

**ALCESTER-HUDSON
SCHOOL DISTRICT NO. 61-1**

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

JUNE 30, 2021

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

School Board

Justin Tuenissen

Amanda Beeler

Dawn Butzer

Travis Stene

Jay Hallaway

Josh Carlson

Jessica Paulson

Business Manager

Natalie Stene

Superintendent

Tim Rhead

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QUAM, BERGLIN & POST, P.C.

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INDEPENDENT AUDITOR'S REPORT

School Board
Alcester-Hudson School District No. 61-1
Union County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alcester-Hudson School District No. 61-1, Union County, South Dakota (School District), as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Management has elected not to record their long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net assets in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

The School District also did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses/expenditures of the governmental activities, the general governmental fund and the aggregate remaining fund information is not reasonably determinable.

Qualified Opinions

In our opinion, except for the matters described in the "Basis for Qualified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general governmental fund and the aggregate remaining fund information of Alcester-Hudson School District as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, capital outlay, special education and bond redemption funds, and the other enterprise and food service funds of Alcester-Hudson School District No. 61-1 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

Required Supplementary Information

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

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

May 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Alcester-Hudson School District #61-1's annual financial report presents our management's discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's net position from governmental and business-type activities for FY21 increased by \$289,320.45 which is a significant increase from FY20's decrease of \$43,261.01 .
- The School continues to reap the benefits of a successful Opt Out passed on June 18, 2002, for \$400,000. There are no time limits attached to the Opt Out.
- The start of the school year proved to be a challenge with the lingering affects of COVID 19, but we managed to work through it and did not experience any school closers.
- The Schools K-12 enrollment stayed steady compared to FY20.

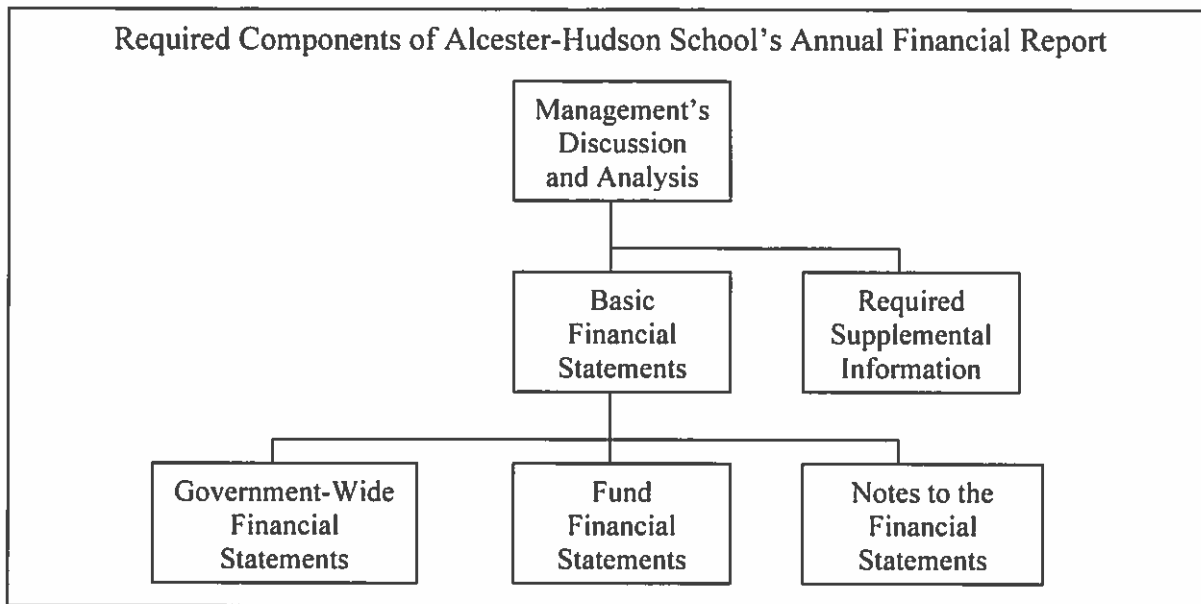
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure 1



Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This includes the General Fund, Capital Outlay Fund, Special Education Fund, and Pension Fund.

The two government-wide statements report the School's net position and how it has changed. Net position – the difference between the School's assets and liabilities – are one way to measure the School's financial health or position.

<https://www.alcester-hudson.k12.sd.us/>

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The school also charges a fee to cover the expenses for the teaching and driving portions of Drivers Education.

The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (for example, the School Board Scholarship Trust).

The School has three kinds of funds:

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

Net Position

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

Changes in Net Position

The next two pie graphs, Figure 4 and Figure 5, show the Sources of Revenue and Functional Expenses for FY2021. The amounts for these graphs were taken from Figure 6, Changes in Net Position. The Total Revenue for Governmental Activities increased by \$677,014.44 and the Total Expenses increased by \$334,747.76

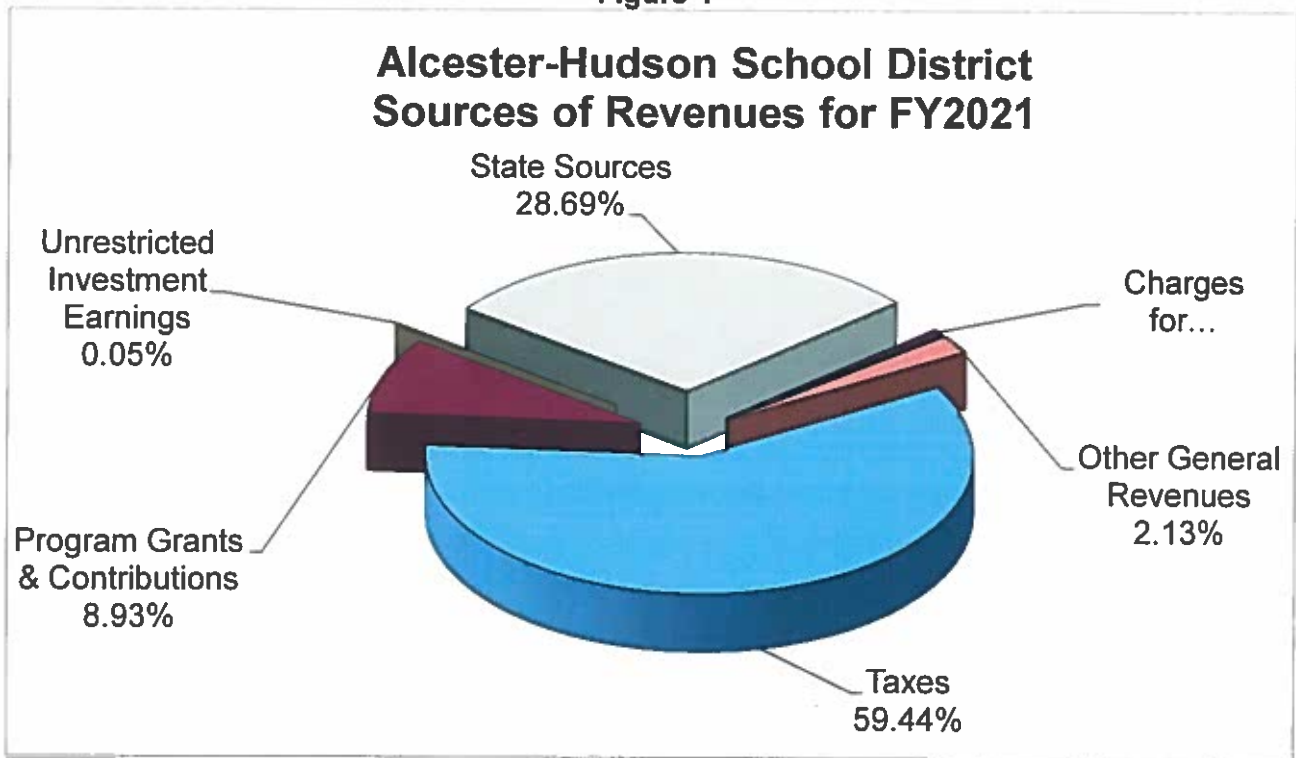
FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE
Figure 3

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF NET POSITION

	<u>Governmental Activities</u> <u>FY2020</u>	<u>Governmental Activities</u> <u>FY2021</u>	<u>Primary Government</u> <u>Business-Type Activities</u>		<u>Total</u> <u>FY2020</u>	<u>Total</u> <u>FY2021</u>
			<u>FY2020</u>	<u>FY2021</u>		
Current and Other Assets	\$ 4,730,718.30	\$ 4,742,776.54	\$ 31,653.77	\$ 35,926.48	\$ 4,762,372.07	\$ 4,778,703.02
Capital Assets	13,125,910.56	12,827,074.47	15,690.37	28,110.45	13,141,600.93	12,855,184.92
Total Assets	\$17,856,628.86	\$17,569,851.01	\$ 47,344.14	\$ 64,036.93	\$17,903,973.00	\$17,633,887.94
Pension Related Deferred Outflow	573,702.34	755,398.43			573,702.34	755,398.43
Total Deferred Outflows	573,702.34	755,398.43			573,702.34	755,398.43
Long-Term Debt Outstanding	9,788,254.51	9,354,142.01			9,788,254.51	9,354,142.01
Other Liabilities	431,392.50	332,842.98	7,169.12	11,768.31	438,561.62	344,611.29
Total Liabilities	\$10,219,647.01	\$ 9,686,984.99	\$ 7,169.12	\$ 11,768.31	\$10,226,816.13	\$ 9,698,753.30
Pension Related Deferred Inflows	235,620.91	618,933.17			235,620.91	618,933.17
Taxes Levied for Future Period	1,387,490.58	1,154,531.73			1,387,490.58	1,154,531.73
Total Deferred Inflows	1,623,111.49	1,773,464.90			1,623,111.49	1,773,464.90
Net Position:						
Net Investment in Capital Assets	3,443,885.56	3,527,524.47	15,690.37	28,110.45	3,459,575.93	3,555,634.92
Restricted	2,390,915.46	2,457,884.26			2,390,915.46	2,457,884.26
Unrestricted	752,771.68	879,390.82	24,484.65	24,158.17	777,256.33	903,548.99
Total Net Position	\$ 6,587,572.70	\$ 6,864,799.55	\$ 40,175.02	\$ 52,268.62	\$ 6,627,747.72	\$ 6,917,068.17

Referring to Figure 4 Pie Graph, 59.44% of the School's revenue comes from Local Property taxes, with 28.69% funded through State Aid.

Figure 4



The expenditures totaled \$5,257,687.86 for Governmental and Business-Type Activities. The School's expenses cover a range of services, encompassing instruction (including teacher salaries), support services (including support staff salaries), co-curricular activities and food service. As shown in Figure 5, 50.1% of the School's expenditures were dedicated to instruction.

Figure 5

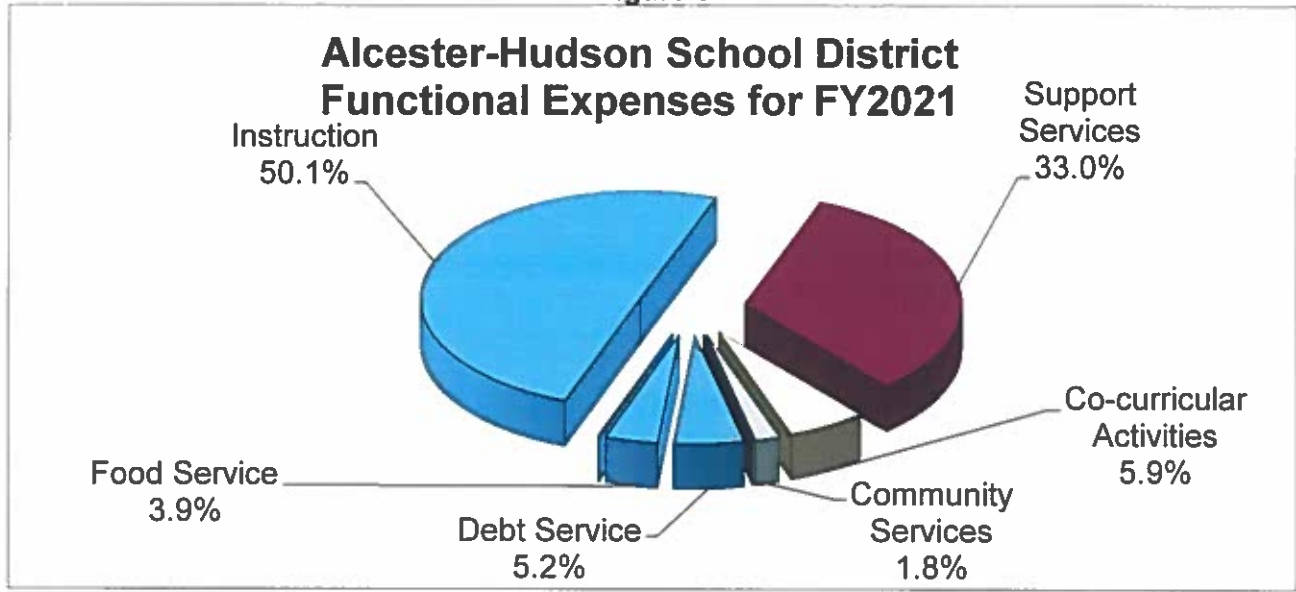


Figure 6 and the narrative that follows consider the operations of the governmental and business-type activities.

Figure 6

ALCESTER-HUDSON SCHOOL DISTRICT #61-1
Changes in Net Net Position

	Total Governmental Activities		Total Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenues						
Program Revenues						
Charges for Services	\$ 7,565.34	\$ 3,944.54	\$ 72,254.23	\$ 36,821.07	\$ 79,819.57	\$ 40,765.61
Operating Grants and Contributions	135,634.00	318,009.00	129,397.76	161,808.71	265,031.76	479,817.71
General Revenues						
Taxes	2,934,779.54	3,194,973.86			2,934,779.54	3,194,973.86
Revenue State Sources	1,521,437.64	1,542,084.23			1,521,437.64	1,542,084.23
Revenue Local Sources		172,000.00				172,000.00
Unrestricted Investment Earnings	51,332.03	114,465.79			51,332.03	114,465.79
Total Revenues	20,615.54	2,901.11			20,615.54	2,901.11
	\$ 4,671,364.09	\$ 5,348,378.53	\$ 201,651.99	\$ 198,629.78	\$ 4,873,016.08	\$ 5,547,008.31
Expenses						
Instruction	\$ 2,738,311.69	\$ 2,635,999.92	\$	\$	\$ 2,738,311.69	\$ 2,635,999.92
Support Services	1,277,014.74	1,736,830.97			1,277,014.74	1,736,830.97
Debt Services	281,487.13	272,116.56			281,487.13	272,116.56
Non Programmed Charges						
Community Services	114,659.00	96,381.25			114,659.00	96,381.25
Cocurricular Activities	305,608.42	310,500.04			305,608.42	310,500.04
Food Service			195,958.71	202,923.29	195,958.71	202,923.29
Other Enterprise			3,237.40	2,935.83	3,237.40	2,935.83
Total Expenses	\$ 4,717,080.98	\$ 5,051,828.74	\$ 199,196.11	\$ 205,859.12	\$ 4,916,277.09	\$ 5,257,687.86
Excess (Deficiency) Before Transfers	\$ (45,716.89)	\$ 296,549.79	\$ 2,455.88	\$ (7,229.34)	\$ (43,261.01)	\$ 289,320.45
Transfers In (Out)		(19,322.94)		19,322.94		
Increase (Decrease) in Net Position	\$ (45,716.89)	\$ 277,226.85	\$ 2,455.88	\$ 12,093.60	\$ (43,261.01)	\$ 289,320.45
NET POSITION - ENDING	\$ 6,587,572.70	\$ 6,864,799.55	\$ 40,175.02	\$ 52,268.62	\$ 6,419,190.20	\$ 6,917,068.17

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

As you can see in Figure 6, the total Governmental and Business-Type Activities revenue increased \$673,992.23 and the total expenditures increased \$341,410.77. The result was an increase in total Governmental and Business-Type Activities ending net position of \$289,320.45, most of this was due to the increase of federal support from the COVID pandemic.

BUSINESS-TYPE ACTIVITIES

As stated in the above paragraph, the Revenues and Expenses of the School’s business-type activities increased due to the federal revenue support because of the COVID pandemic.

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

The general fund balance increased by \$95,117.71 in FY21, this was a welcoming offset to FY20’s decrease of \$19,972.18. In past years, there was an attempt to spend down the General Fund fund balance per SDCL 13-8-47 (Cash Balance Percentage Limit), we feel that this has been achieved and will continue make an effort to balance the revenue with expenses.

The FY21 Capital Outlay Fund had an increase of \$163,319.79.

Finally, the FY201 Special Education Fund received more revenue than expenditures, receiving \$365,141.55 more than they spent of the fund balance. (These figures are shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the Budgetary Comparison Schedules for each fund.)

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSET ADMINISTRATION

In FY21, the School had invested \$12,855,184 in a broad range of capital assets—including land, buildings, improvements other than buildings, and various machinery and equipment. (See Figure 7)

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>2020</u>	<u>2021</u>	<u>Increase/ Decrease</u>	<u>2020</u>	<u>2021</u>	<u>Increase/ Decrease</u>
Land	\$ 60,000	\$ 60,000	\$	\$	\$	\$
Buildings	11,932,683	11,840,864	(91,819)			
Improvements other than Building	676,874	452,871	(224,003)			
Machinery and Equipment	373,026	389,843	16,816	15,690	28,110	12,420
Library Books	83,327	83,496	169			
Total Capital Assets	\$ 13,125,911	\$ 12,827,074	\$ (298,836)	\$ 15,690	\$ 28,110	\$ 12,420

Figure 8
ALCESTER-HUDSON SCHOOL DISTRICT #61-1
Long-Term Liabilities

	Governmental Activities	
	2020	2021
Capital Outlay Certificates	\$ 2,610,000.00	\$ 2,515,000.00
Capital Leases	15,365.98	2,195.14
GO Bonds	6,645,000.00	6,380,000.00
Premium on Debt Issued	427,025.00	404,550.00
Accrued Compensated Absences	90,863.53	52,396.87
Total Long-Term Liabilities	\$ 9,788,254.51	\$ 9,354,142.01

Increase/Decrease -4.44%

The School obtained General Obligation bonds during FY19 for \$2,060,000 to help defray the costs of the JH-HS addition.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown changes. The School did experience a significant increase in total property valuation from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

Another primary source of revenue to the School is state aid. The state aid formula changed in FY17. The SD legislature changed the per student allocation to a target teacher salary calculation. Based on enrollment, the schools calculated a target teacher ratio. The ratio is figured into a target teacher salary and benefit amount, which resulted in a total teacher compensation needed dollar value. From this total need, the total received from local property taxes is subtracted and finally, the balance is received from the State of South Dakota. The School continues to reap the benefits of a successful Opt Out passed on June 18, 2002, for \$400,000. There are no time limits attached to the Opt Out.

Student enrollment numbers have remained constant from FY20 to FY21 with K-12 enrollment numbers of 342 and 341 respectively. The School District saw an increase in ADM.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Alcester-Hudson School District's Business Office, 409 E. 6th Street, P. O. Box 198, Alcester, SD 57001.

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ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS:			
Cash and Cash Equivalents	\$ 3,412,334.41	\$ 24,480.66	\$ 3,436,815.07
Taxes Receivable	1,188,276.24		1,188,276.24
Accounts Receivable	2,820.81		2,820.81
Inventories		4,722.58	4,722.58
Due from Other Governments	134,669.71	6,723.24	141,392.95
Net Pension Asset	4,675.37		4,675.37
Capital Assets:			
Land	60,000.00		60,000.00
Other Capital Assets, Net of Depreciation	<u>12,767,074.47</u>	<u>28,110.45</u>	<u>12,795,184.92</u>
TOTAL ASSETS	<u>17,569,851.01</u>	<u>64,036.93</u>	<u>17,633,887.94</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	<u>755,398.43</u>		<u>755,398.43</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>755,398.43</u>		<u>755,398.43</u>
LIABILITIES :			
Accounts Payable	16,683.25	41.93	16,725.18
Contracts and Benefits Payable	316,159.73		316,159.73
Unearned Revenue		11,726.38	11,726.38
Noncurrent Liabilities:			
Due in Less than One Year	433,009.04		433,009.04
Due in More than One Year	<u>8,921,132.97</u>		<u>8,921,132.97</u>
TOTAL LIABILITIES	<u>9,686,984.99</u>	<u>11,768.31</u>	<u>9,698,753.30</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	1,154,531.73		1,154,531.73
Pension Related Deferred Inflows	<u>618,933.17</u>		<u>618,933.17</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,773,464.90</u>		<u>1,773,464.90</u>
NET POSITION:			
Net Investment in Capital Assets	3,527,524.47	28,110.45	3,555,634.92
Restricted for:			
Capital Outlay	1,806,288.43		1,806,288.43
Special Education	148,019.43		148,019.43
Debt Service Purposes	362,435.77		362,435.77
SDRS Pension Purposes	141,140.63		141,140.63
Unrestricted	<u>879,390.82</u>	<u>24,158.17</u>	<u>903,548.99</u>
TOTAL NET POSITION	<u>\$ 6,864,799.55</u>	<u>\$ 52,268.62</u>	<u>\$ 6,917,068.17</u>

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>		<u>Total</u>
			<u>Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary Government:					
Governmental Activities:					
Instruction	\$ 2,635,999.92	\$	\$ 318,009.00	\$ (2,317,990.92)	\$ (2,317,990.92)
Support Services	1,736,830.97			(1,736,830.97)	(1,736,830.97)
Interest on Long-term Debt*	272,116.56			(272,116.56)	(272,116.56)
Community Services	96,381.25			(96,381.25)	(96,381.25)
Cocurricular Activities	310,500.04	3,944.54		(306,555.50)	(306,555.50)
Total Governmental Activities	5,051,828.74	3,944.54	318,009.00	(4,729,875.20)	(4,729,875.20)
Business-type Activities:					
Food Service	202,923.29	30,746.07	161,808.71	(10,368.51)	(10,368.51)
Driver's Education	2,935.83	6,075.00		3,139.17	3,139.17
Total Business-type Activities:	205,859.12	36,821.07	161,808.71	(7,229.34)	(7,229.34)
Total Primary Government	\$ 5,257,687.86	\$ 40,765.61	\$ 479,817.71	(4,729,875.20)	(4,737,104.54)

General Revenues:

Taxes:					
Property Taxes				3,103,395.15	3,103,395.15
Utility Tax				91,578.71	91,578.71
Revenue from State Sources:					
State Aid			1,542,084.23	1,542,084.23	1,542,084.23
Revenue from Federal Sources			172,000.00	172,000.00	172,000.00
Unrestricted Investment Earnings			2,901.11	2,901.11	2,901.11
Other General Revenues			114,465.79	114,465.79	114,465.79
Transfers			(19,322.94)	19,322.94	19,322.94
Total General Revenues			5,007,102.05	19,322.94	5,026,424.99
Change in Net Position			277,226.85	12,093.60	289,320.45
Net Position-Beginning			6,587,572.70	40,175.02	6,627,747.72
NET POSITION - ENDING			\$ 6,864,799.55	\$ 52,268.62	\$ 6,917,068.17

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

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Assets:					
Cash and Cash Equivalents	\$1,063,515.39	\$1,801,843.39	\$ 188,206.03	\$ 358,769.60	\$ 3,412,334.41
Taxes Receivable-Current	408,214.00	310,509.48	258,936.99	176,871.26	1,154,531.73
Taxes Receivable--Delinquent	17,550.94	6,908.14	5,619.26	3,666.17	33,744.51
Accounts Receivable	2,131.21		689.60		2,820.81
Due from Other Governments	134,669.71				134,669.71
TOTAL ASSETS	<u>\$1,626,081.25</u>	<u>\$2,119,261.01</u>	<u>\$ 453,451.88</u>	<u>\$ 539,307.03</u>	<u>\$ 4,738,101.17</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 12,186.87	\$ 267.96	\$ 4,228.42	\$	\$ 16,683.25
Contracts Payable	223,658.64		33,256.91		256,915.55
Payroll Deductions and Withholdings and Employer Matching Payable	50,234.05		9,010.13		59,244.18
Total Liabilities	<u>286,079.56</u>	<u>267.96</u>	<u>46,495.46</u>		<u>332,842.98</u>
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	408,214.00	310,509.48	258,936.99	176,871.26	1,154,531.73
Unavailable Revenue-Property Taxes	17,550.94	6,908.14	5,619.26	3,666.17	33,744.51
Total Deferred Inflows of Resources	<u>425,764.94</u>	<u>317,417.62</u>	<u>264,556.25</u>	<u>180,537.43</u>	<u>1,188,276.24</u>
Fund Balances:					
Restricted	21,440.69	1,801,575.43	142,400.17	358,769.60	2,324,185.89
Assigned	341,381.82				341,381.82
Unassigned	551,414.24				551,414.24
Total Fund Balances	<u>914,236.75</u>	<u>1,801,575.43</u>	<u>142,400.17</u>	<u>358,769.60</u>	<u>3,216,981.95</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$1,626,081.25</u>	<u>\$2,119,261.01</u>	<u>\$ 453,451.88</u>	<u>\$ 539,307.03</u>	<u>\$ 4,738,101.17</u>

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

**ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balances - Governmental Funds		\$ 3,216,981.95
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The Cost of the Assets	\$ 16,006,419.08	
Less Accumulated Depreciation	<u>(3,179,344.61)</u>	12,827,074.47
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Long-term liabilities at year-end consist of:		
Accrued Leave Payable	(52,396.87)	
Capital Outlay Certificates	(8,850,050.00)	
Capital (Financing) Lease	<u>(2,195.14)</u>	(8,904,642.01)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		
		4,675.37
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		
		755,398.43
Pension related deferred inflows are components of pension liability and therefore are not reported in the funds.		
		(618,933.17)
Governmental funds report property taxes as revenue using the current financial resources measurement focus, but the statement of activities includes the property taxes as revenue when earned.		
		33,744.51
When bonds are issued there is usually a premium or discount involved. This premium or discount is amortized over the life of the bonds issued.		
Discount on Debt Issue		<u>(449,500.00)</u>
Net Position - Governmental Funds		<u>\$ 6,864,799.55</u>

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 1,168,618.56	\$ 744,352.37	\$ 624,492.40	\$ 516,379.54	\$ 3,053,842.87
Prior Years' Ad Valorem Taxes	34,377.59	11,749.30	9,328.24	5,235.72	60,690.85
Utility Taxes	91,578.71				91,578.71
Penalties and Interest on Taxes					
Earnings on Investments and Deposits	1,931.33	883.29	86.49		2,901.11
Co-curricular Activities:					
Admissions	1,572.04				1,572.04
Other Pupil Activity Income	2,372.50				2,372.50
Other Revenue from Local Sources:					
Contributions and Donations		9,000.00			9,000.00
Medicaid Direct Services	1,439.22		3,422.08		3,422.08
Medicaid Indirect Administrative Services	48,655.31	21,246.45	22.65		1,439.22
Other					69,924.41
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	30,680.08				30,680.08
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	1,488,532.23				1,488,532.23
Restricted Grants-in-Aid			53,552.00		53,552.00
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received from Federal Government Through the State	172,000.00				172,000.00
Restricted Grants-in-Aid Received from Federal Government Through the State	318,009.00				318,009.00
Total Revenue	<u>3,359,766.57</u>	<u>787,231.41</u>	<u>690,903.86</u>	<u>521,615.26</u>	<u>5,359,517.10</u>

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	748,501.56	76,184.04			824,685.60
Middle School	109,487.60				109,487.60
High School	571,343.25	82,186.62			653,529.87
Preschool Services	75,637.28				75,637.28
Other Regular Programs	55,310.65				55,310.65
Special Programs:					
Programs for Special Education			514,854.53		514,854.53
Educationally Deprived	107,764.35				107,764.35
Support Services:					
Pupils:					
Guidance	58,090.05				58,090.05
Health	12,407.93				12,407.93
Student Therapy Services			34,382.00		34,382.00
Psychological			37,511.89		37,511.89
Speech Pathology			17,602.47		17,602.47
Support Services - Instructional Staff:			19,136.26		19,136.26
Improvement of Instruction	1,890.00				1,890.00
Educational Media	118,299.99	8,573.02			126,873.01
Support Services - General Administration:					
Board of Education	129,076.16				129,076.16
Executive Administration	153,484.46				153,484.46
Support Services - School Administration:					
Office of the Principal	178,946.31				178,946.31
Other	142.42				142.42
Support Services - Business:					
Fiscal Services	121,092.84	18,679.70			139,772.54
Facility Acquisition and Construction		136,090.73			136,090.73
Operation and Maintenance of Plant	392,905.43	2,211.90			395,117.33
Pupil Transportation	144,114.75	9,473.40			153,588.15
Support Services - Special Education:					
Transportation Costs			2,275.16		2,275.16

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Community Services					
Custody and Care of Children	96,381.25				96,381.25
Nonprogrammed Charges:					
Debt Services		183,659.90		484,102.50	667,762.40
Cocurricular Activities:					
Male Activities	51,070.50				51,070.50
Female Activities	41,198.69				41,198.69
Transportation	6,406.58				6,406.58
Combined Activities	83,798.33				83,798.33
Capital Outlay	7,298.48	106,852.31			114,150.79
Total Expenditures	<u>3,264,648.86</u>	<u>623,911.62</u>	<u>625,762.31</u>	<u>484,102.50</u>	<u>4,998,425.29</u>
Net Change in Fund Balances	95,117.71	163,319.79	65,141.55	37,512.76	361,091.81
Fund Balance - Beginning	<u>819,119.04</u>	<u>1,638,255.64</u>	<u>77,258.62</u>	<u>321,256.84</u>	<u>2,855,890.14</u>
FUND BALANCE - ENDING	<u>\$ 914,236.75</u>	<u>\$1,801,575.43</u>	<u>\$ 142,400.17</u>	<u>\$ 358,769.60</u>	<u>\$ 3,216,981.95</u>

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

**ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 361,091.81

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as capital outlay expense. This is the amount by which depreciation expense exceeds capital outlay expense in the period.

Capital Outlays	\$ 114,150.79	
Depreciation Expense	(412,986.88)	(298,836.09)

Governmental funds report property taxes as revenue when they meet available criteria, that is collectible within one normal bill paying cycle; but the statement of activities includes the property taxes as revenue when earned. (11,138.57)

Repayment of bond principal and capital lease payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net position. 395,645.84

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in those expenditures:

Compensated Absences Payable		38,466.66
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Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (208,002.80)

Change in Net Position of Governmental Activities \$ 277,226.85

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 10,294.57	\$ 14,186.09	\$ 24,480.66
Due from Other Government	6,723.24		6,723.24
Inventory of Supplies	949.73		949.73
Inventory of Stores Purchased for Resale	1,249.80		1,249.80
Inventory of Donated Food	<u>2,523.05</u>		<u>2,523.05</u>
Total Current Assets	<u>21,740.39</u>	<u>14,186.09</u>	<u>35,926.48</u>
Capital Assets:			
Machinery and Equipment	151,214.41		151,214.41
Less: Accumulated Depreciation	<u>(123,103.96)</u>		<u>(123,103.96)</u>
Total Noncurrent Assets	<u>28,110.45</u>		<u>28,110.45</u>
TOTAL ASSETS	<u>49,850.84</u>	<u>14,186.09</u>	<u>64,036.93</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	41.93		41.93
Unearned Revenue	<u>11,726.38</u>		<u>11,726.38</u>
TOTAL LIABILITIES	<u>11,768.31</u>		<u>11,768.31</u>
NET POSITION:			
Net Investment in Capital Assets	28,110.45		28,110.45
Unrestricted	<u>9,972.08</u>	<u>14,186.09</u>	<u>24,158.17</u>
Total Net Position	<u>\$ 38,082.53</u>	<u>\$ 14,186.09</u>	<u>\$ 52,268.62</u>

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
Operating Revenue:			
Sales:			
To Pupils	\$ 12,761.29	\$ 6,075.00	\$ 18,836.29
To Adults	5,723.00		5,723.00
Miscellaneous Revenue	12,225.43		12,225.43
Other	36.35		36.35
Total Operating Revenue	<u>30,746.07</u>	<u>6,075.00</u>	<u>36,821.07</u>
Operating Expenses:			
Food Service:			
Salaries	87,386.61	2,040.00	89,426.61
Employee Benefits	30,022.61	278.46	30,301.07
Supplies	9,058.21	617.37	9,675.58
Cost of Sales-Purchased Food	57,272.85		57,272.85
Cost of Sales-Donated Food	12,280.15		12,280.15
Depreciation	6,902.86		6,902.86
Total Operating Expenses	<u>202,923.29</u>	<u>2,935.83</u>	<u>205,859.12</u>
Operating Income (Loss)	<u>(172,177.22)</u>	<u>3,139.17</u>	<u>(169,038.05)</u>
Nonoperating Revenue (Expense):			
State Sources:			
Cash Reimbursements	926.22		926.22
Federal Sources:			
Cash Reimbursements	150,545.79		150,545.79
Donated Food	10,336.70		10,336.70
Total Nonoperating Revenue (Expense)	<u>161,808.71</u>		<u>161,808.71</u>
Income (Loss) Before Contributions	<u>(10,368.51)</u>	<u>3,139.17</u>	<u>(7,229.34)</u>
Capital Contributions	19,322.94		19,322.94
Change in Net Position	8,954.43	3,139.17	12,093.60
Net Position - Beginning	<u>29,128.10</u>	<u>11,046.92</u>	<u>40,175.02</u>
NET POSITION - ENDING	<u>\$ 38,082.53</u>	<u>\$ 14,186.09</u>	<u>\$ 52,268.62</u>

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds		Total
	Food Service Fund	Other Enterprise Fund	
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 35,992.49	\$ 6,075.00	\$ 42,067.49
Payments to Suppliers	(66,613.78)	(617.37)	(67,231.15)
Payments to Employees	<u>(117,409.22)</u>	<u>(2,318.46)</u>	<u>(119,727.68)</u>
Net Cash Provided (Used) by Operating Activities	<u>(148,030.51)</u>	<u>3,139.17</u>	<u>(144,891.34)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	<u>151,472.01</u>		<u>151,472.01</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>151,472.01</u>		<u>151,472.01</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 <u>\$ 3,441.50</u>	 <u>\$ 3,139.17</u>	 <u>\$ 6,580.67</u>
 Cash and Cash Equivalents at Beginning of Year	 \$ 6,853.07	 \$ 11,046.92	 \$ 17,899.99
Cash and Cash Equivalents at End of Year	<u>10,294.57</u>	<u>14,186.09</u>	<u>24,480.66</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 3,441.50</u>	<u>\$ 3,139.17</u>	<u>\$ 6,580.67</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (172,177.22)	\$ 3,139.17	\$ (169,038.05)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,902.86		6,902.86
Value of Commodities Used	12,280.15		12,280.15
Change in Assets and Liabilities:			
Receivables	689.16		689.16
Inventories	(324.65)		(324.65)
Accounts and Contracts Payable	41.93		41.93
Unearned Revenue	<u>4,557.26</u>		<u>4,557.26</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (148,030.51)</u>	<u>\$ 3,139.17</u>	<u>\$ (144,891.34)</u>
 Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 10,336.70		
Capital Assets Purchased by Capital Outlay Fund	19,322.94		

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 9,227.67	\$ 57,864.22
Accounts Receivable		<u>10,000.00</u>
TOTAL ASSETS	<u>9,227.67</u>	<u>67,864.22</u>
 LIABILITIES:		
Amounts Held for Others		<u>67,864.22</u>
TOTAL LIABILITIES		<u>\$ 67,864.22</u>
 NET POSITION		
Held in Trust for Scholarships	<u>\$ 9,227.67</u>	

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

**ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Contributions and Donations	\$ <u>900.15</u>
Total Additions	<u>900.15</u>
DEDUCTIONS:	
Trust Deductions for Scholarships	<u>850.00</u>
Total Deductions	<u>850.00</u>
Change in Net Position	50.15
Net Position - Beginning	<u>9,177.52</u>
NET POSITION - ENDING	<u>\$ 9,227.67</u>

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

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Financial Reporting Entity**

The reporting entity of Alcester-Hudson School District No. 61-1, 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 School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. **Basis of Presentation**

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and

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

1. Total assets and deferred outflows of resources, liabilities and 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 and deferred outflows of resources, liabilities and 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 School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

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

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

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

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

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

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary*

government or component unity – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)

- b. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

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

Other Enterprise Fund - A fund used to record financial transactions related to driver’s education instruction. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only a private-purpose trust fund for scholarships.

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary 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 fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Alcester-Hudson School District No. 61-1, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2021 are amounts due from other governments for grants and utility taxes.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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

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

d. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments

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

No investments are currently classified in the financial statements. If there were, they would consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets

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

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

Government-Wide Financial Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately .80 percent for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	NA	NA
Improvements	\$ 5,000.00	Straight Line	10-50 yrs
Buildings	5,000.00	Straight Line	50 yrs
Machinery and Equipment	5,000.00	Straight Line	2-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	12 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Deferred Inflows and Deferred Outflows of Resources:

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that

applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

l. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted Net Position.

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

1. Nonspendable – includes fund balance amounts that cannot be spent because it is not in spendable form or because of legal or contractual constraints.
2. Restricted – includes fund balance amounts that are constrained for a specific purpose which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
4. Assigned – includes fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
5. Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative balances in other governmental funds.

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

The School District has not adopted a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

**ALCESTER SCHOOL DISTRICT NO. 61-1
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
<i>Restricted for:</i>					
General Fund	\$ 21,440.69		\$	\$	\$ 21,440.69
Capital Outlay		1,801,575.43			1,801,575.43
Special Education			142,400.17		142,400.17
Bond Redemption				358,769.60	358,769.60
<i>Assigned to:</i>					
Unemployment	172,911.82				172,911.82
Subsequent Year's Budget	168,470.00				168,470.00
<i>Unassigned</i>	<u>551,414.24</u>				<u>551,414.24</u>
Total Fund Balances	<u>\$ 914,236.75</u>	<u>\$ 1,801,575.43</u>	<u>\$ 142,400.17</u>	<u>\$ 358,769.60</u>	<u>\$ 3,216,981.95</u>

o. Pensions:

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

NOTE 2 – DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or

indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

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

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year and no allowance has been provided for uncollectible amounts.

NOTE 4 – INVENTORY

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

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

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand at June 30, 2021 in the governmental funds.

NOTE 5 – PROPERTY TAXES

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

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

NOTE 6 – CHANGES IN CAPITAL ASSETS

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

<i>Primary Government</i>	Balance 06/30/20	Increases	Decreases	Balance 06/30/21
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 60,000.00	\$	\$	\$ 60,000.00
Total Capital Assets, not depreciated	60,000.00			60,000.00
Capital Assets, depreciated:				
Improvements	1,194,212.27			1,194,212.27
Buildings	13,303,451.50			13,303,451.50
Machinery and Equipment	1,155,910.09	104,567.47		1,260,477.56
Library Books	178,694.43	9,583.32		188,277.75
Totals	15,832,268.29	114,150.79		15,946,419.08
Less Accumulated Depreciation:				
Improvements	517,337.80	224,003.09		741,340.89
Buildings	1,370,768.40	91,818.88		1,462,587.28
Machinery and Equipment	782,883.69	87,751.02		870,634.71
Library Books	95,367.84	9,413.89		104,781.73
Total Accumulated Depreciation	2,766,357.73	412,986.88		3,179,344.61
Total Capital Assets, being depreciated, net	13,065,910.56	(298,836.09)		12,767,074.47
Governmental activities capital assets, net	\$ 13,125,910.56	\$ (298,836.09)	\$	\$ 12,827,074.47

**Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 86,727.24
Support Services	198,233.70
Co-curricular Activities	128,025.94
Total Depreciation expense-governmental activities	\$ 412,986.88

Business-type Activity:

	Balance 06/30/20	Increases	Decreases	Balance 06/30/21
Business-type activity capital assets, net				
Capital Assets, depreciated:				
Machinery and Equipment	\$ 131,891.47	\$ 19,322.94	\$	\$ 151,214.41
Less Accumulated Depreciation:				
Machinery and Equipment	<u>116,201.10</u>	<u>6,902.86</u>		<u>123,103.96</u>
Business-type activity capital assets, net	<u>\$ 15,690.37</u>	<u>\$ 12,420.08</u>	<u>\$</u>	<u>\$ 28,110.45</u>
**Depreciation expense was charged to functions as follows:				
Business-type Activity				
Food Service				<u>\$ 6,902.86</u>

NOTE 7 – LONG -TERM LIABILITIES

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

Primary Government:

	Beginning Balance 6/30/20	Additions	Deletions	Ending Balance 6/30/21	Due Within One Year
Governmental Activities:					
Capital Outlay Certificates	\$ 2,610,000.00		\$ 95,000.00	\$ 2,515,000.00	\$ 120,000.00
Capital (Financing) Leases	15,365.98		13,170.84	2,195.14	2,195.14
Government Obligation Bond	6,645,000.00		265,000.00	6,380,000.00	270,000.00
Premium on Debt Issued	427,025.00		22,475.00	404,550.00	22,475.00
Accrued Compensated Absences	<u>90,863.53</u>	<u>59,589.42</u>	<u>98,056.08</u>	<u>52,396.87</u>	<u>18,338.90</u>
Total Governmental Activities	<u>\$ 9,788,254.51</u>	<u>\$ 59,589.42</u>	<u>\$ 493,701.92</u>	<u>\$ 9,354,142.01</u>	<u>\$ 433,009.04</u>

Compensated absences and other post-employment benefits for governmental activities typically have been liquidated from the General Fund. Capital lease liabilities have been liquidated from the Capital Outlay Fund.

Liabilities payable (excluding premiums) at June 30, 2021 are comprised of the following:

Governmental Activities

Capital Outlay Certificates:

Series 2019, dated July 24, 2019, interest of 1 to 3%,
depending on the length to maturity, final maturity August 01, 2038.
Payments to be made from Capital Outlay Fund \$ 550,000.00

General Obligation Bonds:

Series 2017
Dated November 14, 2017 with varying interest rates from
1.35% to 3.375%, depending on the length to maturity; bonds
mature on August 1; Payments from Bond Redemption Fund. 6,380,000.00

General Obligation Certificates:

Series 2019
Dated March 14, 2019 with varying interest rates from
2.05% to 3.40%, depending on the length to maturity; bonds
mature on Feb 1, 2038; Payments from Capital Outlay Fund. 1,965,000.00

Capital (Financing) Leases:

Lease of custodial cleaning machine for a 60 month period dated
September 1, 2016 final payment due September 1, 2021. Payments to be made
from Capital Outlay Fund 2,195.14

Compensated Absences:

Vested annual leave; payments to be made from General Fund 52,396.87

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

Year Ending June 30	CO Certificates		Capital Lease	GO Bond-Including Premium		Totals	
	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2022	\$ 120,000.00	\$ 67,473.75	\$ 2,195.14	\$ 292,475.00	\$ 214,472.50	\$ 414,670.14	\$ 281,946.25
2023	120,000.00	65,063.75		297,475.00	210,247.50	417,475.00	275,311.25
2024	125,000.00	62,653.75		302,475.00	205,667.50	427,475.00	268,321.25
2025	125,000.00	60,141.25		307,475.00	199,012.50	432,475.00	259,153.75
2026	130,000.00	57,585.00		317,475.00	190,312.50	447,475.00	247,897.50
2027-2031	700,000.00	239,972.50		1,732,375.00	796,787.50	2,432,375.00	1,036,760.00
2032-2036	800,000.00	137,627.50		2,087,375.00	444,437.50	2,887,375.00	582,065.00
2037-2041	395,000.00	19,720.00		1,447,425.00	69,918.75	1,842,425.00	89,638.75
Totals	\$ 2,515,000.00	\$ 710,237.50	\$ 2,195.14	\$ 6,784,550.00	\$ 2,330,856.25	\$ 9,301,745.14	\$ 3,041,093.75

The purchase price at the commencement of the capital (financing) lease was:

Principal \$ 65,854.20

NOTE 9 – RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2021 was as follows:

Major Purposes:	Restricted by:	
Capital Outlay Purposes	Law	\$ 1,806,288.43
Special Education Purposes	Law	148,019.43
Debt Service Purposes	Debt Covenants	362,435.77
SDRS Pension Purposes	Law	<u>141,140.63</u>
Total Restricted Net Position		<u>\$ 2,457,884.26</u>

NOTE 10 – PENSION PLAN

Plan Information:

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

Benefits Provided:

DRS 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.

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$148,557.19, \$142,172.69, and \$137,317.22, respectively, equal to the required contributions each year.

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 share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2020 and reported by the School District as of June 30, 2021 are as follows:

Proportionate share of net position restricted for pension benefits	\$ 13,233,839.64
Less proportionate share of net pension benefits	<u>13,238,515.01</u>
Proportionate share of net pension liability	<u>\$ (4,675.37)</u>

At June 30, 2021, the School District reported a liability (asset) of \$(4,675.37) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was .10765350%, which is an increase (decrease) of (.0032680%) from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized a reduction in pension expense of \$208,002.80. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,885.84	\$ 3,662.56
Changes in assumption	150,597.36	607,367.70
Net difference between projected and actual earnings on pension plan investments	434,552.79	
Changes in proportion and difference between District contributions and proportionate share of contributions	3,805.24	7,902.91
District contributions subsequent to the measurement date	148,557.19	
TOTAL	\$ 755,398.43	\$ 618,933.17

\$148,557.19 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30	
2022	\$ (53,966.75)
2023	(41,612.42)
2024	6,572.54
2025	81,012.39
TOTAL	\$ (7,994.24)

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the

same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	<u>2.0%</u>	1.0%
Total	<u>100.0%</u>	

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension 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)	\$ 1,813,733.85	\$ (4,675.37)	\$ (1,492,098.30)

Pension Plan Fiduciary Net Position:

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

NOTE 11 – JOINT VENTURES

The school district participates in the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

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

Alcester-Hudson	9.70%
Beresford	19.80%
Canton	25.10%
Elk Point-Jefferson	19.50%
Gayville-Volin	8.10%
Irene-Wakonda	8.10%
Viborg-Hurley	9.70%

The co-op's governing board is composed of one school board member representative 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 school district retains no equity in the Net Position of the co-op but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Southeast Area Cooperative.

At June 30, 2021, this joint venture has total assets of \$941,074.10, total deferred outflows of resources \$376,924.66, total liabilities of \$213,606.73, total deferred inflows of resources \$307,632.18 and net position of \$796,759.85.

NOTE 12 – RISK MANAGEMENT

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

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage for property, machinery, and crime, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$250,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 deductible for the coverage of property, machinery, and crime.

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

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provide workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustee to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to an additional \$1,000,000 per individual per incident.

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

Unemployment Benefits

The school has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The school has assigned equity in the amount of \$172,911.82 in the general fund for the payment of future unemployment benefits.

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

NOTE 13 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION
ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,095,596.00	\$ 1,095,596.00	\$ 1,168,618.56	\$ 73,022.56
Prior Years' Ad Valorem Taxes	20,000.00	20,000.00	34,377.59	14,377.59
Utility Taxes			91,578.71	91,578.71
Earnings on Investments/Deposits	5,000.00	5,000.00	1,931.33	(3,068.67)
Cocurricular Activities:				
Other Pupil Activity Income	3,100.00	3,100.00	2,372.50	(727.50)
Admissions	7,000.00	7,000.00	1,572.04	(5,427.96)
Other Revenue from Local Sources:				
Charges for Services	5,000.00	5,000.00	1,439.22	(3,560.78)
Other	8,309.00	8,309.00	48,655.31	40,346.31
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment			30,680.08	30,680.08
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,645,001.00	1,645,001.00	1,488,532.23	(156,468.77)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants- in-Aid Received from Federal Government through the State			172,000.00	172,000.00
Restricted Grants- in-Aid Received from Federal Government through the State	269,169.00	269,169.00	318,009.00	48,840.00
Total Revenue	<u>3,058,175.00</u>	<u>3,058,175.00</u>	<u>3,359,766.57</u>	<u>301,591.57</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	837,627.00	837,627.00	748,501.56	89,125.44
Middle School	124,383.00	124,383.00	109,487.60	14,895.40
High School	569,403.00	637,492.00	571,343.25	66,148.75
Preschool Services	75,673.00	78,432.00	75,637.28	2,794.72
Other Regular Programs	66,906.00	93,366.00	55,310.65	38,055.35

**REQUIRED SUPPLEMENTARY INFORMATION
ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

Special Programs:				
Educationally Deprived	101,153.00	135,450.00	107,764.35	27,685.65
Support Services:				
Pupils:				
Guidance	58,552.00	59,302.00	58,090.05	1,211.95
Health	40,202.00	40,202.00	12,407.93	27,794.07
Support Services - Instructional Staff:				
Improvement in Instruction			1,890.00	(1,890.00)
Educational Media	118,377.00	138,228.00	118,299.99	19,928.01
Support Services - General Administration:				
Board of Education	131,840.00	145,480.00	129,076.16	16,403.84
Executive Administration	151,190.00	166,105.00	153,484.46	12,620.54
Support Services - School Administration:				
Office of the Principal	179,005.00	229,978.00	178,946.31	51,031.69
Other	500.00	500.00	142.42	357.58
Support Services - Business:				
Fiscal Services	123,576.00	145,191.00	121,092.84	24,098.16
Operation & Maintenance of Plant	374,572.00	447,596.00	392,905.43	54,690.57
Pupil Transportation	159,979.00	183,626.00	144,114.75	39,511.25
Community Support Services:				
Custody and Care of Children	106,900.00	106,900.00	96,381.25	10,518.75
Cocurricular Activities:				
Male Activities	52,882.75	62,116.75	51,070.50	11,046.25
Female Activities	46,079.00	52,102.00	41,198.69	10,903.31
Transportation	10,917.00	10,917.00	6,406.58	4,510.42
Combined Activities	104,036.28	114,927.28	83,798.33	31,128.95
Capital Outlay			7,298.48	(7,298.48)
Contingencies	20,000.00	20,000.00		20,000.00
Total Expenditures	<u>3,453,753.03</u>	<u>3,829,921.03</u>	<u>3,264,648.86</u>	<u>565,272.17</u>
Net Change in Fund Balances	(395,578.03)	(771,746.03)	95,117.71	866,863.74
Fund Balance - Beginning	<u>819,119.04</u>	<u>819,119.04</u>	<u>819,119.04</u>	
FUND BALANCE - ENDING	<u>\$ 423,541.01</u>	<u>\$ 47,373.01</u>	<u>\$ 914,236.75</u>	<u>\$ 866,863.74</u>

**REQUIRED SUPPLEMENTARY INFORMATION
ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 741,351.00	\$ 741,351.00	\$ 744,352.37	\$ 3,001.37
Prior Years' Ad Valorem Taxes	10,000.00	10,000.00	11,749.30	1,749.30
Penalties and Interest on Taxes	500.00	500.00		(500.00)
Earnings on Investments/Deposits	500.00	500.00	883.29	383.29
Contributions and Donations			9,000.00	9,000.00
Other Revenue from Local Sources:				
Other			21,246.45	21,246.45
Total Revenue	<u>752,351.00</u>	<u>752,351.00</u>	<u>787,231.41</u>	<u>34,880.41</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	87,096.00	127,942.00	76,184.04	51,757.96
High School	85,150.00	91,050.00	82,186.62	8,863.38
Support Services - Instructional Staff:				
Educational Media	18,975.00	18,975.00	18,156.34	818.66
Support Services - Business:				
Fiscal Services	28,250.00	65,150.00	18,679.70	46,470.30
Facility Acquisition and Construction	337,880.00	337,880.00	190,410.72	147,469.28
Operation and Maintenance of Plant	45,000.00	45,000.00	8,260.90	36,739.10
Pupil Transportation	58,900.00	58,900.00	46,373.40	12,526.60
Food Services	2,000.00	2,000.00		2,000.00
Debt Services	668,350.00	1,141,400.00	183,659.90	957,740.10
Total Expenditures	<u>1,331,601.00</u>	<u>1,888,297.00</u>	<u>623,911.62</u>	<u>1,264,385.38</u>
Net Change in Fund Balances	(579,250.00)	(1,135,946.00)	163,319.79	1,299,265.79
Fund Balance - Beginning	<u>1,638,255.64</u>	<u>1,638,255.64</u>	<u>1,638,255.64</u>	
FUND BALANCE - ENDING	<u>\$ 1,059,005.64</u>	<u>\$ 502,309.64</u>	<u>\$ 1,801,575.43</u>	<u>\$ 1,299,265.79</u>

**REQUIRED SUPPLEMENTARY INFORMATION
ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
BUDGETARY COMPARISON SCHEDULES - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 534,571.00	\$ 534,571.00	\$ 624,492.40	\$ 89,921.40
Prior Years' Ad Valorem Taxes	3,000.00	3,000.00	9,328.24	6,328.24
Earnings on Investments	175.00	175.00	86.49	(88.51)
Other Revenue from Local Sources:				
Charges for Services	5,250.00	5,250.00	3,422.08	(1,827.92)
Other			22.65	22.65
Revenue from State Sources:				
Restricted Grants in Aid	137,013.00	137,013.00	53,552.00	(83,461.00)
Total Revenue	<u>680,009.00</u>	<u>680,009.00</u>	<u>690,903.86</u>	<u>10,894.86</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	567,475.00	583,872.00	514,854.53	69,017.47
Support Services:				
Pupils:				
Health	39,677.00	39,677.00	34,382.00	5,295.00
Psychological	18,256.00	31,728.00	17,602.47	14,125.53
Speech Pathology	19,140.00	20,990.00	19,136.26	1,853.74
Student Therapy Services	41,835.00	41,835.00	37,511.89	4,323.11
Special Education:				
Transportation Costs			2,275.16	(2,275.16)
Total Expenditures	<u>686,383.00</u>	<u>718,102.00</u>	<u>625,762.31</u>	<u>92,339.69</u>
Net Change in Fund Balance	(6,374.00)	(38,093.00)	65,141.55	103,234.55
Fund Balance - Beginning	<u>77,258.62</u>	<u>77,258.62</u>	<u>77,258.62</u>	
FUND BALANCE - ENDING	<u>\$ 70,884.62</u>	<u>\$ 39,165.62</u>	<u>\$ 142,400.17</u>	<u>\$ 103,234.55</u>

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

NOTE 1 - BUDGET AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the 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 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 board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the 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 moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and each major Special Revenue fund.
11. Budgets for the General Fund and each major Special Revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2- GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**Schedule of Required Supplementary Information
ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1**

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

South Dakota Retirement System

	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability (asset)	0.0996752%	0.0951855%	0.0983715%	0.1059999%	0.1050209%	0.1043855%	0.1076535%
District's proportionate share of net pension liability (asset)	\$ (718,119)	\$ (403,709)	\$ 332,289	\$ (9,620)	\$ (2,449)	\$ (11,062)	\$ (4,675)
District's covered-employee payroll	\$ 1,743,044	\$ 1,735,528	\$ 1,872,806	\$ 2,153,684	\$ 2,183,270	\$ 2,288,676	\$ 2,370,130
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-23.26%	17.74%	-0.45%	-0.11%	-0.48%	-0.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.89%	100.10%	100.02%	100.09%	100.04%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Required Supplementary Information
ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	\$ 104,583	\$ 104,132	\$ 112,369	\$ 129,222	\$ 130,997	\$ 137,317	\$ 142,173	\$ 148,557
Contributions in relation to the contractually required contribution	\$ 104,583	\$ 104,132	\$ 112,369	\$ 129,222	\$ 130,997	\$ 137,317	\$ 142,173	\$ 148,557
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
District's covered-employee payroll	\$ 1,743,044	\$ 1,735,528	\$ 1,872,806	\$ 2,153,684	\$ 2,183,270	\$ 2,288,676	\$ 2,370,130	\$ 2,475,945
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES FROM PRIOR VALUATION

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

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

BENEFIT PROVISION CHANGES

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

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

QUAM, BERGLIN & POST, P.C.

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

School Board
Alcester-Hudson School District No. 61-1
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alcester-Hudson School District No. 61-1, Union County, South Dakota (School District), as of June 30, 2021 and for the year then ended, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 18, 2022, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities* and the long-term financial obligations and commitments related to other postemployment benefits was not recorded.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Finding as items 2021-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alcester-Hudson School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as items 2021-002.

School District's Response to Findings

Alcester-Hudson School District's response to the findings identified in our audit is described in the Corrective Action Plan located in the Table of Contents. The School District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Quam, Berglin & Post, P.C.
Certified Public Accountants

May 18, 2022

**ALCESTER-HUDSON SCHOOL DISTRICT NO. 61-1
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2021**

PRIOR AUDIT FINDING:

Audit Finding Number 2020-001:

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated under current audit finding number 2021-001.

Audit Finding Number 2020-002:

A material weakness in internal controls was reported because cash was materially understated in the financial records. This finding has been corrected.

Audit Finding Number 2020-003:

A material weakness resulting from expenditures exceeding the total amounts budgeted in the Special Education Fund. This finding has been corrected.

Audit Finding Number 2020-004:

A significant deficiency resulting from not submitting the proposed and approved budget as well as the required salaries publication in the newspaper. This finding has not been corrected and is being restated under current audit finding number 2021-002.

CURRENT AUDIT FINDING:

Internal Control-Related Findings-Significant Deficiency:

Audit Finding Number 2021-001:

There is a significant deficiency resulting from the lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

We recommend that Alcester-Hudson School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating controls whenever and wherever, practical.

Corrective Action Plan

The Board of Education has prepared a response as shown on page 54.

Compliance -Related Findings:

Audit Finding Number 2021-002:

Criteria:

There is a significant deficiency resulting from not submitting the proposed and approved budget as well as the required salaries publication in the newspaper.

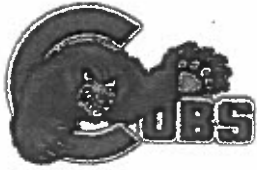
Condition, Cause and Effect:

In order to achieve compliance with publications, the proposed budget must be published prior to the budget hearing and formal approval by the school board needs to be documented in the official minutes. The required salary publication needs to be published at the start of the fiscal year or upon completion of district salary negotiations if this is after the start of the fiscal year. By not publishing these notices as required, the public is not made aware of necessary decisions made by management and how governmental funds are being expended.

Recommendation:

We recommend that Alcester-Hudson School District officials be cognizant of this issue and prevent further missing publications.

Corrective Action Plan: The Board of Education has prepared a response as shown on page 54.



Alcester-Hudson School District

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Administration & High School Office
Phone 605.934.1890 Fax 605.934.1936

Tim Rhead, Superintendent/K-6 Principal

Jason Van Engen, 7-12 Principal


Natalie Stene, Business Manager


CORRECTIVE PLAN OF ACTION JUNE 30, 2021

Alcester School District No. 61-1 has considered the lack of segregation of duties for the revenues function. At this time, it is not cost effective for Alcester School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Alcester School District to decrease the likelihood that financial data is adversely affected.

The Alcester School District's Board will continue to monitor the necessity to have segregation of duties for revenues and implement such a segregation as budget dollars and board authority allow.

The School Board has considered the finding for publications and will monitor that this requirement is being done and done timely.


Business Manager


Superintendent