| Improvements | 1,619,662 | 510,438 | -- | 2,130,100 |
| Machinery and equipment | <u>1,463,067</u> | <u>262,130</u> | <u>151,320</u> | <u>1,573,877</u> |
| Total, being depreciated | <u>13,475,627</u> | <u>977,568</u> | <u>151,320</u> | <u>14,301,875</u> |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - (Continued)

| | <u>Balance</u> <u>07/01/2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>06/30/2019</u> |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | 1,715,102 | 212,267 | -- | 1,927,369 |
| Improvements | 407,185 | 105,094 | -- | 512,279 |
| Machinery and equipment | <u>1,148,198</u> | <u>76,348</u> | <u>142,556</u> | <u>1,081,990</u> |
| Total accumulated depreciation | <u>3,270,485</u> | <u>393,709</u> | <u>142,556</u> | <u>3,521,638</u> |
| Total capital assets, being depreciated, net | <u>10,205,142</u> | <u>583,859</u> | <u>8,764</u> | <u>10,780,237</u> |
| Governmental activity capital assets, net | <u>\$10,656,828</u> | <u>\$711,859</u> | <u>\$449,020</u> | <u>\$10,919,667</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|------------------|
| Governmental activities: | |
| Instruction | \$143,540 |
| Support services | 163,743 |
| Cocurricular activities | <u>86,426</u> |
| Total depreciation expense - governmental activities | <u>\$393,709</u> |

| | <u>Balance</u> <u>07/01/2018</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>06/30/2019</u> |
|--|-------------------------------------|------------------|------------------|-------------------------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and equipment | \$109,470 | \$5,959 | \$4,287 | \$111,142 |
| Less accumulated depreciation for: | | | | |
| Machinery and equipment | <u>76,692</u> | <u>4,841</u> | <u>2,533</u> | <u>79,000</u> |
| Business-type activity capital assets, net | <u>\$ 32,778</u> | <u>\$1,118</u> | <u>\$1,754</u> | <u>\$ 32,142</u> |

Depreciation expense was charged to functions as follows:

| | |
|---------------------------|----------------|
| Business-type activities: | |
| Food services | <u>\$4,841</u> |

Construction work in progress at June 30, 2019, is composed of the following:

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - (Continued)

| <u>Project Name</u> | <u>Project Authorization</u> | <u>Expended Thru June 30, 2019</u> | <u>Committed</u> | <u>Required Future Financing</u> |
|----------------------|----------------------------------|--|------------------|--|
| Bathroom remodel | \$209,500 | \$ 88,000 | \$121,500 | \$-- |
| Library improvements | <u>73,000</u> | <u>40,000</u> | <u>33,000</u> | -- |
| Total | <u>\$282,500</u> | <u>\$128,000</u> | <u>\$154,500</u> | <u>\$--</u> |

NOTE 7 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2019, is as follows:

PRIMARY GOVERNMENT

Governmental Activities

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------------------|------------------|------------------|---------------------------|--------------------------------|
| Capital outlay certificates | \$6,635,000 | \$ -- | \$490,000 | \$6,145,000 | \$495,000 |
| Compensated absences | <u>37,973</u> | <u>8,817</u> | -- | <u>46,790</u> | <u>4,506</u> |
| Total Governmental Activities | <u>\$6,672,973</u> | <u>\$8,817</u> | <u>\$490,000</u> | <u>\$6,191,790</u> | <u>\$499,506</u> |

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

Liabilities payable at June 30, 2019, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Capital Outlay Certificates:

Requires semi-annual payments of not more than \$662,093 for the year, with the first payment due June 1, 2015, from the Capital Outlay Fund with a varying interest rate from 0.35% to 3.25% with the final payment to be made December 1, 2029.

\$6,145,000

Compensated Absences:

Accrued sick leave - to be paid by the General Fund and Special Education Fund.

\$ 40,447

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - (Continued)

Accrued personal leave - to be paid by the General Fund and Special Education Fund. \$ 6,343

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2019, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2019

| <u>Year Ending</u> <u>June 30,</u> | <u>Capital Outlay</u> <u>Certificates Payable</u> | |
|---------------------------------------|--|--------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ 495,000 | \$ 162,150 |
| 2021 | 505,000 | 152,150 |
| 2022 | 515,000 | 141,950 |
| 2023 | 525,000 | 131,550 |
| 2024 | 535,000 | 118,275 |
| 2025-2029 | 2,930,000 | 335,975 |
| 2030 | <u>640,000</u> | <u>10,400</u> |
| Totals | <u>\$6,145,000</u> | <u>\$1,052,450</u> |

NOTE 8 - OPERATING LEASES

The School District has one operating lease for four copiers which is being paid out of the Capital Outlay Fund with a total paid of \$24,085 for the fiscal year ended June 30, 2019.

The following are the minimum payments required for the existing operating lease:

| <u>Year</u> | <u>Capital Outlay Fund</u> |
|-------------|----------------------------|
| 2020 | \$24,651 |
| 2021 | 24,651 |
| 2022 | <u>2,054</u> |
| Total | <u>\$51,356</u> |

NOTE 9 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2019, was as follows:

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - (Continued)

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|--------------------------------------|----------------------|---------------------------|
| Major Funds: | | |
| Capital Outlay Purposes | Law | \$3,338,448 |
| Special Education Purposes | Law | 761,212 |
| SDRS Pension Purposes | Law | <u>594,377</u> |
| Total Restricted Net Position | | <u>\$4,694,037</u> |

These balances are restricted due to statutory requirements.

NOTE 10 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, were as follows:

| <u>Transfers From:</u> | <u>Transfers To:</u> | | | <u>Total</u> |
|------------------------|-------------------------|--------------------------|------------------------------|-------------------------|
| | <u>General Fund</u> | <u>Food Service Fund</u> | <u>Other Enterprise Fund</u> | |
| Major Funds: | | | | |
| General Fund | \$ -- | \$20,000 | \$3,417 | -\$ 23,417 |
| Capital Outlay Fund | <u>250,000</u> | -- | -- | <u>250,000</u> |
| Total | <u>\$250,000</u> | <u>\$20,000</u> | <u>\$3,417</u> | <u>\$273,417</u> |

The School District transferred money from the General Fund to the Food Service Fund to provide money for the general operation of the lunch program, and to the Drivers Education Fund to provide money for the general operation of the drivers education program. The Capital Outlay Fund transferred money to the General Fund to provide money to help with general operation.

NOTE 11 - PENSION PLAN

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 benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - (Continued)

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.

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, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - (Continued)

Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018 and 2017, were \$126,458, \$119,518, and \$110,435, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2018, SDRS is 100.02% 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, 2019, are as follows:

| | |
|---|---------------------|
| Proportionate share of pension liability | \$ 11,721,799 |
| Less proportionate share of net position restricted for pension benefits | <u>(11,724,034)</u> |
| Proportionate share of net pension asset | <u>\$ (2,235)</u> |

At June 30, 2019, the School District reported an asset of \$2,235 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the School District's proportion was .0958181%, which is an increase of .005229% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$159,953. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 84,463 | \$ -- |
| Changes in assumption | 567,351 | -- |
| Net difference between projected and actual earnings on pension plan investments | -- | 168,891 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 12,370 | 29,609 |
| School District contributions subsequent to the measurement date | <u>126,458</u> | <u>--</u> |
| Total | <u>\$790,642</u> | <u>\$198,500</u> |

\$126,458 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

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - (Continued)

in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

| | |
|-------|------------------|
| 2020 | \$300,174 |
| 2021 | 222,630 |
| 2022 | (35,810) |
| 2023 | <u>(21,310)</u> |
| Total | <u>\$465,684</u> |

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 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 6.50% at entry to 3.00% after 25 years of service |
| Discount rate | 6.50% net of plan investment expense |

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

A detailed experience analysis covering the period from June 30, 2011 to June 30, 2016, was conducted and appropriate modifications in the economic and demographic assumptions were made effective with the June 30, 2017 actuarial valuation.

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity | 58.0% | 4.8% |
| Fixed Income | 30.0% | 1.8% |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11 - (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Real Estate | 10.0% | 4.6% |
| Cash | <u>2.0%</u> | 0.7% |
| Total | <u>100.0%</u> | |

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 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.

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

The following presents the School District's proportionate share of net pension asset using the discount rate of 6.50%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 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> |
|--|--------------------|------------------------------|----------------------|
| School District's proportionate share of the net pension liability (asset) | <u>\$1,687,825</u> | <u>\$(2,235)</u> | <u>\$(1,377,007)</u> |

Pension Plan Fiduciary Net Position:

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

NOTE 12 - 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, 2019, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or Dakotacare Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible of \$1,500 to \$4,000.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 12 - (Continued)

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

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. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has Assigned Fund Balance in the General Fund in the amount of \$23,077 for the payment of future unemployment benefits.

During the year ended June 30, 2019, no claims for unemployment benefits were paid. At June 30, 2019, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 13 - LITIGATION

At June 30, 2019, the School District was not involved in any litigation.

NOTE 14 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through November 12, 2019, the date on which the financial statements were available to be issued. The School District has determined there are none.

REQUIRED SUPPLEMENTARY INFORMATION

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|---|-------------------------|-------------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$2,125,200 | \$2,125,200 | \$2,355,404 | \$ 230,204 |
| Prior years' ad valorem taxes | 15,000 | 15,000 | 10,293 | (4,707) |
| Tax deed revenue | 365 | 365 | 82 | (283) |
| Utility taxes | 207,000 | 207,000 | 208,166 | 1,166 |
| Penalties and interest on taxes | 7,500 | 7,500 | 5,264 | (2,236) |
| Earnings on investments and deposits | 9,000 | 9,000 | 7,427 | (1,573) |
| Cocurricular activities: | | | | |
| Admissions | 18,500 | 18,500 | 19,439 | 939 |
| Rentals | 300 | 300 | 250 | (50) |
| Other revenue from local sources: | | | | |
| Contributions and donations | 500 | 500 | 332 | (168) |
| Refund of prior years' expenditures | -- | -- | 3,604 | 3,604 |
| Charges for services | 3,000 | 3,000 | 4,446 | 1,446 |
| Other | 5,000 | 5,000 | 9,921 | 4,921 |
| Revenue from Intermediate Sources: | | | | |
| County sources: | | | | |
| County apportionment | 25,000 | 25,000 | 24,589 | (411) |
| Revenue in lieu of taxes | 220 | 220 | 179 | (41) |
| Revenue for joint facilities | 27,000 | 27,000 | 27,000 | -- |
| Revenue from State Sources: | | | | |
| Grants-in-aid: | | | | |
| Unrestricted grants-in-aid | 129,500 | 129,500 | 115,659 | (13,841) |
| Restricted grants-in-aid | -- | -- | 2,768 | 2,768 |
| Revenue from Federal Sources: | | | | |
| Grants-in-aid: | | | | |
| Restricted grants-in-aid received directly from federal government | 16,000 | 16,000 | 15,126 | (874) |
| Restricted grants-in-aid received from federal government through the state | <u>74,825</u> | <u>74,825</u> | <u>72,253</u> | <u>(2,572)</u> |
| TOTAL REVENUE | <u>2,663,910</u> | <u>2,663,910</u> | <u>2,882,202</u> | <u>218,292</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 782,845 | 791,390 | 796,367 | (4,977) |
| Middle/Junior high | 197,785 | 197,785 | 196,652 | 1,133 |

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| High school | 483,375 | 483,375 | 464,796 | 18,579 |
| Special programs: | | | | |
| Culturally different | -- | 32,083 | 33,611 | (1,528) |
| Educationally deprived | 84,615 | 84,615 | 81,448 | 3,167 |
| Support Services: | | | | |
| Students: | | | | |
| Guidance | 65,515 | 65,515 | 63,336 | 2,179 |
| Health | 6,250 | 7,365 | 7,237 | 128 |
| Instructional staff: | | | | |
| Improvement of instruction | 8,635 | 15,648 | 10,860 | 4,788 |
| Educational media | 110,940 | 110,940 | 70,930 | 40,010 |
| General administration: | | | | |
| Board of education | 43,800 | 43,800 | 59,133 | (15,333) |
| Executive administration | 172,985 | 174,245 | 165,998 | 8,247 |
| School administration: | | | | |
| Office of the principal | 206,780 | 206,780 | 201,046 | 5,734 |
| Other | 335 | 440 | 440 | -- |
| Business: | | | | |
| Fiscal services | 110,450 | 110,450 | 108,079 | 2,371 |
| Operation and maintenance of plant | 548,930 | 549,262 | 516,202 | 33,060 |
| Student transportation services | 57,480 | 81,969 | 76,750 | 5,219 |
| Central: | | | | |
| Staff | 325 | 325 | 213 | 112 |
| Cocurricular Activities: | | | | |
| Male activities | 54,580 | 54,580 | 54,510 | 70 |
| Female activities | 35,800 | 35,800 | 29,886 | 5,914 |
| Transportation | 15,915 | 15,915 | 8,407 | 7,508 |
| Combined activities | 92,735 | 92,735 | 90,313 | 2,422 |
| Contingencies | 100,000 | 100,000 | | |
| Amount transferred | | <u>(77,359)</u> | | <u>22,641</u> |
| TOTAL EXPENDITURES | <u>3,180,075</u> | <u>3,177,658</u> | <u>3,036,214</u> | <u>141,444</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>(516,165)</u> | <u>(513,748)</u> | <u>(154,012)</u> | <u>359,736</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 500,000 | 500,000 | 250,000 | (250,000) |
| Transfers out | <u>(21,000)</u> | <u>(23,417)</u> | <u>(23,417)</u> | <u>--</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>479,000</u> | <u>476,583</u> | <u>226,583</u> | <u>(250,000)</u> |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019
(Continued)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|-----------------------------|-------------------------|--------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| NET CHANGE IN FUND BALANCES | (37,165) | (37,165) | 72,571 | 109,736 |
| FUND BALANCE - BEGINNING | <u>2,642,653</u> | <u>2,642,653</u> | <u>2,642,653</u> | <u>--</u> |
| FUND BALANCE - ENDING | <u>\$2,605,488</u> | <u>\$2,605,488</u> | <u>\$2,715,224</u> | <u>\$ 109,736</u> |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|--|-------------------------|-------------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$1,873,025 | \$1,873,025 | \$2,317,600 | \$ 444,575 |
| Prior years' ad valorem taxes | 7,000 | 7,000 | 6,894 | (106) |
| Penalties and interest on taxes | 7,000 | 7,000 | 4,923 | (2,077) |
| Earnings on investments and deposits | <u>6,500</u> | <u>6,500</u> | <u>2,772</u> | <u>(3,728)</u> |
| TOTAL REVENUE | <u>1,893,525</u> | <u>1,893,525</u> | <u>2,332,189</u> | <u>438,664</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Regular programs: | | | | |
| Elementary | 129,000 | 129,000 | 180,275 | (51,275) |
| Middle/Junior high | 36,000 | 36,000 | 33,099 | 2,901 |
| High school | 47,000 | 47,000 | 43,090 | 3,910 |
| Support Services: | | | | |
| Instructional staff: | | | | |
| Educational media | 9,000 | 9,000 | 41,814 | (32,814) |
| General administration: | | | | |
| Executive administration | 1,560 | 1,560 | -- | 1,560 |
| School administration: | | | | |
| Office of the principal | -- | -- | 1,555 | (1,555) |
| Business: | | | | |
| Facilities acquisition and construction | 770,000 | 770,000 | 476,175 | 293,825 |
| Operation and maintenance of plant | 100,000 | 100,000 | 53,228 | 46,772 |
| Student transportation services | 199,500 | 199,500 | 195,500 | 4,000 |
| Food services | 6,500 | 6,540 | 6,439 | 101 |
| Debt Services | 660,150 | 660,150 | 660,150 | -- |
| Cocurricular Activities: | | | | |
| Male activities | 5,000 | 7,968 | 7,967 | 1 |
| Female activities | 5,000 | 5,000 | -- | 5,000 |
| Combined activities | <u>40,000</u> | <u>40,000</u> | <u>18,865</u> | <u>21,135</u> |
| TOTAL EXPENDITURES | <u>2,008,710</u> | <u>2,011,718</u> | <u>1,718,157</u> | <u>293,561</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | <u>(115,185)</u> | <u>(118,193)</u> | <u>614,032</u> | <u>732,225</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 3,500 | 3,500 | -- | (3,500) |
| Transfers out | <u>(500,000)</u> | <u>(500,000)</u> | <u>(250,000)</u> | <u>250,000</u> |

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|---|-------------------------|--------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(496,500)</u> | <u>(496,500)</u> | <u>(250,000)</u> | <u>246,500</u> |
| NET CHANGE IN FUND BALANCES | (611,685) | (614,693) | 364,032 | 978,725 |
| FUND BALANCE - BEGINNING | <u>2,951,900</u> | <u>2,951,900</u> | <u>2,951,900</u> | <u>--</u> |
| FUND BALANCE - ENDING | <u>\$2,340,215</u> | <u>\$2,337,207</u> | <u>\$3,315,932</u> | <u>\$ 978,725</u> |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND -
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2019

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|--------------------------|---|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$ 365,280 | \$ 365,280 | \$406,705 | \$ 41,425 |
| Prior years' ad valorem taxes | 2,000 | 2,000 | 1,079 | (921) |
| Penalties and interest on taxes | 1,000 | 1,000 | 760 | (240) |
| Earnings on investments and deposits | 2,000 | 2,000 | 806 | (1,194) |
| Other revenue from local sources: | | | | |
| Contributions and donations | -- | -- | 185 | 185 |
| Services provided other school districts | 13,400 | 13,400 | 13,558 | 158 |
| Charges for services | 255 | 255 | 376 | 121 |
| Revenue from Federal Sources: | | | | |
| Grants-in-aid: | | | | |
| Restricted grants-in-aid received from federal government through the state | <u>74,259</u> | <u>74,259</u> | <u>74,259</u> | <u>--</u> |
| TOTAL REVENUE | <u>458,194</u> | <u>458,194</u> | <u>497,728</u> | <u>39,534</u> |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Special programs: | | | | |
| Programs for special education | 482,595 | 522,456 | 461,406 | 61,050 |
| Support Services: | | | | |
| Students: | | | | |
| Guidance | 1,500 | 1,500 | -- | 1,500 |
| Health | 500 | 500 | -- | 500 |
| Psychological | 13,000 | 13,000 | 7,251 | 5,749 |
| Speech pathology | 69,110 | 69,110 | 67,621 | 1,489 |
| Student therapy services | 40,000 | 51,015 | 44,571 | 6,444 |
| Special education: | | | | |
| Administrative costs | 8,130 | 13,739 | 7,800 | 5,939 |
| Transportation costs | 2,850 | 2,850 | -- | 2,850 |
| Other special education costs | <u>8,200</u> | <u>8,200</u> | <u>7,807</u> | <u>393</u> |
| TOTAL EXPENDITURES | <u>625,885</u> | <u>682,370</u> | <u>596,456</u> | <u>85,914</u> |
| NET CHANGE IN FUND BALANCES | (167,691) | (224,176) | (98,728) | 125,448 |
| FUND BALANCE - BEGINNING | <u>856,375</u> | <u>856,375</u> | <u>856,375</u> | <u>--</u> |
| FUND BALANCE - ENDING | <u>\$ 688,684</u> | <u>\$ 632,199</u> | <u>\$757,647</u> | <u>\$125,448</u> |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2019

NOTE 1 - Budgets and Budgetary Accounting

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 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/Student Transportation function of government, along with all other current Student Transportation related expenditures.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

| | Last 5 Fiscal Years* | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | (Dollar amounts in thousands) | | | | |
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| District's proportion of the net pension liability (asset) | 0.0958181% | 0.0905891% | 0.0966214% | 0.0952238% | 0.0963418% |
| District's proportionate share of net pension liability (asset) | \$ (2) | \$ (8) | \$ 326 | \$ (404) | \$ (694) |
| District's covered payroll | \$1,992 | \$1,841 | \$1,837 | \$1,739 | \$1,685 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 0.10% | 0.43% | 17.75% | 23.23% | 41.19% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 100.02% | 100.10% | 96.89% | 104.10% | 107.30% |

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present the information for those years for which information is available.

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

| | Last 10 Fiscal Years (Dollar amounts in thousands) | | | | | | | | | |
|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
| Contractually required contribution | \$ 126 | \$ 120 | \$ 110 | \$ 110 | \$ 104 | \$ 101 | \$ 99 | \$ 92 | \$ 93 | \$ 92 |
| Contributions in relation to the contractually required contribution | \$ 126 | \$ 120 | \$ 110 | \$ 110 | \$ 104 | \$ 101 | \$ 99 | \$ 92 | \$ 93 | \$ 92 |
| District's covered payroll | \$2,108 | \$1,992 | \$1,841 | \$1,837 | \$1,739 | \$1,685 | \$1,651 | \$1,539 | \$1,556 | \$1,529 |
| Contributions as a percentage of covered payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

AGAR-BLUNT-ONIDA SCHOOL DISTRICT NO 58-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2019

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, 2017, and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017, and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.