

Oelrichs School District No. 23-3

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2021**

Oelrichs School District No. 23-3

School District Officials

June 30, 2021

Board Members:

Dave Osmotherly----- President

John Cope ----- Member

Jennifer Her Many Horses ----- Member

Lance Tlusto ----- Member

Vince Logue----- Member

Dr. Mitchell Stone-----Superintendent

Valerie Sword -----Business Manager

Oelrichs School District No. 23-3

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

To the School Board
Oelrichs School District No. 23-3
Oelrichs, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oelrichs School District No. 23-3, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Oelrichs School District No 23-3’s basic financial statements and have issued our report thereon dated February 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oelrichs School District No. 23-3’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oelrichs School District No. 23-3’s internal control. Accordingly, we do not express an opinion on the effectiveness of Oelrichs School District No. 23-3’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 reasonably possibility that a material misstatement of the entity’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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency 2021-001 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oelrichs School District No. 23-3's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 did not disclose 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 findings identified in our audit are 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 the response.

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 Oelrichs School District's No 23-3's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Oelrichs School District No 23-3's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Chamberlain, South Dakota
February 22, 2022



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

To the School Board
Oelrichs School District No. 23-3
Oelrichs, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Oelrichs School District No. 23-3’s, South Dakota 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 Oelrichs School District’s major federal programs for the year ended June 30, 2021. Oelrichs School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants 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 of 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 Oelrichs 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 for each major federal program. However, our audit does not provide a legal determination on Oelrichs School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Oelrichs 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 Oelrichs School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our 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 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 was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. 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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Chamberlain, South Dakota
February 22, 2022

Oelrichs School District No. 23-3
Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Finding No. 2020-001
Material Weakness

Internal Control over Year-End Closing Process Including Preparation of the Financial Statements

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: ELO Prof LLC prepared our draft financial statements and notes to the financial statements. These included significant journal entries, including restatements of beginning balances.

Status: Ongoing. Due to cost considerations, we will continue to have ELO Prof LLC prepare our draft financial statements and notes to the financial statements. We have designated a member of management to review the drafted financial statements and notes to the financial statements.

Oelrichs School District No. 23-3
 Schedule of Current Audit Findings and Questioned Costs
 For the Year Ended June 30,2021

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: X Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a). Yes X No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between type A and type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Oelrichs School District No. 23-3
Schedule of Current Audit Findings and Questioned Costs
For the Year Ended June 30, 2021(Continued)

Section II – Financial Statement Findings

Finding 2021-001

Material Weakness

Internal Control over Year-End Closing Process Including Preparation of the Financial Statements

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

Condition: Oelrichs School District 23-3 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2021.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements, footnotes, and the schedule of federal awards.

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

Repeat Finding from Prior Year(s): Yes

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

Views of Responsible Officials: Management agrees with the finding and recommendation.

Section III – Federal Awards Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156 (a).

Corrective Action Plan (Unaudited)

Oelrichs School District respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

ELO Prof LLC
PO Box 249
Mitchell, SD 57301

Finding No. 2021-001

Material Weakness

Internal Control over Year-End Closing Process Including Preparation of the Financial Statements

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: ELO Prof LLC prepared our draft financial statements and notes to the financial statements.

Responsible Individual: Valerie Sword, Business Manager

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and notes to the financial statements. We requested that our auditors, ELO Prof LLC, prepare the financial statements and notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes.

Anticipated Completion Date: Ongoing

If there are any questions regarding this plan, please contact Valerie Sword at (605) 535-2361.

Sincerely,

Dr. Mitchell Stone, Superintendent
Oelrichs School District No. 23-3

"Oelrichs School District is committed to provide a positive place for our students to grow and learn life skills to allow them to succeed."

THAT'S THE TIGER WAY



Independent Auditor's Report

Board of Directors
Oelrichs School District No. 23-3
Oelrichs, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oelrichs School District No. 23-3 as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Oelrichs School District No 23-3 as of June 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2021, the School District adopted Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) (SDRS), and Schedule of District's Contributions (SDRS) on Pages 39-45 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 supplemental 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 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) listed in the Table of Contents are (is) presented for purposes of additional analysis and are (is) not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2022, on our consideration of the Oelrichs School District 23-3's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Oelrichs School District 23-3's internal control over financial reporting and compliance.

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

Chamberlain, South Dakota
February 22, 2022

Oelrichs School District No. 23-3
Statement of Net Position – Government-Wide
June 30, 2021

	Primary Government		Total
	Activities	Activities	
Assets			
Cash and cash equivalents	\$ 6,125,276	\$ 27,696	\$ 6,152,972
Taxes receivable	229,119	--	229,119
Inventories	--	3,159	3,159
Other assets	214,034	2,517	216,551
Net pension asset	2,218	92	2,310
Capital assets			
Land and construction in process	3,181,523	--	3,181,523
Other capital assets, net of depreciation	784,508	11,597	796,105
Total capital assets, net of depreciation	<u>3,966,031</u>	<u>11,597</u>	<u>3,977,628</u>
Total Assets	<u>10,536,678</u>	<u>45,061</u>	<u>10,581,739</u>
Deferred Outflows of Resources:			
Pension-related deferred outflows	354,779	14,782	369,561
Total Deferred Outflows of Resources	<u>354,779</u>	<u>14,782</u>	<u>369,561</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 10,891,457</u>	<u>\$ 59,843</u>	<u>\$ 10,951,300</u>
Deferred Inflows of Resources			
Property taxes levied for future periods	225,655	--	225,655
Pension-related deferred inflows	302,927	12,622	315,549
Total Deferred Inflows of Resources	<u>528,582</u>	<u>12,622</u>	<u>541,204</u>
Net Position			
Net investment in capital assets	3,966,031	11,597	3,977,628
Restricted for:			
Capital outlay	98,618	--	98,618
Special education	131,028	--	131,028
SDRS pension purposes	54,070	2,252	56,322
Unrestricted	6,113,128	33,372	6,146,500
Total Net Position	<u>\$ 10,362,875</u>	<u>\$ 47,221</u>	<u>\$ 10,410,096</u>

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

Oelrichs School District No. 23-3
Statement of Activities – Government-Wide
June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities						
Instruction	\$ 1,245,228	\$ --	\$ 265,116	\$ (980,112)	\$ --	\$ (980,112)
Support Services	1,069,473	--	13,634	(1,055,839)	--	(1,055,839)
Cocurricular Activities	30,814	--	--	(30,814)	--	(30,814)
Total Governmental Activities	2,345,515	--	278,750	(2,066,765)	--	(2,066,765)
Business-Type Activities						
Food Service	122,447	7,400	127,921	--	12,874	12,874
Total Primary Government	\$ 2,467,962	\$ 7,400	\$ 406,671	(2,066,765)	12,874	(2,053,891)
General Revenues						
Taxes:						
Property Taxes				476,397	--	476,397
Gross Receipts Taxes				19,183	--	19,183
Revenue from State Sources:						
State Aid				991,467	--	991,467
Other				423	--	423
Revenue from Federal Sources				1,958,790	--	1,958,790
Unrestricted Investment Earnings				50,216	--	50,216
Other General Revenues				20,131	--	20,131
Total General Revenues and Gain				3,516,607	--	3,516,607
Change in Net Position				1,449,842	12,874	1,462,716
Net Position- Beginning				8,913,033	34,347	8,947,380
Net Position- Ending				\$ 10,362,875	\$ 47,221	\$ 10,410,096

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

Oelrichs School District No. 23-3
Balance Sheet – Governmental Funds
June 30, 2021

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 5,895,674	\$ 98,592	\$ 131,010	\$ 6,125,276
Capital credits receivable	76,280	--	--	76,280
Taxes receivable, current	77,679	88,048	59,928	225,655
Taxes receivable, delinquent	2,356	679	429	3,464
Due from other governments	137,710	26	18	137,754
Total Assets	<u>\$ 6,189,699</u>	<u>\$ 187,345</u>	<u>\$ 191,385</u>	<u>\$ 6,568,429</u>
 Deferred Inflows of Resources and Fund Balances				
Deferred Inflows of Resources				
Property taxes levied for future periods	77,679	88,048	59,928	225,655
Unavailable revenue - property taxes	2,356	679	429	3,464
Capital credits redeemable in future period	76,280	--	--	76,280
Total Deferred Inflows of Resources	<u>156,315</u>	<u>88,727</u>	<u>60,357</u>	<u>305,399</u>
Fund Balances				
Restricted:				
Capital outlay	--	98,618	--	98,618
Special education	--	--	131,028	131,028
Unassigned	6,033,384	--	--	6,033,384
Total Fund Balances	<u>6,033,384</u>	<u>98,618</u>	<u>131,028</u>	<u>6,263,030</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,189,699</u>	<u>\$ 187,345</u>	<u>\$ 191,385</u>	<u>\$ 6,568,429</u>

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

Oelrichs School District No. 23-3

Reconciliation of The Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 6,263,030
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	2,218
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	3,966,031
Pension related deferred outflows are components of pension asset and changes are not reported in the funds.	354,779
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.	79,744
Net pension asset reported in the governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>(302,927)</u>
Net Position - Governmental Activities	<u>\$ 10,362,875</u>

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

Oelrichs School District No. 23-3

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2021

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Revenues				
Revenue from Local Sources				
Taxes:				
Ad valorem taxes	\$ 166,287	\$ 179,741	\$ 118,674	\$ 464,702
Prior years ad valorem taxes	1,939	1,355	822	4,116
Utility taxes	19,183	--	--	19,183
Penalties and interest on taxes	716	591	366	1,673
Earnings on investments and deposits	50,216	--	--	50,216
Other local revenue:				
Rentals	6,000	--	--	6,000
Refund of prior year expenditures	4,866	--	--	4,866
Other	5,744	--	--	5,744
Revenue from Intermediate Sources:				
County Sources	3,521	--	--	3,521
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	893,398	--	36,981	930,379
Restricted grants-in-aid	--	61,088	--	61,088
Other state revenue	423	--	--	423
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,935,040	--	23,750	1,958,790
Restricted grants-in-aid	265,116	--	--	265,116
Revenue in Lieu of Taxes	13,634	--	--	13,634
Total Revenues	<u>3,366,083</u>	<u>242,775</u>	<u>180,593</u>	<u>3,789,451</u>

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

Oelrichs School District No. 23-3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2021 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 285,655	\$ 8,300	\$ --	\$ 293,955
Middle/junior high	199,868	6,742	--	206,610
High school	328,160	49,883	--	378,043
Special Programs:				
Culturally different	25,393	--	--	25,393
Educationally deprived	119,988	--	--	119,988
Programs for special education	--	--	91,041	91,041
Total instructional services	<u>959,064</u>	<u>64,925</u>	<u>91,041</u>	<u>1,115,030</u>
Support Services:				
Students:				
Attendance and social work	--	--	--	--
Guidance	959	--	--	959
Health	702	--	--	702
Psychological	--	--	3,368	3,368
Speech pathology	--	--	6,781	6,781
Student therapy services	--	--	6,825	6,825
Instructional Staff:				
Improvement of instruction	64,018	--	--	64,018
Educational media	106,483	--	--	106,483
General Administration:				
Board of education	51,496	--	--	51,496
Executive administration	152,850	--	--	152,850
School Administration:				
Office of the principal	93,235	--	--	93,235
Title I program administration	3,000	--	--	3,000
Business:				
Fiscal services	108,090	--	--	108,090
Operation and maintenance of plant	218,751	--	--	218,751
Student transportation	85,249	--	--	85,249
Internal services	--	5,409	--	5,409
Food services	7,332	--	--	7,332
Central:				
Staff services	87	--	--	87
Total support services	<u>892,252</u>	<u>5,409</u>	<u>16,974</u>	<u>914,635</u>
Cocurricular Activities:				
Male activities	5,958	--	--	5,958
Female activities	6,693	--	--	6,693
Combined activities	13,843	--	--	13,843
Transportation	1,056	--	--	1,056
Capital Outlays	--	2,814,293	--	2,814,293
Total Expenditures	<u>1,878,866</u>	<u>2,884,627</u>	<u>108,015</u>	<u>4,871,508</u>
Excess of Revenue Over (Under) Expenditures	1,487,217	(2,641,852)	72,578	(1,082,057)
Other Financing Sources				
Interfund transfer in (out)	(2,400,000)	2,400,000	--	--
Compensation for loss of general capital assets	--	--	--	--
Sale of surplus property	--	--	--	--
Total Other Financing Sources	<u>(2,400,000)</u>	<u>2,400,000</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(912,783)	(241,852)	72,578	(1,082,057)
Fund Balance, Beginning	6,946,167	340,470	58,450	7,345,087
Fund Balance, Ending	<u>\$ 6,033,384</u>	<u>\$ 98,618</u>	<u>\$ 131,028</u>	<u>\$ 6,263,030</u>

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

Oelrichs School District No. 23-3
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities
 June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (1,082,057)

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. 2,814,293

This amount represents the current year depreciation expense reported in the statement of activities is which is not reported on the fund financials statements because it does not require the use of current financial resources. (166,209)

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 5,906

Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (122,091)

Change in net position of governmental activities \$ 1,449,842

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

Oelrichs School District No. 23-3
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>Food Service Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 27,696
Due from other governments	2,517
Inventory	<u>3,159</u>
Total Current Assets	<u>33,372</u>
 Noncurrent Assets	
Machinery and equipment - local funds	40,885
Less accumulated depreciation	<u>(29,288)</u>
Total Noncurrent Assets	<u>11,597</u>
 Restricted Assets	
Net pension asset	<u>92</u>
 Total Assets	 <u>\$ 45,061</u>
 Deferred Outflows of Resources	
Pension-related deferred outflows of resources	<u>\$ 14,782</u>
 Deferred Inflows of Resources	
Pension-related deferred inflows of resources	<u>12,622</u>
 Net Position	
Net investment in capital assets	11,597
Restricted net pension	2,252
Unrestricted	<u>33,372</u>
Total Net Position	<u><u>\$ 47,221</u></u>

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

Oelrichs School District No. 23-3
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2021

	Food Service Fund
Operating Revenue	
Sales to Adults	\$ 4,932
Other	2,468
Total Operating Revenue	7,400
 Food Service	
Personnel	58,777
Cost of Sales	53,618
Depreciation	2,363
Miscellaneous	3,959
Supplies	3,730
Total Operating Expenses	122,447
Operating (Loss)	(115,047)
 Nonoperating Revenue	
State Sources:	
Cash reimbursements	530
Federal Sources:	
Cash reimbursements	120,287
Donated food	7,104
Total Nonoperating Revenue	127,921
Change in Net Position	12,874
Net Position - Beginning	34,347
Net Position - Ending	\$ 47,221

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

Oelrichs School District No. 23-3
Statement of Cash Flows – Proprietary Funds
June 30, 2021

	<u>Food Service Fund</u>
Cash Flow from Operating Activities	
Receipts from Customers	\$ 4,883
Payments to Employees	(53,183)
Payments to Suppliers	(53,239)
Net Cash (Used) by Operating Activities	<u>(101,539)</u>
 Cash Flows from Noncapital Financing Activities	
Operating Subsidies	<u>120,817</u>
 Net Change in Cash and Cash Equivalents	 19,278
 Cash and Cash Equivalents, Beginning of Year	 <u>8,418</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 27,696</u></u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating (Loss)	\$ (115,047)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation Expense	2,363
Cost of Sales - Donated Food	7,104
Change in Assets and Liabilities:	
Receivables	(2,517)
Accounts payable	--
Inventory	964
Pension change	5,594
Net Cash (Used) by Operating Activities	<u><u>\$ (101,539)</u></u>
 Noncash Investing, Capital, and Finance Activities	
Value of commodities received	<u><u>\$ 7,104</u></u>

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

Oelrichs School District No. 23-3
Statement of Net Position – Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 16,920
Total Assets	<u>\$ 16,920</u>
Net Position	
Individuals, organizations, and other governments	\$ 16,920
Total Liabilities	<u>\$ 16,920</u>

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

Oelrichs School District No. 23-3
Statement of Net Position – Fiduciary Funds
June 30, 2021

	Custodial Funds
Additions	
Collections for student activities	2,700
Total Additions	2,700
 Deductions	
Payments for student activities	2,722
Total Deductions	2,722
Change in Net Position	(22)
Net Position - Beginning	16,942
Restatement - See Note 14	16,942
Net Position - Beginning, as Restated	16,942
Net Position - Ending	\$ 16,920

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

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Oelrichs School District No. 23-3 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other School Districts. See Note 10 – Joint Venture 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 the notes because of the nature of their relationship with the District.

b. Government-Wide and Fund Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

c. Fund Types and Major Funds:

Fund financial statements of the reporting entity are organized into funds, each of which is a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns. An emphasis is placed on major funds within the governmental and proprietary categories.

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

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 District are described below within their respective fund types:

Governmental Funds:

General Fund – The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

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

Proprietary Funds:

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

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.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Custodial Fund Types – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, or private-purpose trust funds. The district maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

d. 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.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Receivables, such as taxes receivable and grants receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

e. Interfund Eliminations and Reclassifications:

In the process of aggregating data for the government-wide financial statements the District has charged certain “centralized expenses,” including an administrative overhead component, as direct expenses to programs to show all expenses that are associated with a service, program, or department. This process minimizes the doubling-up effect on internal service fund activity, if any.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

f. Cash and Cash Equivalents:

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

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statement are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Non-spendable fund balances related to inventory are reported net of the related liability (accounts payable). The governmental funds did not report any inventory balances as of June 30, 2021.

h. 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' fiduciary net position have been determined on the same basis as they are reported by SDRS. District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

i. Capital Assets:

Capital assets include land, buildings, improvements, 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 of 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.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Interest costs incurred during construction of capital assets are not capitalized.

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	All	--
Buildings	\$ 20,000	50-100 years
Improvements	10,000	20 years
Equipment - (Government)	5,000	7-20 years
Equipment - (Proprietary Funds)	2,000	12 years

Depreciation expense is calculated using the straight-line and composite methods. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

j. 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.

Government-Wide 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 District does not have any long-term liabilities.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Compensated Absences Payable – Compensated absences payable is the annual leave earned by employees. Vacation leave is earned by employees at varying rates depending on years of service. Sick leave is earned by the employees at the rate of one day for each month worked. Unused sick leave may accumulate to a total of 800 hours. Sick leave is only paid out to retirees of the District who have been employees for 12 years at a rate of \$25/day up to 100 days. Accrued leave payable balances are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charges as an expenditure at the time of termination or when the benefit becomes payable to the employee.

Fund Financial Statements:

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

k. Deferred Outflows/Inflows of Resources:

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of new position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 9.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as the available period, properties taxes collected within the available period that are intended to finance the next fiscal year, and grants and capital credits receivable not collected within the available period. In the government-wide financial statements, the District reports deferred inflows of resources for the property taxes that are levied for future periods and pension-related deferrals. The District reports only deferred inflows related to pension activity in the proprietary funds and business type activities.

l. Net Position and Fund Balance:

Government-Wide Financial Statements:

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

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 capital outlay certificates of other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

Restricted – 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.

Unrestricted – Represents all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classed as fund balance, which is distinguished between the following classifications:

Non-spendable – Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts that are constrained by the District’s intent to be used for specific purposes but are not restricted. Amounts can be assigned by committees of the School Board or management of the District.

Unassigned – Represents fund balance that has not been assigned to other funds and that has not been restricted or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use assigned, then unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a minimum fund balance policy. Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary net positions (except for Agency Funds, which do not have net position) are reported as net position held in trust for other purposes.

m. Proprietary Fund Revenue and Expense Classifications:

Private-Purpose Trust Fund Types – private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other organizations.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies: (Continued)

n. Program Revenues:

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

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.

Program Revenues – Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the use in a particular program.

Program Revenues – 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.

o. Emerging Accounting Standards:

In June 2017, the GASB issued Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School has not yet determined the specific impact of this statement on the financial statements. The standard is effective for fiscal years beginning after June 15, 2021, making the standard effective for the School District's year ending June 30, 2022. Early implementation is allowed.

2. Deposits and Investments:

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits – The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts 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.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

2. Deposits and Investments: (Continued)

Assignment of Investment Income – State law allows income from deposits and investments to be credited to the General Fund of the fund making the investment. The District’s policy is to credit all income from investments to the fund that generated the income. The District also reports deposits at cost plus interest and credits all income from deposits to the fund that generated the income.

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) 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.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the District’s deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralize by pledged securities.

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

Concentrations of Credit Risk – The District places no limit on the amount that may be deposited with any one financial institution or invested with any one issuer.

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

3. Due from Other Governments:

As of June 30, 2021, amounts due from other governments as reported in the financial statements consisted of the following:

SD Department of Education	\$ 120,970
Fall River County	6,013
	<u>\$ 126,983</u>

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

4. Changes in Capital Assets:

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

	<u>Balance</u> <u>07/01/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/2021</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 123,500	\$ --	\$ --	\$ 123,500
Construction in progress	243,730	2,814,293	--	3,058,023
Total capital assets, not being depreciated	<u>367,230</u>	<u>2,814,293</u>	<u>--</u>	<u>3,181,523</u>
Capital assets being depreciated:				
Buildings	968,487	--	--	968,487
Improvements	17,775	--	--	17,775
Equipment	562,213	--	--	562,213
Total capital assets being depreciated	<u>1,548,475</u>	<u>--</u>	<u>--</u>	<u>1,548,475</u>
Less accumulated depreciation for:				
Buildings	340,387	16,042	--	356,429
Equipment	247,091	149,068	--	396,159
Improvements	10,280	1,099	--	11,379
Total accumulated depreciation	<u>597,758</u>	<u>166,209</u>	<u>--</u>	<u>763,967</u>
Total capital assets being depreciated, net	<u>950,717</u>	<u>(166,209)</u>	<u>--</u>	<u>784,508</u>
Net Capital Assets	<u>\$ 1,317,947</u>	<u>\$ 2,648,084</u>	<u>\$ --</u>	<u>\$ 3,966,031</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,107
Support services	154,838
Co-curricular activities	3,264
Total Depreciation Expense	<u>\$ 166,209</u>

	<u>Balance</u> <u>07/01/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/2021</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 40,885	\$ --	\$ --	\$ 40,885
Less accumulated depreciation for:				
Less: Accumulated Depreciation	26,925	2,363	--	29,288
Total capital assets being depreciated, net	<u>\$ 13,960</u>	<u>\$ (2,363)</u>	<u>\$ --</u>	<u>\$ 11,597</u>

All depreciation expense related to the business-type activities was for the Food Service Fund.

Oelrichs School District No. 23-3
Notes to the Financial Statements
June 30, 2021

5. Long Term Liabilities:

The School district does not have any long-term liabilities June 30, 2021.

6. Restricted Net Position:

The following table shows the components of restricted net position as presented on the Statement of Net Position:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 98,618
Special Education	Law	131,028
Share of Net Pension Liability	Law	56,322
Total		\$ 285,968

7. Property Tax:

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

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

The District is permitted by state statute to levy the specified amounts of taxes per \$1,000 of taxable valuation of the property in the school district. State statute allows the General Fund tax rates to be increased by special election of the voters.

8. Individual Fund Interfund Balances and Transactions:

Transfers to/from other funds June 30, 2021 consist of the following:

Transfer from Impact Aid/General Fund to Capital Outlay for the construction of the new building	\$ 2,400,000
--	--------------

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

9. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

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

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

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

9. Pension Plan: (Continued)

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

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019, were \$60,334, \$70,051, and \$67,083, respectively, equal to the required contributions each year.

d. Pension Liabilities (Assets), Pension Expense (Revenue), 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 the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2020 and reported by the District as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$ 6,539,480
Less proportionate share of net pension restricted for pension benefits	<u>6,541,790</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,310)</u></u>

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

9. Pension Plan: (Continued)

As of June 30, 2021, the District reported an (asset) of (\$2,310) 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 (asset) used to calculate the net pension (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. For June 30, 2020, the District's proportion was 0.05319680%, which is an increase of 0.0061270% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense (reduction of pension expense) of \$127,684.60. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 8,838	\$ 1,810
Changes in Assumption	74,417	300,130
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	214,734	--
Changes in Proportion and Difference Between School District Contributions and Proportionate Share of Contributions	11,238	13,609
District Contributions Subsequent to the Measurement Date	60,334	--
Total	\$ 369,561	\$ 315,549

\$60,334 reported as deferred outflow of resources related to pensions resulting from 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 revenue as follows:

Year Ended June 30,	
2022	\$ (26,276)
2023	(22,734)
2024	3,325
2025	39,078
Thereafter	--
Total	\$ (6,607)

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

9. Pension Plan: (Continued)

e. 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 percent
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 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.

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%
Total Long-term liabilities	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

9. Pension Plan: (Continued)

f. Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the District's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the 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)	\$ 896,254	\$ (2,310)	\$ (737,318)

h. Pension Plan Fiduciary Net Position:

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

10. Joint Venture:

The District participates in the Black Hills Educational Benefits Cooperative (BHEBC); a cooperative service unit formed for the purpose of providing health insurance services to the member school districts. The relative percentage of participation of each member in BHEBC was not deemed to be a measurable matter.

The members of the BHEBC are Black Hills Special Service Cooperative, New Underwood School District, Wall School District, Custer School District, Oelrichs School District, and Belle Fourche School District.

BHEBC's governing board is composed of two representatives from each member school district. The board is responsible for adopting BHEBC's budget and setting service fees at a level adequate to fund the adopted budget. Members are not liable for claims in excess of BHEBC's assets.

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts. During the year ended June 30, 2021, the district paid \$6,500 for services provided by the Co-op.

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

10. Joint Venture: (Continued)

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

Belle Fourche School District	8.33%	Hot Springs School District	8.33%
Custer School District	8.33%	Lead/Deadwood School District	8.33%
Douglas School District	8.33%	Meade School District	8.33%
Edgemont School District	8.33%	Oelrichs School District	8.33%
Haakon School District	8.33%	Rapid City School District	8.33%
Hill City School District	8.33%	Spearfish School District	8.33%

The Co-op's governing board is comprised of one representative, a school Board member, from each 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 District retains no equity in the net position of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements may be obtained by writing to BHSSC, PO Box 218, Sturgis SD 57785.

As of June 30, 2021, this joint venture had assets of \$8,862,200, deferred inflows of \$1,521,480, liabilities of \$948,939, and net position of \$6,391,781 (unaudited).

11. Risk Management:

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

Employee Health Insurance:

As discussed in Note 10, the District joined together with other educational units in the state to form a public entity risk pool. This is a public entity risk pool currently operating as a common risk management and insurance program for six-member districts. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides a deductible of \$1,500 per person up to \$3,000 per family. The plan also provides for coinsurance of 70 or 80 percent up to \$6,000. The coverage also includes a \$1,000,000 lifetime maximum payment per person.

The District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Liability Insurance:

The District purchases insurance for risks related to torts, theft or damage to property, general liability, and errors and omissions of public officials from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the last three years.

Oelrichs School District No. 23-3

Notes to the Financial Statements

June 30, 2021

11. Risk Management: (Continued)

Workers' Compensation:

The District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits:

The District has elected to be self-insured and retain all risk for liabilities resulting in claims for unemployment benefits. There were no unemployment claims paid during the year ended June 30, 2021. There are no claims anticipated for the year ended June 30, 2021.

12. Concentrations:

The District is dependent upon grant revenues, property taxes and operating revenues from the State of South Dakota for its primary existence.

13. Risks and Uncertainties

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

14. Restatement And Implementation Of New Standards:

In 2021, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2021. The implementation of this standard required the District reclassify previously reported agency funds as custodial funds. The adjustment to beginning fund balance is as follows:

<u>Fiduciary Activities – Custodial Funds:</u>	
Net Position – June 30, 2020, as previously reported	\$ --
Restatement due to the inclusion of amounts held for others	<u>16,942</u>
Net Position – July 1, 2020, as restated	<u>\$ 16,942</u>

15. Subsequent Events:

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

Required Supplementary Information

Oelrichs School District No. 23-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 174,508	\$ 174,508	\$ 166,287	\$ (8,221)
Prior years ad valorem taxes	2,100	2,100	1,939	(161)
Utility taxes	28,000	28,000	19,183	(8,817)
Penalties and interest on taxes	750	750	716	(34)
Earnings on investments and deposits	--	--	50,216	50,216
Cocurricular Activities:				
Admissions	4,250	4,250	--	(4,250)
Other student activity income	50	50	--	(50)
Other local revenue:				
Rentals	9,400	9,400	6,000	(3,400)
Contributions and donations	120	120	--	(120)
Refund of prior year expenditures	5,000	5,000	4,866	(134)
Other	8,187	8,187	5,744	(2,443)
Revenue from Intermediate Sources:				
County Sources	4,000	4,000	3,521	(479)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	889,634	889,634	893,398	3,764
Restricted grants-in-aid	1,321	1,321	--	(1,321)
Other state revenue	650	650	423	(227)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	95,750	95,750	1,935,040	1,839,290
Restricted grants-in-aid	285,388	285,388	265,116	(20,272)
Revenue in Lieu of Taxes	20,000	20,000	13,634	(6,366)
Total Revenues	1,529,108	1,529,108	3,366,083	1,836,975

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Oelrichs School District No. 23-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2021 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 336,733	\$ 336,733	\$ 285,655	\$ 51,078
Middle/junior high	245,481	245,481	199,868	45,613
High school	382,217	382,217	328,160	54,057
Special Programs:				
Culturally different	25,393	25,393	25,393	--
Educationally deprived	135,344	135,344	119,988	15,356
Support Services:				
Students:				
Attendance and social work	1,200	1,200	--	1,200
Guidance	2,875	2,875	959	1,916
Health	1,000	1,000	702	298
Instructional Staff:				
Improvement of instruction	65,421	65,421	64,018	1,403
Educational media	174,557	174,557	106,483	68,074
General Administration:				
Board of education	88,455	88,455	51,496	36,959
Executive administration	167,687	167,687	152,850	14,837
School Administration:				
Office of the principal	96,405	96,405	93,235	3,170
Title I program administration	3,000	3,000	3,000	--
Business:				
Fiscal services	142,595	142,595	108,090	34,505
Operation and maintenance of plant	283,337	283,337	218,751	64,586
Pupil transportation	148,848	148,848	85,249	63,599
Food services	9,413	9,413	7,332	2,081
Central:				
Staff services	600	600	87	513
Cocurricular Activities:				
Male activities	35,324	35,324	5,958	29,366
Female activities	38,323	38,323	6,693	31,630
Combined activities	19,614	19,614	13,843	5,771
Transportation	3,937	3,937	1,056	2,881
Total Expenditures	2,407,759	2,407,759	1,878,866	528,893
Excess of Revenue Over (Under) Expenditures	(878,651)	(878,651)	1,487,217	2,365,868
Other Financing Sources (Uses)				
Transfers (In)	878,651	878,651	(2,400,000)	(3,278,651)
Total Other Financing Sources (Uses):	878,651	878,651	(2,400,000)	(3,278,651)
Net Change in Fund Balances	--	--	(912,783)	(912,783)
Fund Balance, Beginning	6,946,167	6,946,167	6,946,167	--
Fund Balance, Ending	\$ 6,946,167	\$ 6,946,167	\$ 6,033,384	\$ (912,783)

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Oelrichs School District No. 23-3

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 185,000	\$ 185,000	\$ 179,741	\$ (5,259)
Prior year ad valorem taxes	1,430	1,430	1,355	(75)
Penalties and interest on taxes	750	750	591	(159)
Revenue from Federal Sources:				
Unrestricted grants-in-aid	14,349	14,349	--	(14,349)
Restricted grants-in-aid	91,011	91,011	61,088	(29,923)
Total Revenues	292,540	292,540	242,775	(49,765)
Expenditures				
Instructional Services:				
Elementary	9,300	9,300	8,300	1,000
Middle school	6,842	6,842	6,742	100
High school	51,397	51,397	49,883	1,514
Support Services:				
Instructional staff:				
Fiscal Services	5,000	5,000	--	5,000
Educational media	49,377	49,377	--	49,377
Facilities Acquisition and Construction	5,585,000	5,585,000	2,814,293	2,770,707
Operation and maintenance of plant	117,423	117,423	--	117,423
Student transportation services	5,000	5,000	--	5,000
Internal services	9,200	9,200	5,409	3,791
Debt Services:				
Debt Services	2,399	2,399	--	
Cocurricular Activities:				
Male activities	3,800	3,800	--	3,800
Female activities	2,000	2,000	--	2,000
Total Expenditures	5,846,738	5,846,738	2,884,627	2,959,712
Excess of Revenue Over (Under)				
Expenditures	(5,554,198)	(5,554,198)	(2,641,852)	2,909,947
Other Financing Sources (Uses)				
Transfer in	3,051,761	3,051,761	2,400,000	(651,761)
Compensation for loss of general capital assets	2,437	2,437	--	(2,437)
Proceeds of General Long-Term Liabilities	2,500,000	2,500,000	--	(2,500,000)
Total Other Financing Sources (Uses)	5,554,198	5,554,198	2,400,000	(3,154,198)
Net Change in Fund Balances	--	--	(241,852)	(244,251)
Fund Balance, Beginning	340,470	340,470	340,470	--
Fund Balance, Ending	\$ 340,470	\$ 340,470	\$ 98,618	\$ (244,251)

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Oelrichs School District No. 23-3
 Required Supplementary Information –
 Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis
 June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>Revenues</u>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 120,100	\$ 120,100	\$ 118,674	\$ (1,426)
Prior years' ad valorem taxes	1,450	1,450	822	(628)
Penalties and interest on taxes	435	435	366	(69)
Revenue from State Sources:				
Restricted grants-in-aid	56,770	56,770	36,981	(19,789)
Revenue from Federal Sources:				
Unrestricted grants-in-aid	31,000	31,000	23,750	(7,250)
Restricted grants-in-aid	24,932	24,932	--	(24,932)
Total Revenues	<u>234,687</u>	<u>234,687</u>	<u>180,593</u>	<u>(54,094)</u>
<u>Expenditures</u>				
Instructional Services:				
Programs for special education	185,371	185,371	91,041	94,330
Support Services:				
Psychological	8,000	8,000	3,368	4,632
Speech pathology	51,876	51,876	6,781	45,095
Student therapy services	19,000	19,000	6,825	12,175
Total Expenditures	<u>264,247</u>	<u>264,247</u>	<u>108,015</u>	<u>156,232</u>
Excess of Revenues Over (Under) Expenditures	(29,560)	(29,560)	72,578	102,138
Other Financing Sources (Uses)				
Transfer in	29,560	29,560	--	(29,560)
Net Change in Fund Balance	--	--	72,578	72,578
Fund Balance, Beginning	58,450	58,450	58,450	--
Fund Balance, Ending	<u>\$ 58,450</u>	<u>\$ 58,450</u>	<u>\$ 131,028</u>	<u>\$ 72,578</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Oelrichs School District No. 23-3
Notes to the Required Supplementary Information
June 30, 2021

Note 1 – Basis of Presentation

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present capital outlay expenditures as a separate function.

Note 2 – Budgets and Budgetary Accounting

The District follows 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 Trust and Agency 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 District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

Oelrichs School District No. 23-3
Schedule of The Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.05319680%	0.05258410%	0.05306100%	0.04722430%	0.07222900%	0.0669089%	0.0550174%
District's proportionate share of net pension liability (asset)	\$ (2,310)	\$ (5,572)	\$ (1,243)	\$ (4,286)	\$ 243,982	\$ (283,780)	\$ (396,378)
District's covered-employee payroll	\$ 1,167,512	\$ 1,118,046	\$ 1,108,683	\$ 961,453	\$ 1,279,573	\$ 1,344,535	\$ 963,121
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.20%)	(0.50%)	(0.11%)	(0.45%)	19.07%	(21.11%)	(41.16%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

**The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

Oelrichs School District No. 23-3
Schedule of the School District Contributions
South Dakota Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 60,334	\$ 70,051	\$ 67,083	\$ 65,803	\$ 57,687	\$ 79,500	\$ 80,894
Contributions in relation to the contractually-required contribution	<u>60,334</u>	<u>70,051</u>	<u>67,083</u>	<u>65,803</u>	<u>57,687</u>	<u>79,500</u>	<u>80,894</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,005,575	\$ 1,167,512	\$ 1,118,046	\$ 1,108,683	\$ 961,453	\$ 1,279,573	\$ 1,344,535
Contributions as a percentage of employee-covered payroll	6%	6%	6%	6%	6%	6%	6%

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

Oelrichs School District No. 23-3
Notes to Required Supplementary Information
for the Year Ended 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

Oelrichs School District No. 23-3
Schedule of Expenditures of Federal Awards
June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of the Interior:			
Mineral Leasing (Note 4)	15.277	--	\$ 10,935
Payments in Lieu of Taxes (Note 4)	15.226	--	13,634
Total U.S. Department of the Interior			<u>24,569</u>
U.S. Department of Agriculture:			
Pass through Fall River County:			
Schools and Roads - Grants to Counties	10.666	--	<u>3,426</u>
Child Nutrition Cluster			
Pass through the S.D. Department of Education:			
Non Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	10.555	NSLP-17-139	7,104
Cash Assistance:			
School Breakfast Program (Note 4)	10.553	--	43,442
CANS menu Cert	10.555	--	1,491
National School Lunch Program (Note 4)	10.555	NSLP-17-139	75,354
Total Child Nutrition Cluster			<u>127,391</u>
Pass through the S.D. Department of Education:			
Fresh Fruit and Vegetable Program	10.582		<u>3,337</u>
Total U.S. Department of Agriculture			<u>134,154</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A170041	131,841
School Improvement Grants	84.377	--	32,312
Title II Part A REAP	84.367A		2,203
Title IV Transfer	84.424A		26,092
Coronavirus Relief Fund	21.019	--	64,000
Cares ESSER Funds	34.425D	--	91,738
			<u>348,186</u>
Direct Programs			
Impact Aid	84.041	--	2,923,750
Indian Education Grants to Local Educational Agencies	84.060	--	<u>25,393</u>
Total U.S. Department of Education			<u>3,297,329</u>
Grand Total			<u><u>\$ 3,456,052</u></u>

Oelrichs School District No. 23-3
Schedule of Expenditures of Federal Awards
June 30, 2021 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Oelrichs School District No. 23-3 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Oelrichs School District No. 23-3, it is not intended to and does not present the financial position, changes in net position, or cash flows of Oelrichs School District No. 23-3.

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.

3. Indirect Cost Rate:

Oelrichs School District No. 23-3 does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Federal Reimbursements:

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