

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**HAMLIN SCHOOL DISTRICT NO. 28-3**

**JUNE 30, 2021**

HAMLIN SCHOOL DISTRICT NO. 28-3  
SCHOOL DISTRICT OFFICIALS AND OFFICIAL NEWSPAPER  
June 30, 2021

**Board Members:**

Casper Niemann, President  
Jill Opdahl, Vice-President  
Lynn Popham  
Joe Homola  
Neal Opdahl

**Superintendent:**

Patrick Kraning

**Business Manager:**

Terri L. Gaikowski

**Official Newspapers:**

The Dakotan  
Herald Enterprise

HAMLIN SCHOOL DISTRICT NO. 28-3  
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# **WILLIAM NEALE & CO., P.C.**

Certified Public Accountants

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

School Board  
Hamlin School District No. 28-3  
Hamlin 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 Hamlin School District No. 28-3, South Dakota (School District), as of June 30, 2021 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 February 7, 2022. The report on the governmental activities was qualified because the inventory items were not initially recorded as assets and charged to expense in the various functions of government as they are consumed. The report on the governmental activities, the business-type activities, and the major proprietary funds was qualified because the School District did not record the other postemployment benefits (OPEB) expense/expenditures and the related liabilities (assets) in the financial statements.

### **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 a 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 a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2021-01 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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 response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*William Neale & Co., P.C.*

Watertown, South Dakota  
February 7, 2022

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

School Board  
Hamlin School District No. 28-3  
Hamlin County, South Dakota

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

We have audited the Hamlin School District No. 28-3, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Hamlin School District No. 28-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

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

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

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

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

*William Neale & Co., P.C.*

Watertown, South Dakota  
February 7, 2022



**HAMLIN SCHOOL DISTRICT NO. 28-3**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**June 30, 2021**

**PRIOR AUDIT FINDINGS**

**2020-01**

Finding: A material weakness was reported for a lack of segregation of duties over the revenue function.  
The comment has not been corrected and has been restated as current audit finding number 2021-01.

**HAMLIN SCHOOL DISTRICT NO. 28-3**  
**SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2021**

**SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

- a. An unmodified opinion was issued on the financial statements of the General Fund, Capital Outlay Fund, Special Education Fund, and Capital Projects Fund opinion units. A qualified opinion was issued on the financial statements of the governmental activities, the business-type activities, Food Service Fund, Driver's Education Fund, and the aggregate remaining fund information opinion units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties over the revenue function as discussed in finding number 2021-01.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

**Federal Awards**

- d. No material weaknesses or significant deficiencies were disclosed by our audit of the major federal award programs.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- g. The federal awards tested as major programs were the Coronavirus Relief Fund (21.019) and Elementary and Secondary School Emergency Relief Fund (84.425D).
- h. The threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Hamlin School District No. 28-3 did not qualify as a low-risk entity.

**CURRENT FEDERAL AUDIT FINDINGS**

There are no written current federal audit findings to report.

**CURRENT OTHER AUDIT FINDINGS**

**2021-01 Lack of Segregation of Duties**

*Criteria:* A good system of internal controls, which provides for the proper segregation of duties, results in increased reliability of reported financial data and decreased potential for loss of public assets.

*Condition:* Because the business manager and assistant business manager initiated, recorded, processed, and reported all transactions from the beginning of the year to the end of the year, there is inadequate segregation of duties over the revenue function.

*Cause:* The School District has an insufficient number of employees to adequately segregate duties.

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

*Recommendation:* We recommend that the school board be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

*Management's Response:* Management agrees with this finding. The school board has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. There are no written current other audit findings to report.

# HAMLIN SCHOOL DISTRICT NO. 28-3

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Corrective Action Plan – 2/7/2022  
Cognizant or Oversight Agency for Audit

Hamlin School District 28-3 respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm: William Neale & Co, PC, 304 9<sup>th</sup> Ave SE, Watertown, SD 57201

Audit period: July 1, 2020 – June 30, 2021

The findings from the June 30, 2021 schedule of current audit findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## FINDINGS –CURRENT OTHER AUDIT FINDS MATERIAL WEAKNESS

2021-01

Recommendation: We recommend that the school board be cognizant of this lack of segregation of duties over the revenue function and attempt to provide compensating internal controls whenever and wherever possible and practical.

Action: We agree with the recommendation and will work to implement procedures when possible that may help with oversight. However, it is not practical for Hamlin School District 28-3 to take significant enough steps to remove the weakness completely.

If the cognizant or oversight agency for audit has questions regarding this plan, please call Terri Gaikowski at 605-783-3631.

Sincerely Yours,



Terri L. Gaikowski  
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# **WILLIAM NEALE & CO., P.C.**

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

School Board  
Hamlin School District No. 28-3  
Hamlin 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 Hamlin School District No. 28-3, South Dakota (School District), as of June 30, 2021, 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**

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Qualified Opinions**

As explained in Note 4. to the financial statements, the inventory items for governmental activities are recorded in the government-wide financial statements as expenses at the time of purchase, which is contrary to accounting principles generally accepted in the United States of America (USGAAP). USGAAP requires the inventories for governmental activities to initially be recorded as assets and charged to expense in the various functions of government as they are consumed. The amount by which this departure would affect the assets and expenses in the government-wide financial statements is not reasonably determinable.

*Members of the American Institute and South Dakota Society of Certified Public Accountants*

The School District did not record the other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets) in the financial statements for the governmental activities, the business-type activities, and the major proprietary funds, which is required by accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, and expense/expenditures in the financial statements is not reasonably determinable.

The School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the financial statements is not reasonably determinable.

### **Qualified Opinions**

In our opinion, except for the matters described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, Food Service Fund, Driver's Education Fund, and the aggregate remaining fund information of Hamlin School District No. 28-3, South Dakota, as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Capital Outlay Fund, Special Education Fund, and Capital Projects Fund of Hamlin School District No. 28-3, South Dakota, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity 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, Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of the School District Pension Contributions on pages 44 through 53 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.

### *Supplementary Information*

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2022 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.

*William Neale & Co., P.C.*

Watertown, South Dakota  
February 7, 2022

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF NET POSITION  
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Equivalents	\$ 7,505,999.51	\$ 77,036.06	\$ 7,583,035.57
Savings Certificates	15,000.00	-	15,000.00
Taxes Receivable	2,112,682.80	-	2,112,682.80
Inventories	-	16,115.66	16,115.66
Other Assets	301,675.31	-	301,675.31
Net Pension Asset	6,925.52	224.78	7,150.30
Capital Assets:			
Land, Improvements and Construction Work in Process	97,900.00	-	97,900.00
Other Capital Assets, Net of Depreciation	<u>12,701,733.59</u>	<u>16,956.62</u>	<u>12,718,690.21</u>
<b>TOTAL ASSETS</b>	<u>22,741,916.73</u>	<u>110,333.12</u>	<u>22,852,249.85</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	<u>1,140,632.87</u>	<u>36,822.04</u>	<u>1,177,454.91</u>
<b>LIABILITIES:</b>			
Accounts Payable	82,682.67	939.05	83,621.72
Other Current Liabilities	660,994.81	13,756.98	674,751.79
Noncurrent Liabilities:			
Due Within One Year	468,385.70	-	468,385.70
Due in More than One Year	<u>6,513,540.61</u>	<u>926.00</u>	<u>6,514,466.61</u>
<b>TOTAL LIABILITIES</b>	<u>7,725,603.79</u>	<u>15,622.03</u>	<u>7,741,225.82</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Period	2,077,815.63	-	2,077,815.63
Pension Related Deferred Inflows	<u>909,445.87</u>	<u>29,793.04</u>	<u>939,238.91</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,987,261.50</u>	<u>29,793.04</u>	<u>3,017,054.54</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	6,144,633.59	16,956.62	6,161,590.21
Restricted for:			
Capital Outlay	3,725,286.96	-	3,725,286.96
Special Education	695,527.68	-	695,527.68
SDRS Pension	238,112.52	7,253.78	245,366.30
NPIP Insurance Reserve	61,639.00	-	61,639.00
Unrestricted	<u>2,304,484.56</u>	<u>77,529.69</u>	<u>2,382,014.25</u>
<b>TOTAL NET POSITION</b>	<u>\$ 13,169,684.31</u>	<u>\$ 101,740.09</u>	<u>\$ 13,271,424.40</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position			
		Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 5,215,981.35	\$ 33,299.62	\$ 333,704.02	\$ -	\$ (4,848,977.71) \$ (4,848,977.71)
Support Services	2,584,891.31	-	38,042.73	-	(2,546,848.58) (2,546,848.58)
Nonprogrammed Charges	2,342.50	-	-	-	(2,342.50) (2,342.50)
*Interest on Long-Term Debt	188,553.78	-	-	-	(188,553.78) (188,553.78)
Cocurricular Activities	403,387.93	32,498.23	4,350.00	-	(366,539.70) (366,539.70)
Total Governmental Activities	8,395,156.87	65,797.85	376,096.75	-	(7,953,262.27) (7,953,262.27)
Business-Type Activities:					
Food Service	414,571.85	15,151.65	431,514.21	-	32,094.01 32,094.01
Driver's Education	14,463.32	6,825.00	-	-	(7,638.32) (7,638.32)
Total Business-Type Activities	429,035.17	21,976.65	431,514.21	-	24,455.69 24,455.69
Total Primary Government	\$ 8,824,192.04	\$ 87,774.50	\$ 807,610.96	\$ -	(7,928,806.58) (7,928,806.58)
* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.					
General Revenues:					
Taxes:					
Property Taxes				4,941,896.62	4,941,896.62
Utility Taxes				200,334.23	200,334.23
Revenue from State Sources:					
State Aid				3,195,872.00	3,195,872.00
Other				120,738.28	120,738.28
Revenue from Federal Sources				420,174.63	420,174.63
Unrestricted Investment Earnings				29,731.50	29,779.42
Other General Revenues				94,607.41	94,607.41
Transfers				(3,065.00)	-
Total General Revenues and Transfers				9,000,289.67	9,003,402.59
Change in Net Position				1,047,027.40	1,074,596.01
Net Position - Beginning				12,122,656.91	12,196,828.39
NET POSITION - ENDING				\$ 13,169,684.31	\$ 13,271,424.40

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



HAMLIN SCHOOL DISTRICT NO. 28-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 2,768,778.94	\$ 3,983,497.27	\$ 753,723.30	\$ -	\$ 7,505,999.51
Savings Certificates	15,000.00	-	-	-	15,000.00
Taxes Receivable - Current	786,020.93	793,380.58	520,037.46	-	2,099,438.97
Taxes Receivable - Delinquent	6,712.48	3,986.50	2,544.85	-	13,243.83
Accounts Receivable	5,726.95	-	-	-	5,726.95
Due from Other Governments	234,309.36	-	-	-	234,309.36
Deposits	61,639.00	-	-	-	61,639.00
<b>TOTAL ASSETS</b>	<b>\$ 3,878,187.66</b>	<b>\$ 4,780,864.35</b>	<b>\$ 1,276,305.61</b>	<b>\$ -</b>	<b>\$ 9,935,357.62</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 47,202.46	\$ 24,326.73	\$ 11,153.48	\$ -	\$ 82,682.67
Contracts Payable	428,176.80	-	38,067.62	-	466,244.42
Payroll Deductions and Withholdings and Employer Matching Payable	120,711.12	-	16,367.07	-	137,078.19
<b>Total Liabilities</b>	<b>596,090.38</b>	<b>24,326.73</b>	<b>65,588.17</b>	<b>-</b>	<b>686,005.28</b>
<b>Deferred Inflows of Resources:</b>					
Unavailable Revenue - Property Taxes	6,712.48	3,986.50	2,544.85	-	13,243.83
Unavailable Revenue - Utility Taxes	103,127.90	-	-	-	103,127.90
Taxes Levied for Future Period	776,601.49	786,024.38	515,189.76	-	2,077,815.63
<b>Total Deferred Inflows of Resources</b>	<b>886,441.87</b>	<b>790,010.88</b>	<b>517,734.61</b>	<b>-</b>	<b>2,194,187.36</b>
<b>Fund Balances:</b>					
<b>Nonspendable</b>					
NPIP Insurance Reserve	61,639.00	-	-	-	61,639.00
<b>Restricted</b>					
Capital Outlay	-	3,966,526.74	-	-	3,966,526.74
Special Education	-	-	692,982.83	-	692,982.83
<b>Assigned</b>					
Subsequent Year's Budget	72,352.00	-	-	-	72,352.00
Unemployment	10,265.12	-	-	-	10,265.12
Unassigned	2,251,399.29	-	-	-	2,251,399.29
<b>Total Fund Balances</b>	<b>2,395,655.41</b>	<b>3,966,526.74</b>	<b>692,982.83</b>	<b>-</b>	<b>7,055,164.98</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,878,187.66</b>	<b>\$ 4,780,864.35</b>	<b>\$ 1,276,305.61</b>	<b>\$ -</b>	<b>\$ 9,935,357.62</b>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2021

Total Fund Balances - Governmental Funds				\$ 7,055,164.98
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.				6,925.52
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds.	Capital Assets	19,840,653.10		
	Accumulated Depreciation	<u>(7,041,019.51)</u>		
			12,799,633.59	
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.				1,140,632.87
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.	Capital Outlay Certificates	(6,655,000.00)		
	Accrued Leave Payable	(43,322.23)		
	Early Retirement Benefits Payable	(96,050.00)		
	Premiums on Bonds Issued	(187,554.08)		
	Accrued Interest Payable	<u>(57,672.20)</u>		
			(7,039,598.51)	
Assets, such as taxes receivable that are not available available to pay for the current period expenditures, are deferred in governmental funds.				116,371.73
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.				<u>(909,445.87)</u>
Net Position - Governmental Activities				<u>\$ 13,169,684.31</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 1,838,984.05	\$ 1,856,051.63	\$ 1,207,995.25	\$ -	\$ 4,903,030.93
Prior Years' Ad Valorem Taxes	16,510.96	11,247.34	7,010.22	-	34,768.52
Tax Deed Revenue	1,062.31	807.67	520.88	-	2,390.86
Utility Taxes	199,870.29	-	-	-	199,870.29
Penalties and Interest on Taxes	5,490.08	4,671.22	2,935.57	-	13,096.87
Earnings on Investments and Deposits	12,308.68	13,015.21	1,975.05	2,432.56	29,731.50
Cocurricular Activities:					
Admissions	14,621.98	-	-	-	14,621.98
Concessions	16,043.25	-	-	-	16,043.25
Other Pupil Activity Income	1,833.00	-	-	-	1,833.00
Other Revenue from Local Sources:					
Rentals	12,954.30	-	-	-	12,954.30
Contributions & Donations	6,595.02	2,500.00	-	-	9,095.02
Charges for Services	24,884.57	-	8,415.05	-	33,299.62
Other	29,670.78	9,475.00	-	-	39,145.78
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	45,752.97	-	-	-	45,752.97
Revenue in Lieu of Taxes	2,129.13	2,945.57	1,929.66	-	7,004.36
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	3,316,610.28	-	-	-	3,316,610.28
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received from Federal Government Through the State	420,000.00	-	-	-	420,000.00
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	174.63	-	-	-	174.63
Restricted Grants-in-Aid Received from Federal Government Through the State	338,945.73	-	-	-	338,945.73
Other Federal Revenue	-	28,056.00	-	-	28,056.00
Total Revenues	6,304,442.01	1,928,769.64	1,230,781.68	2,432.56	9,466,425.89

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
Expenditures					
Current:					
Instruction:					
Regular Programs:					
Elementary	1,633,060.93	86,331.52	-	-	1,719,392.45
Middle/Junior High	521,261.07	33,252.90	-	-	554,513.97
High School	1,182,476.75	269,015.04	-	-	1,451,491.79
Preschool	68,633.81	-	-	-	68,633.81
Special Programs:					
Programs for Special Education	-	-	825,427.76	-	825,427.76
Educationally Deprived	188,805.78	-	-	-	188,805.78
Support Services:					
Pupils:					
Guidance	125,107.03	-	168.60	-	125,275.63
Health	29,241.07	-	17,744.81	-	46,985.88
Psychological	-	-	3,985.20	-	3,985.20
Speech Pathology	-	-	8,149.23	-	8,149.23
Student Therapy Services	-	-	13,337.02	-	13,337.02
Instructional Staff:					
Improvement of Instruction	161,039.15	-	-	-	161,039.15
Educational Media	111,589.44	2,995.00	-	-	114,584.44
General Administration:					
Board of Education	42,594.03	-	-	-	42,594.03
Executive Administration	71,457.72	-	-	-	71,457.72
School Administration:					
Office of the Principal	264,792.75	-	-	-	264,792.75
Other Support Services	2,025.28	-	-	-	2,025.28
Business:					
Fiscal Services	247,913.62	519.00	-	-	248,432.62
Operation and Maintenance of Plant	590,195.33	27,507.92	-	-	617,703.25
Student Transportation	469,733.59	6,037.78	-	-	475,771.37
Food Services	33,542.73	-	-	-	33,542.73
Central:					
Planning, Research, Development & Evaluation	4,500.55	-	-	-	4,500.55
Special Education:					
Administrative Costs	-	-	69,216.56	-	69,216.56
Other Special Education Costs	-	-	17,885.75	-	17,885.75
Nonprogrammed Charges:					
Early Retirement Payments	32,942.50	-	-	-	32,942.50
Debt Services	-	621,898.75	-	-	621,898.75

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
Cocurricular Activities:					
Male Activities	74,794.59	11,373.18	-	-	86,167.77
Female Activities	56,389.09	2,350.03	-	-	58,739.12
Transportation	8,404.11	-	-	-	8,404.11
Combined Activities	116,637.75	1,469.79	-	-	118,107.54
Capital Outlay	<u>9,958.00</u>	<u>705,327.68</u>	<u>-</u>	<u>549,706.12</u>	<u>1,264,991.80</u>
Total Expenditures	<u>6,047,096.67</u>	<u>1,768,078.59</u>	<u>955,914.93</u>	<u>549,706.12</u>	<u>9,320,796.31</u>
Excess of Revenues Over (Under) Expenditures	257,345.34	160,691.05	274,866.75	(547,273.56)	145,629.58
Other Financing Sources (Uses):					
Transfers In	-	634,024.76	-	-	634,024.76
Transfers Out	(3,065.00)	-	-	(634,024.76)	(637,089.76)
Compensation for Loss of Capital Assets	<u>-</u>	<u>6,421.70</u>	<u>-</u>	<u>-</u>	<u>6,421.70</u>
Total Other Financing Sources (Uses)	<u>(3,065.00)</u>	<u>640,446.46</u>	<u>-</u>	<u>(634,024.76)</u>	<u>3,356.70</u>
Net Change in Fund Balances	254,280.34	801,137.51	274,866.75	(1,181,298.32)	148,986.28
Fund Balance - Beginning	<u>2,141,375.07</u>	<u>3,165,389.23</u>	<u>418,116.08</u>	<u>1,181,298.32</u>	<u>6,906,178.70</u>
FUND BALANCE - ENDING	<u>\$ 2,395,655.41</u>	<u>\$ 3,966,526.74</u>	<u>\$ 692,982.83</u>	<u>\$ -</u>	<u>\$ 7,055,164.98</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	148,986.28
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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.		1,264,991.80
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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.		(502,889.55)
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In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(10,250.00)
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Repayment of long-term liabilities is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.		420,000.00		
	Capital Outlay Certificates	420,000.00		
	Premiums on Bonds Issued	11,470.60		
				431,470.60

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund 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 the "availability criteria."		(11,390.56)
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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.		2,828.28		
	Accrued Leave Payable	2,828.28		
	Early Retirement Benefits Payable	30,600.00		
				33,428.28

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. (e.g., utility taxes)		463.94
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HAMLIN SCHOOL DISTRICT NO. 28-3  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2021

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

1,874.37

Changes in the pension related deferred outflows/inflows  
are direct components of pension liability (asset) and are  
not reflected in the governmental funds.

(309,657.76)

Change in Net Position of Governmental Activities

\$ 1,047,027.40

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2021

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 76,959.11	\$ 76.95	\$ 77,036.06
Inventory of Supplies	65.81	-	65.81
Inventory of Stores Purchased for Resale	9,445.08	-	9,445.08
Inventory of Donated Food	6,604.77	-	6,604.77
Total Current Assets	93,074.77	76.95	93,151.72
Noncurrent Assets:			
Net Pension Asset	224.78	-	224.78
Capital Assets:			
Machinery and Equipment - Local Funds	173,441.40	-	173,441.40
Less: Accumulated Depreciation	(156,484.78)	-	(156,484.78)
Total Noncurrent Assets	17,181.40	-	17,181.40
<b>TOTAL ASSETS</b>	<b>110,256.17</b>	<b>76.95</b>	<b>110,333.12</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	36,822.04	-	36,822.04
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	939.05	-	939.05
Contracts Payable	7,826.85	-	7,826.85
Payroll Deductions and Withholdings and Employer Matching Payable	4,236.97	-	4,236.97
Deposits Payable	1,693.16	-	1,693.16
Total Current Liabilities	14,696.03	-	14,696.03
Noncurrent Liabilities:			
Accrued Leave Payable	926.00	-	926.00
Total Noncurrent Liabilities	926.00	-	926.00
<b>TOTAL LIABILITIES</b>	<b>15,622.03</b>	<b>-</b>	<b>15,622.03</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	29,793.04	-	29,793.04
<b>NET POSITION:</b>			
Net Investment in Capital Assets	16,956.62	-	16,956.62
Restricted for SDRS Pension	7,253.78	-	7,253.78
Unrestricted	77,452.74	76.95	77,529.69
<b>TOTAL NET POSITION</b>	<b>\$ 101,663.14</b>	<b>\$ 76.95</b>	<b>\$ 101,740.09</b>

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



HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2021

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
Operating Revenue:			
Food Sales:			
To Adults	\$ 9,259.65	\$ -	\$ 9,259.65
Ala Carte	5,892.00	-	5,892.00
Other Charges for Goods and Services	-	6,825.00	6,825.00
Total Operating Revenue	<u>15,151.65</u>	<u>6,825.00</u>	<u>21,976.65</u>
Operating Expenses:			
Salaries	120,191.86	13,435.50	133,627.36
Employee Benefits	60,615.66	1,027.82	61,643.48
Purchased Services	13,411.92	-	13,411.92
Supplies	22,515.94	-	22,515.94
Cost of Sales - Purchased Food	152,442.34	-	152,442.34
Cost of Sales - Donated Food	42,790.32	-	42,790.32
Depreciation - Local Funds	2,603.81	-	2,603.81
Total Operating Expenses	<u>414,571.85</u>	<u>14,463.32</u>	<u>429,035.17</u>
Operating Income (Loss)	<u>(399,420.20)</u>	<u>(7,638.32)</u>	<u>(407,058.52)</u>
Nonoperating Revenue (Expense):			
Local Sources:			
Investment Earnings	47.92	-	47.92
State Sources:			
Cash Reimbursements	1,613.23	-	1,613.23
Federal Sources:			
Cash Reimbursements	402,577.92	-	402,577.92
Donated Food	27,323.06	-	27,323.06
Total Nonoperating Revenue (Expense)	<u>431,562.13</u>	<u>-</u>	<u>431,562.13</u>
Income (Loss) Before Contributions and Transfers	32,141.93	(7,638.32)	24,503.61
Transfers In	-	3,065.00	3,065.00
Change in Net Position	32,141.93	(4,573.32)	27,568.61
Net Position - Beginning	<u>69,521.21</u>	<u>4,650.27</u>	<u>74,171.48</u>
NET POSITION - ENDING	<u>\$ 101,663.14</u>	<u>\$ 76.95</u>	<u>\$ 101,740.09</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2021

	Enterprise Funds		
	Food Service Fund	Driver's Education Fund	Total
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 11,927.10	\$ 6,825.00	\$ 18,752.10
Payments to Suppliers	(202,078.79)	(175.00)	(202,253.79)
Payments to Employees	(171,996.63)	(14,463.32)	(186,459.95)
Net Cash Provided (Used) by Operating Activities	(362,148.32)	(7,813.32)	(369,961.64)
Cash Flows from Noncapital Financing Activities:			
Cash Reimbursements - State	1,613.23	-	1,613.23
Cash Reimbursements - Federal	402,577.92	-	402,577.92
Transfers In	-	3,065.00	3,065.00
Net Cash Provided (Used) by Noncapital Financing Activities	404,191.15	3,065.00	407,256.15
Cash Flows from Investing Activities:			
Investment Earnings	47.92	-	47.92
Net Cash Provided (Used) by Investing Activities	47.92	-	47.92
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 42,090.75	\$ (4,748.32)	\$ 37,342.43
Cash and Cash Equivalents at Beginning of Year	\$ 34,868.36	\$ 4,825.27	\$ 39,693.63
Cash and Cash Equivalents at End of Year	76,959.11	76.95	77,036.06
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 42,090.75	\$ (4,748.32)	\$ 37,342.43
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (399,420.20)	\$ (7,638.32)	\$ (407,058.52)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	2,603.81	-	2,603.81
Value of Commodities Used	27,794.84	-	27,794.84
Change in Assets and Liabilities:			
Receivables	185.25	-	185.25
Inventories	413.83	-	413.83
Net Pension Asset	303.04	-	303.04
Pension Related Deferred Outflows	(8,601.06)	-	(8,601.06)
Accounts and Other Payables	873.06	(175.00)	698.06
Accrued Wages Payable	(1,436.28)	-	(1,436.28)
Deposits Payable	(3,409.80)	-	(3,409.80)
Accrued Leave Payable	(137.32)	-	(137.32)
Pension Related Deferred Inflows	18,682.51	-	18,682.51
Net Cash Provided (Used) by Operating Activities	\$ (362,148.32)	\$ (7,813.32)	\$ (369,961.64)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 27,323.06	\$ -	\$ 27,323.06

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF FUDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2021

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Cash Equivalents	\$ 87,981.20	\$ 37,290.47
Savings Certificates	<u>206,804.36</u>	<u>-</u>
TOTAL ASSETS	<u>294,785.56</u>	<u>37,290.47</u>
LIABILITIES:		
Amounts Held for Others	-	18,824.99
Advance from Other Fund (Imprest)	<u>-</u>	<u>18,465.48</u>
TOTAL LIABILITIES	<u>-</u>	<u>37,290.47</u>
NET POSITION		
Held in Trust for Scholarships	<u>\$ 294,785.56</u>	<u>\$ -</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2021

	Private-Purpose Trust Funds
ADDITIONS:	
Contributions and Donations	\$ 2,900.00
Investment Earnings:	
Interest and Dividends	<u>3,248.26</u>
Total Additions	<u>6,148.26</u>
DEDUCTIONS:	
Scholarships	<u>42,250.00</u>
Change in Net Position	<u>(36,101.74)</u>
Net Position - Beginning	338,538.28
Prior Period Adjustment	<u>(7,650.98)</u>
Adjusted Net Position - Beginning	<u>330,887.30</u>
NET POSITION - ENDING	<u>\$ 294,785.56</u>

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

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 Hamlin School District No. 28-3 (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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District does not have any component units.

The School District participates in the Northeast Educational Services Cooperative with twenty-three other school districts and the Northeast Technical High School with seven other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

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.

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*Fund Financial Statements:*

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

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

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

**Governmental Funds:**

*General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding 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 property taxes. This is a major fund.

*Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).*

The School Addition Fund is the only capital projects fund maintained by the School District. 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.*

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- 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.)*
- 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.

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

**Fiduciary Funds:**

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

*Private-Purpose Trust Funds – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only one private-purpose trust fund for the purpose of accounting for the assets held in a trustee capacity for scholarships.*

*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 for the purpose of accounting for the assets held in a trustee capacity for various classes and clubs within the School District. The agency funds are used to account for the revenues and expenses that are incidental to each class and club.*

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.

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**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 30 days. The revenues which are accrued at June 30, 2021 are utility taxes received through the counties and State and restricted grants-in-aid received from the Federal government through the State. 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, as well as expenditures related to compensated absences, 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. Interfund Eliminations and Reclassifications:

*Governmental-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified in order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if applicable.

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.



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*Government-wide Financial Statements:*

All capital assets are valued at historical cost. 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.

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 financial 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	\$ 50,000	Straight-line	33-50 yrs.
Improvements Other than Buildings	\$ 15,000	Straight-line	10-25 yrs.
Machinery and Equipment	\$ 5,000	Straight-line	5-12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial 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 financial statements. The long-term liabilities primarily consist of qualified zone academy bonds payable, capital outlay certificates payable, compensated absences, and early retirement benefits 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 financial statements as in the government-wide financial 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 three categories as follows:

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

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.

i. Cash and Cash Equivalents:

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

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.

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I. 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.

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, which is the School Board, 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 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 School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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.

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 various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The 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.

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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, 2021, the School District 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.

#### **Custodial Credit Risk – Deposits**

The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the School District's deposits in financial institutions were not exposed to any custodial credit risk.

#### **Custodial Credit Risk - Investments**

The risk that, in the event of a failure of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

#### **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 deposits and investments to the fund making the investment.

### **3. RECEIVABLES AND PAYABLES**

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Since all receivables are considered collectible, no allowances for estimated uncollectibles have been established.

### **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.

In the government-wide financial statements, inventory items for governmental activities are recorded as expenses at the time of purchase, and inventory items for business-type activities are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

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In the governmental fund financial statements, inventory items are recorded as expenses at the time of purchase. In the proprietary funds financial statements, inventory items are initially recorded as assets and charged to expense as they are consumed.

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 inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2021 is as follows:

	Balance 7/1/20	Increases	Decreases	Balance 6/30/21
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 97,900.00	\$ -	\$ -	\$ 97,900.00
Construction Work in Progress	2,336,098.23	-	2,336,098.23	-
Total	2,433,998.23	-	2,336,098.23	97,900.00
Capital assets, being depreciated:				
Buildings	13,182,918.83	3,402,684.35	-	16,585,603.18
Improvements Other than Bldgs	1,275,583.24	24,072.00	-	1,299,655.24
Machinery and Equipment	1,703,661.00	174,333.68	20,500.00	1,857,494.68
Total	16,162,163.07	3,601,090.03	20,500.00	19,742,753.10
Less: accumulated depreciation for:				
Buildings	4,260,239.80	333,303.65	-	4,593,543.45
Improvements Other than Bldgs	960,041.35	92,738.60	-	1,052,779.95
Machinery and Equipment	1,328,098.81	76,847.30	10,250.00	1,394,696.11
Total accumulated depreciation	6,548,379.96	502,889.55	10,250.00	7,041,019.51
Total capital assets, being Depreciated, net	9,613,783.11	3,098,200.48	10,250.00	12,701,733.59
Governmental activity capital assets, net	\$12,047,781.34	\$ 3,098,200.48	\$ 2,346,348.23	\$12,799,633.59

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Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$211,859.50
Support Services	167,145.50
Cocurricular Activities	<u>123,884.55</u>
Total depreciation expense – governmental activities	<u>\$502,889.55</u>

	Balance 7/1/20	Increases	Decreases	Balance 6/30/21
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and Equipment – Local	\$ 173,441.40	\$ -	\$ -	\$ 173,441.40
Less: accumulated depreciation for:				
Machinery and Equipment – Local	153,880.97	2,603.81	-	156,484.78
Total capital assets, being Depreciated, net	<u>19,560.43</u>	<u>(2,603.81)</u>	<u>-</u>	<u>16,956.62</u>
Business-type activity capital assets, net	<u>\$ 19,560.43</u>	<u>\$ (2,603.81)</u>	<u>\$ -</u>	<u>\$ 16,956.62</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Service	\$2,603.81
Total depreciation expense – business-type activities	<u>\$2,603.81</u>

7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Beginning Balance 7/1/20	Additions	Deletions	Ending Balance 6/30/21	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Qualified Zone					
Academy Bonds	\$ 200,000.00	\$ -	\$ 50,000.00	\$ 150,000.00	\$ 50,000.00
Capital Outlay					
Certificates	<u>6,875,000.00</u>	<u>-</u>	<u>370,000.00</u>	<u>6,505,000.00</u>	<u>380,000.00</u>
Total Debt	7,075,000.00	-	420,000.00	6,655,000.00	430,000.00
Early Retirement Payable	126,650.00	-	30,600.00	96,050.00	25,500.00
Accrued Compensated					
Absences	<u>46,150.51</u>	<u>14,877.89</u>	<u>17,706.17</u>	<u>43,322.23</u>	<u>12,885.70</u>
Total Governmental Activities	<u>7,247,800.51</u>	<u>14,877.89</u>	<u>468,306.17</u>	<u>6,794,372.23</u>	<u>468,385.70</u>
Business-Type Activities:					
Accrued Compensated					
Absences	<u>1,063.32</u>	<u>126.00</u>	<u>263.32</u>	<u>926.00</u>	<u>-</u>
Total Primary Government	<u>\$ 7,248,863.83</u>	<u>\$ 15,003.89</u>	<u>\$ 468,569.49</u>	<u>\$ 6,795,298.23</u>	<u>\$ 468,385.70</u>

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Liabilities payable at June 30, 2021 are comprised of the following:

Governmental Activities:

Qualified Zone Academy Bonds (QZAB):

Qualified Zone Academy Bonds, Series 2013; original amount of \$500,000; maturing September 17, 2023; interest rate at 5.29%, payable by the Capital Outlay Fund. \$ 150,000.00

Capital Outlay Certificates:

Limited Tax General Obligation Certificates, Series 2015; original amount of \$2,250,000; maturing December 15, 2035; interest rates from 1.00% to 4.00% depending on the length of time to maturity of the individual certificates; callable on or after December 15, 2024; payable by the Capital Outlay Fund 1,790,000.00

Limited Tax General Obligation Refunding Certificates, Series 2018; original amount of \$1,680,000; maturing August 1, 2029; interest rates from 1.65% to 3.00% depending on the length of time to maturity of the individual certificates; callable on or after August 1, 2023; payable by the Capital Outlay Fund 1,410,000.00

Limited Tax General Obligation Certificates, Series 2019; original amount of \$3,440,000; maturing August 1, 2038; interest rates from 1.55% to 3.00% depending on the length of time to maturity of the individual certificates; callable on or after August 1, 2026; payable by the Capital Outlay Fund 3,305,000.00

Early Retirement Benefits Payable:  
Payable by the General Fund 96,050.00

Compensated Absences:  
Accrued sick leave; payable by the General Fund and Special Education Fund 43,322.23

Business-Type Activities:

Compensated Absences:  
Accrued sick leave; payable by the Food Service Fund 926.00

Governmental Activities:

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2021 are as follows:

Year Ending June 30,	QZAB	
	Principal	Interest
2022	\$ 50,000.00	\$ -
2023	50,000.00	-
2024	50,000.00	-
	<u>\$ 150,000.00</u>	<u>\$ -</u>

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Year	Capital Outlay		
Ending	Certificates		Early
June 30,	Principal	Interest	Retirement
2022	\$ 380,000.00	\$ 191,693.75	\$ 25,500.00
2023	390,000.00	182,675.00	25,500.00
2024	395,000.00	173,005.00	19,550.00
2025	405,000.00	162,772.50	15,300.00
2026	425,000.00	151,035.00	10,200.00
2027-2031	2,125,000.00	547,712.50	-
2032-2036	1,710,000.00	243,550.00	-
2037-2041	675,000.00	30,675.00	-
	<u>\$ 6,505,000.00</u>	<u>\$1,683,118.75</u>	<u>\$ 96,050.00</u>

8. EARLY RETIREMENT BENEFITS

Only certified, full-time employees who are covered under the bargaining unit and administrative team with at least twelve (12) continuous years of full-time service with the School District and who have attained the minimum age of fifty-five (55) as of the March 1, the date by which the employee's notice of intent to elect benefits and letter of resignation is required, are eligible to receive the early retirement benefits. The employee will receive monthly payments in the amount of \$425.00 commencing thirty (30) days after the last day of employment for a length of seven (7) years. In addition, if an employee retires at age 56, 57, or 58, they will still receive this benefit for a seven (7) year period. Employees may elect to retire after age 58, but the monthly benefit will only continue until age 65. At June 30, 2021, five retirees are receiving early retirement benefits, and the early retirement benefits payable is \$96,050.00. The early retirement benefits payable is recorded at the actual amount that will be paid to the retirees.

9. RESTRICTED NET POSITION

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

Fund	Restricted By	Amount
Capital Outlay	Law	\$3,725,286.96
Special Education	Law	695,527.68
SDRS Pension	GASB	245,366.30
NPIP Insurance Reserve	Contractual Agreement	61,639.00
Total Restricted Net Position		<u>\$4,727,819.94</u>



HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2021 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Total</u>
	<u>Driver's Education Fund</u>	<u>Capital Outlay Fund</u>	
General Fund	\$ 3,065.00	\$ -	\$ 3,065.00
Capital Projects Fund	\$ -	\$ 634,024.76	\$ 634,024.76

The School District transferred funds from the General Fund to the Driver's Education Fund for the payment of expenses relating to the operation of the driver's education program. The School District closed out the Capital Projects Fund by transferring the remaining balance to the Capital Outlay Fund.

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 (SDCL) 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

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

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the

HAMLIN SCHOOL DISTRICT NO. 28-3  
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June 30, 2021

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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$234,833.80, \$216,801.56, and \$219,826.64, 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, 2020, SDRS is 100.04% 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, 2021 are as follows:

Proportionate share of total pension liability	\$20,239,224.25
Less proportionate share of net position restricted for pension benefits	<u>20,246,374.55</u>
Proportionate share of net pension asset	(\$ <u>7,150.30</u> )

At June 30 2021, the School District reported an asset of \$7,150.30 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 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, 2020, the School District's proportion was .1646403%, which is a decrease of .0076731% from its proportion measured as of June 30, 2019.

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June 30, 2021

For the year ended June 30, 2021, the School District recognized pension expense of \$320,042.25. At June 30, 2021 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.	\$ 27,353.79	\$ 5,601.36
Changes in assumption.	230,316.68	928,880.15
Net difference between projected and actual earnings on pension plan investments.	664,585.01	-
Changes in proportion and difference between District contributions and proportionate share of contributions.	20,365.63	4,757.40
School District contributions subsequent to the measurement date.	234,833.80	-
<b>TOTAL</b>	<b><u>\$ 1,177,454.91</u></b>	<b><u>\$ 939,238.91</u></b>

\$234,833.80 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2022	\$ (79,394.24)
2023	(57,411.57)
2024	15,075.45
2025	125,112.57
<b>TOTAL</b>	<b><u>\$ 3,382.21</u></b>

**Actuarial Assumptions:**

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

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

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

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

**Discount Rate:**

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

**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)	\$2,773,840.94	(\$7,150.30)	(\$2,281,946.35)

**Pension Plan Fiduciary Net Position:**

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

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

12. JOINT VENTURES

The School District participates in the Northeast Technical High School for the purpose of providing vocational education to youth. Member districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

The members of the Northeast Technical High School and their relative percentage participation in the Northeast Technical High School are as follows:

Castlewood School District No. 28-1	4.37%
Florence School District No. 14-1	4.11%
Great Plains Lutheran School	6.68%
Hamlin School District No. 28-3	12.38%
Henry School District No. 14-2	2.67%
Summit School District No. 54-6	2.62%
Watertown School District No. 14-4	63.21%
Waverly School District No. 14-5	3.96%

The Northeast Technical High School's governing board is composed of three Watertown school board members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School's director, the superintendent of the Watertown School District and one other superintendent of a member school district that is appointed by the governing board.

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

Separate financial statements for this joint venture are available from Northeast Technical High School.

At June 30, 2021, this joint venture had total assets of \$1,315,719.67, deferred outflows of resources of \$238,358.08, total liabilities of \$106,431.92, deferred inflows of resources of \$195,082.40, and net position of \$1,252,563.43.

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing educational services to the member school districts.

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

Arlington School District No. 38-1	3.36%
Britton-Hecla School District No. 45-4	5.50%
Castlewood School District No. 28-1	3.95%
Clark School District No. 12-2	5.46%
De Smet School District No. 38-2	3.64%
Deubrook School District No. 5-6	4.68%
Deuel School District No. 19-4	6.62%
Elkton School District No. 5-3	4.31%
Enemy Swim Day School	2.06%
Estelline School District No. 28-2	3.48%
Florence School District No. 14-1	3.57%
Hamlin School District No. 28-3	11.10%

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

Henry School District No. 14-2	2.09%
Iroquois School District No. 2-3	2.74%
Lake Preston School District No. 38-3	2.27%
Oldham-Ramona School District No. 39-5	2.15%
Rosholt School District No. 54-4	3.09%
Sioux Valley School District No. 5-5	8.80%
Summit School District No. 54-6	2.26%
Waubay School District No. 18-3	2.23%
Waverly School District No. 14-5	3.31%
Webster School District No. 18-4	6.83%
Willow Lake School District No. 12-3	3.52%
Wilmot School District No. 54-7	2.97%

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

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

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2021, this joint venture had total assets of \$2,117,558.94, deferred outflows of resources of \$828,193.14, total liabilities of \$558,018.82, deferred inflows of resources of \$665,473.24, and net position of \$1,722,260.02.

### 13. RISK MANAGEMENT

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

#### Employee Health Insurance:

The School District participates, with several other educational units and related organizations in South Dakota, in the Northern Plains Insurance Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for all participants. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its participants.

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

#### 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.

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

Worker's Compensation:

The School District purchases liability insurance for worker's compensation from a commercial insurance 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 \$10,265.12 for the payment of future unemployment benefits.

During the year ended June 30, 2021, no claims for unemployment benefits were paid. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

14. LITIGATION

At June 30, 2021, the School District was not involved in any litigation.

15. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to correct the amount of accrued interest receivable recorded as of June 30, 2020 that is reported in the Private-Purpose Trust Funds column of the Statement of Changes in Fiduciary Net Position. The effect on the financial statements is a decrease of \$7,650.98 in the net position.

## REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,768,280.00	\$ 1,768,280.00	\$ 1,838,984.05	\$ 70,704.05
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	16,510.96	12,510.96
Tax Deed Revenue	-	-	1,062.31	1,062.31
Utility Taxes	80,000.00	80,000.00	199,870.29	119,870.29
Penalties and Interest on Taxes	2,000.00	2,000.00	5,490.08	3,490.08
Earnings on Investments and Deposits	5,000.00	5,000.00	12,308.68	7,308.68
Cocurricular Activities:				
Admissions	17,000.00	17,000.00	14,621.98	(2,378.02)
Concessions	28,000.00	28,000.00	16,043.25	(11,956.75)
Other Pupil Activity Income	2,000.00	2,000.00	1,833.00	(167.00)
Other Revenue from Local Sources:				
Rentals	5,000.00	5,000.00	12,954.30	7,954.30
Contributions & Donations	3,000.00	4,000.00	6,595.02	2,595.02
Charges for Services	5,000.00	5,000.00	24,884.57	19,884.57
Other	12,000.00	12,000.00	29,670.78	17,670.78
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	26,000.00	26,000.00	45,752.97	19,752.97
Revenue in Lieu of Taxes	-	-	2,129.13	2,129.13
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,200,387.00	3,200,387.00	3,316,610.28	116,223.28
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in Aid Received from Federal Government through the State	-	242,800.00	420,000.00	177,200.00
Unrestricted Grants-in Aid Received from Federal Government through an Intermediate Source	-	-	174.63	174.63
Restricted Grants-in Aid Received from Federal Government through the State	192,355.00	335,468.00	338,945.73	3,477.73
Total Revenues	5,350,022.00	5,736,935.00	6,304,442.01	567,507.01
Expenditures:				
Current:				
Instruction:				
Regular Programs:				
Elementary	1,441,366.00	1,625,154.00	1,633,060.93	(7,906.93)
Middle School/Junior High	528,287.00	528,287.00	521,261.07	7,025.93
High School	1,228,822.00	1,231,192.00	1,182,476.75	48,715.25
Preschool	71,325.00	71,325.00	68,633.81	2,691.19

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Special Programs:				
Educationally Deprived	190,804.00	190,804.00	188,805.78	1,998.22
Support Services:				
Pupils:				
Guidance	133,063.00	133,063.00	125,107.03	7,955.97
Health	28,250.00	28,250.00	29,241.07	(991.07)
Instructional Staff:				
Improvement of Instruction	2,000.00	162,368.00	161,039.15	1,328.85
Educational Media	126,958.00	126,958.00	111,589.44	15,368.56
General Administration:				
Board of Education	51,775.00	63,075.00	42,594.03	20,480.97
Executive Administration	85,971.00	85,971.00	71,457.72	14,513.28
School Administration:				
Office of Principal	291,854.00	291,854.00	264,792.75	27,061.25
Other	1,500.00	1,500.00	2,025.28	(525.28)
Business:				
Fiscal Services	275,559.00	275,559.00	247,913.62	27,645.38
Operation and Maintenance of Plant	561,616.00	582,746.00	590,195.33	(7,449.33)
Student Transportation	468,508.00	468,508.00	469,733.59	(1,225.59)
Food Services	25,586.00	33,543.00	33,542.73	0.27
Central:				
Planning, Research, Development & Evaluation	4,500.00	4,500.00	4,500.55	(0.55)
Nonprogrammed Charges:				
Early Retirement Payments	32,945.00	32,945.00	32,942.50	2.50
Cocurricular Activities:				
Male Activities	73,360.00	73,360.00	84,752.59	(11,392.59)
Female Activities	57,960.00	57,960.00	56,389.09	1,570.91
Transportation	13,640.00	13,640.00	8,404.11	5,235.89
Combined Activities	177,274.00	177,274.00	116,637.75	60,636.25
Contingencies	30,000.00	30,000.00	-	30,000.00
Amount Transferred	-	-	-	-
Total Expenditures	5,902,923.00	6,289,836.00	6,047,096.67	242,739.33
Excess of Revenues Over (Under) Expenditures	(552,901.00)	(552,901.00)	257,345.34	810,246.34

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Transfers In	352,901.00	352,901.00	-	(352,901.00)
Transfers Out	-	-	(3,065.00)	(3,065.00)
Total Other Financing Sources (Uses)	<u>352,901.00</u>	<u>352,901.00</u>	<u>(3,065.00)</u>	<u>(355,966.00)</u>
Net Change in Fund Balance	(200,000.00)	(200,000.00)	254,280.34	454,280.34
Fund Balance - Beginning	<u>2,141,375.07</u>	<u>2,141,375.07</u>	<u>2,141,375.07</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,941,375.07</u>	<u>\$ 1,941,375.07</u>	<u>\$ 2,395,655.41</u>	<u>\$ 454,280.34</u>

REQUIRED SUPPLEMENTARY INFORMATION  
 HAMLIN SCHOOL DISTRICT NO. 28-3  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 CAPITAL OUTLAY FUND  
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,802,000.00	\$ 1,802,000.00	\$ 1,856,051.63	\$ 54,051.63
Prior Years' Ad Valorem Taxes	500.00	500.00	11,247.34	10,747.34
Tax Deed Revenue	-	-	807.67	807.67
Penalties and Interest on Taxes	500.00	500.00	4,671.22	4,171.22
Earnings on Investments and Deposits	500.00	500.00	13,015.21	12,515.21
Other Revenue from Local Sources:				
Contributions & Donations	2,500.00	2,500.00	2,500.00	-
Other	-	-	9,475.00	9,475.00
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	2,945.57	2,945.57
Other Federal Revenue	25,950.00	25,950.00	28,056.00	2,106.00
Total Revenues	1,831,950.00	1,831,950.00	1,928,769.64	96,819.64
Expenditures:				
Current:				
Instruction:				
Regular Programs:				
Elementary	160,770.00	160,770.00	106,890.52	53,879.48
Middle School/Junior High	38,636.00	38,636.00	33,252.90	5,383.10
High School	331,296.00	331,296.00	316,517.49	14,778.51
Support Services:				
Instructional Staff:				
Educational Media	7,600.00	7,600.00	7,056.60	543.40
School Administration:				
Office of Principal	1,200.00	1,200.00	-	1,200.00
Business:				
Fiscal Services	3,600.00	3,600.00	519.00	3,081.00
Operation and Maintenance of Plant	823,453.00	823,453.00	575,754.92	247,698.08
Student Transportation	102,400.00	102,400.00	90,995.41	11,404.59
Debt Services	535,500.00	629,500.00	621,898.75	7,601.25

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Cocurricular Activities:				
Male Activities	11,416.00	11,416.00	11,373.18	42.82
Female Activities	2,730.00	2,730.00	2,350.03	379.97
Combined Activities	<u>2,827.00</u>	<u>2,827.00</u>	<u>1,469.79</u>	<u>1,357.21</u>
 Total Expenditures	 <u>2,021,428.00</u>	 <u>2,115,428.00</u>	 <u>1,768,078.59</u>	 <u>347,349.41</u>
 Excess of Revenues Over (Under) Expenditures	 <u>(189,478.00)</u>	 <u>(283,478.00)</u>	 <u>160,691.05</u>	 <u>444,169.05</u>
 Other Financing Sources (Uses):				
Transfers In	-	-	634,024.76	634,024.76
Transfers Out	(357,402.00)	(357,402.00)	-	357,402.00
Compensation for Loss of Capital Assets	<u>-</u>	<u>-</u>	<u>6,421.70</u>	<u>6,421.70</u>
Total Other Financing Sources (Uses)	<u>(357,402.00)</u>	<u>(357,402.00)</u>	<u>640,446.46</u>	<u>997,848.46</u>
 Net Change in Fund Balance	 (546,880.00)	 (640,880.00)	 801,137.51	 1,442,017.51
 Fund Balance - Beginning	 <u>3,165,389.23</u>	 <u>3,165,389.23</u>	 <u>3,165,389.23</u>	 <u>-</u>
 FUND BALANCE - ENDING	 <u>\$ 2,618,509.23</u>	 <u>\$ 2,524,509.23</u>	 <u>\$ 3,966,526.74</u>	 <u>\$ 1,442,017.51</u>

REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,003,105.00	\$ 1,003,105.00	\$ 1,207,995.25	\$ 204,890.25
Prior Years' Ad Valorem Taxes	-	-	7,010.22	7,010.22
Tax Deed Revenue	-	-	520.88	520.88
Penalties and Interest on Taxes	500.00	500.00	2,935.57	2,435.57
Earnings on Investments and Deposits	-	-	1,975.05	1,975.05
Other Revenue from Local Sources:				
Charges for Services	1,000.00	1,000.00	8,415.05	7,415.05
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	-	-	1,929.66	1,929.66
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	69,806.00	69,806.00	-	(69,806.00)
Total Revenues	<u>1,074,411.00</u>	<u>1,074,411.00</u>	<u>1,230,781.68</u>	<u>156,370.68</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	874,979.00	874,979.00	825,427.76	49,551.24
Support Services:				
Pupils:				
Guidance	406.00	406.00	168.60	237.40
Health	31,332.00	31,332.00	17,744.81	13,587.19
Psychological	9,577.00	9,577.00	3,985.20	5,591.80
Speech Pathology	16,573.00	16,573.00	8,149.23	8,423.77
Student Therapy	24,084.00	24,084.00	13,337.02	10,746.98
Special Education:				
Special Education Adm Costs	72,460.00	72,460.00	69,216.56	3,243.44
Other Special Education Costs	45,000.00	45,000.00	17,885.75	27,114.25
Total Expenditures	<u>1,074,411.00</u>	<u>1,074,411.00</u>	<u>955,914.93</u>	<u>118,496.07</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>274,866.75</u>	<u>274,866.75</u>
Net Change in Fund Balance	-	-	274,866.75	274,866.75
Fund Balance - Beginning	<u>418,116.08</u>	<u>418,116.08</u>	<u>418,116.08</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 418,116.08</u>	<u>\$ 418,116.08</u>	<u>\$ 692,982.83</u>	<u>\$ 274,866.75</u>

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
June 30, 2021

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedules have been prepared on the budgetary basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the financial statements prepared in conformity with USGAAP present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular 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 each major special revenue fund.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

HAMLIN SCHOOL DISTRICT NO. 28-3

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
School District's proportion of the net pension liability (asset)	0.1591690%	0.1664662%	0.1693791%	0.1739038%	0.1751980%	0.1723134%	0.1646403%
School District's proportionate share of net pension liability (asset)	\$ (1,146,747.25)	\$ (706,030.72)	\$ 572,145.96	\$ (15,781.95)	\$ (4,086.02)	\$ (18,260.50)	\$ (7,150.30)
School District's covered payroll	\$ 2,783,422.96	\$ 3,034,883.57	\$ 3,220,722.07	\$ 3,533,358.99	\$ 3,641,677.26	\$ 3,663,767.08	\$ 3,613,358.54
School District's proportionate share of net pension liability (asset) as a percentage of its covered payroll	41.20%	23.26%	-17.76%	0.45%	0.11%	0.50%	0.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%

Note: 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 previous fiscal year.



SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
HAMLIN SCHOOL DISTRICT NO. 28-3  
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM

	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Contractually required contribution	\$ 182,094.16	\$ 193,244.71	\$ 212,001.84	\$ 218,537.05	\$ 219,826.64	\$ 216,801.56	\$ 234,833.80
Contributions in relation to the contractually required contribution	182,094.16	193,244.71	212,001.84	218,537.05	219,826.64	216,801.56	234,833.80
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 3,034,883.57	\$ 3,220,722.07	\$ 3,533,358.99	\$ 3,641,677.26	\$ 3,663,767.08	\$ 3,613,358.54	\$ 3,913,886.47
Contributions as a percentage of covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

HAMLIN SCHOOL DISTRICT NO. 28-3  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
PENSION SCHEDULES  
June 30, 2021

CHANGES FROM PRIOR VALUATION

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

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

BENEFIT PROVISION CHANGES

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

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

ACTUARIAL ASSUMPTION CHANGES

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% 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, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

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

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

ACTUARIAL METHOD CHANGES

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

## SUPPLEMENTARY INFORMATION

**HAMLIN SCHOOL DISTRICT NO. 28-3**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2021**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Expenditures Amount 2021</u>
<b>Child Nutrition Cluster:</b>			
US Department of Agriculture - Pass-Through Programs from:			
SD Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	--	\$ 27,794.84
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	--	93,964.02
National School Lunch Program (Note 3)	10.555	--	308,613.90
Total Child Nutrition Cluster			<u>430,372.76</u>
<b>Other Programs:</b>			
US Department of Agriculture - Pass-Through Programs from:			
SD Department of Education:			
Fresh Fruit and Vegetable Program	10.582	--	<u>33,542.73</u>
Total US Department of Agriculture			<u>463,915.49</u>
US Department of the Interior - Pass-Through Programs from:			
Codington County:			
Payments in Lieu of Taxes (Note 3)	15.226	--	<u>174.63</u>
US Department of Treasury - Pass-Through Programs from:			
SD Department of Education:			
Coronavirus Relief Fund (Note 4)	21.019	2021G-245	<u>420,000.00</u>
<b>Special Education Cluster:</b>			
US Department of Education - Pass-Through Programs from:			
SD Department of Education:			
Special Education – Grants to States (IDEA, Part B)	84.027	--	<u>4,500.00</u>
<b>Other Programs:</b>			
US Department of Education - Pass-Through Programs from:			
SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	--	113,019.00
Supporting Effective Instruction State Grants	84.367	--	39,681.00
School Support and Academic Enrichment Grants	84.424	--	13,047.00
Elementary and Secondary School Emergency Relief Fund (Note 4)	84.425D	S425D200050	<u>135,156.00</u>
			<u>300,903.00</u>
Total US Department of Education			<u>305,403.00</u>
GRAND TOTAL			<u>\$1,189,493.12</u>

**HAMLIN SCHOOL DISTRICT NO. 28-3**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2021**  
**(Continued)**

**Note 1: Basis of Presentation**

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Federal Reimbursement**

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

**Note 4: Major Federal Financial Assistance Program**

This represents a Major Federal Financial Assistance Program.