

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3  
OF DOUGLAS COUNTY**

**AUDIT REPORT**

FISCAL YEAR JULY 1, 2018, TO JUNE 30, 2019

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2019

BOARD MEMBERS:

Jeremy Wright – President  
Chad Clites – Vice-President  
Nicole Bamberg  
Jason Lagge  
Don Odens  
Shannon Tolsma  
Jennifer VanGorp

SUPERINTENDENT:

Scott Muckey

BUSINESS MANAGER:

Angela Feenstra

*Schoenfish & Co., Inc.*

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P.O. Box 247

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CERTIFIED PUBLIC ACCOUNTANTS  
Phone: 605-928-7241  
FAX No.: 605-928-6241  
P.O. Box 247  
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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  
Corsica-Stickney School District No. 21-3  
Douglas County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corsica-Stickney School District No. 21-3, South Dakota (School District), as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 28, 2019, which was qualified for QZAB series 2005 debt service fund because of not being able to determine earnings on the escrow account.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2019-001 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### School District's Response to Findings

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

### Purpose of this Report

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



Schoenfish & Co., Inc.  
Certified Public Accountants  
August 28, 2019

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2018-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2019-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2019-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This is a continuing audit comment since fiscal year 2016.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:

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

RECOMMENDATION:

1. We recommend that the Corsica-Stickney School District No. 21-3 officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Corsica-Stickney School District No. 21-3 Board President, Jeremy Wright, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Corsica-Stickney School District No. 21-3 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are developing a policy to provide compensating controls.

CLOSING CONFERENCE

The audit was discussed with the board president, superintendent, and the business manager of the Corsica-Stickney School District No. 21-3 on September 11, 2019.

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INDEPENDENT AUDITOR'S REPORT

School Board  
Corsica-Stickney School District No. 21-3  
Douglas County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corsica-Stickney School District No. 21-3, South Dakota, (School District) as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Basis for Qualified Opinions

The escrow balance for QZAB bond series 2005 was part of a bigger escrow account in which many schools were included. As a result, the amount of the school's portion, specifically the earnings on investment of the escrow balance, was not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of not correctly reporting the QZAB bond series 2005 escrow balance, as noted in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the QZAB Bond Series 2005 Debt Service Fund of Corsica-Stickney School District No. 21-3 as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, except the QZAB Bond Series 2005 Debt Service Fund, and the aggregate remaining fund information of Corsica-Stickney School District No. 21-3 as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions on pages 40 through 44, 46, and 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

*Schoenfish & Co., Inc.*

Schoenfish & Co., Inc.  
Certified Public Accountants  
August 28, 2019

*Schoenfish & Co., Inc.*

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**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**STATEMENT OF NET POSITION**  
As of June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents	5,629,604.09	2,814.14	5,632,418.23
Taxes Receivable	1,226,369.67		1,226,369.67
Other Assets	145,072.71	468.15	145,540.86
Inventories		7,765.65	7,765.65
Restricted Assets:			
Deposits	15,924.00		15,924.00
Cash and Cash Equivalents	343,462.28		343,462.28
Net Pension Asset	1,855.06		1,855.06
Capital Assets:			
Land	69,256.02		69,256.02
Other Capital Assets, Net of Depreciation	3,394,184.21	28,682.95	3,422,867.16
<b>TOTAL ASSETS</b>	<b>10,825,728.04</b>	<b>39,730.89</b>	<b>10,865,458.93</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Deferred Outflows	669,486.41		669,486.41
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>669,486.41</b>	<b>0.00</b>	<b>669,486.41</b>
<b>LIABILITIES :</b>			
Accounts Payable	17,911.71		17,911.71
Other Current Liabilities	213,007.06	2,129.86	215,136.92
Noncurrent Liabilities:			
Due Within One Year	7,000.00		7,000.00
Due in More than One Year	506,631.38		506,631.38
<b>TOTAL LIABILITIES</b>	<b>744,550.15</b>	<b>2,129.86</b>	<b>746,680.01</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes Levied for Future Period	1,214,424.63		1,214,424.63
Pension Related Deferred Inflows	149,810.41		149,810.41
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,364,235.04</b>	<b>0.00</b>	<b>1,364,235.04</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,963,440.23	28,682.95	2,992,123.18
Restricted for:			
Capital Outlay Purposes	2,899,163.64		2,899,163.64
Special Education Purposes	1,384,283.24		1,384,283.24
NPIP Insurance Reserve	15,924.00		15,924.00
Debt Service Purposes	343,462.28		343,462.28
SDRS Pension Purposes	521,531.06		521,531.06
Unrestricted (Deficit)	1,258,624.81	8,918.08	1,267,542.89
<b>TOTAL NET POSITION</b>	<b>9,386,429.26</b>	<b>37,601.03</b>	<b>9,424,030.29</b>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
Governmental Activities:						
Instruction	1,637,851.74	156,981.00		(1,480,870.74)		(1,480,870.74)
Support Services	1,371,252.04		19,312.50	(1,348,533.97)		(1,348,533.97)
Community Services	2,976.00			(2,976.00)		(2,976.00)
Cocurricular Activities	246,924.90			(219,022.46)		(219,022.46)
<b>Total Governmental Activities</b>	<b>3,259,004.68</b>	<b>156,981.00</b>	<b>19,312.50</b>	<b>(3,051,403.17)</b>		<b>(3,051,403.17)</b>
<b>Business-Type Activities:</b>						
Food Service	175,654.07	67,276.23			(15,837.28)	(15,837.28)
<b>Total Business-Type Activities</b>	<b>175,654.07</b>	<b>67,276.23</b>	<b>0.00</b>		<b>(15,837.28)</b>	<b>(15,837.28)</b>
<b>Total Primary Government</b>	<b>3,434,658.75</b>	<b>224,257.23</b>	<b>19,312.50</b>	<b>(3,051,403.17)</b>	<b>(15,837.28)</b>	<b>(3,067,240.45)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes				2,624,697.30		2,624,697.30
Utility Taxes				120,935.71		120,935.71
Revenue from State Sources:						
State Aid				840,528.69		840,528.69
Revenue from Federal Sources				4,067.32		4,067.32
Unrestricted Investment Earnings				51,409.14		51,409.14
Other General Revenues				36,572.73		36,572.73
<b>Transfers</b>				(5,000.00)	5,000.00	0.00
<b>Total General Revenues and Transfers</b>				<b>3,673,210.89</b>	<b>5,000.00</b>	<b>3,678,210.89</b>
Change in Net Position				621,807.72	(10,837.28)	610,970.44
Net Position - Beginning				8,769,586.54	48,438.31	8,818,024.85
<b>Adjustments:</b>						
Return of overpayment of Federal Funds				(4,965.00)		(4,965.00)
Restated Net Position - Beginning				8,764,621.54	48,438.31	8,813,059.85
<b>NET POSITION - ENDING</b>				<b>9,386,429.26</b>	<b>37,601.03</b>	<b>9,424,030.29</b>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**As of June 30, 2019**

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB Bond Series 2005 Debt Service Fund	QZAB Bond Series 2010 Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and Cash Equivalents	1,337,100.55	2,894,888.85	1,393,114.69			5,625,104.09
Advanced Payments	4,500.00					4,500.00
Taxes Receivable--Current	421,652.45	574,834.73	217,937.45			1,214,424.63
Taxes Receivable--Delinquent	6,365.86	4,274.79	1,304.39			11,945.04
Due from Other Government	130,675.71		14,397.00			145,072.71
Deposits	15,924.00					15,924.00
Restricted Cash and Cash Equivalents				193,459.28	150,003.00	343,462.28
<b>TOTAL ASSETS</b>	<b>1,916,218.57</b>	<b>3,473,998.37</b>	<b>1,626,753.53</b>	<b>193,459.28</b>	<b>150,003.00</b>	<b>7,360,432.75</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	9,390.40		8,521.31			17,911.71
Contracts Payable	161,750.00		15,116.00			176,866.00
Payroll Deductions and Withholdings and Employer Matching Payable	35,245.53		895.53			36,141.06
Total Liabilities	206,385.93	0.00	24,532.84	0.00	0.00	230,918.77
Deferred Inflows of Resources:						
Unavailable Revenue-Property Taxes	6,365.86	4,274.79	1,304.39			11,945.04
Taxes Levied for Future Period	421,652.45	574,834.73	217,937.45			1,214,424.63
Total Deferred Inflows of Resources	428,018.31	579,109.52	219,241.84	0.00	0.00	1,226,369.67
Fund Balances:						
Nonspendable:						
NPIP Insurance Reserve	15,924.00					15,924.00
Restricted:						
Capital Outlay		2,894,888.85				2,894,888.85
Special Education			1,382,978.85			1,382,978.85
Debt Service				193,459.28	150,003.00	343,462.28
Assigned for Next Year's Budget	330,397.50					330,397.50
Unassigned	935,492.83					935,492.83
Total Fund Balances	1,281,814.33	2,894,888.85	1,382,978.85	193,459.28	150,003.00	5,903,144.31
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>1,916,218.57</b>	<b>3,473,998.37</b>	<b>1,626,753.53</b>	<b>193,459.28</b>	<b>150,003.00</b>	<b>7,360,432.75</b>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2019**

Total Fund Balances - Governmental Funds	<u>5,903,144.31</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>1,855.06</u>
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	<u>3,463,440.23</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>669,486.41</u>
Long-term liabilities, including QZAB Bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(513,631.38)</u>
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>11,945.04</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(149,810.41)</u>
Net Position - Governmental Activities	<u><u>9,386,429.26</u></u>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2005 Debt Service Fund	QZAB Bond Series 2010 Debt Service Fund	Total Total Governmental Funds
<b>Revenues:</b>							
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	912,141.65	1,286,603.88	415,441.25				2,614,186.78
Prior Years' Ad Valorem Taxes	1,764.23	861.82	308.05	28.88			2,962.98
Utility Taxes	120,935.71						120,935.71
Penalties and Interest on Taxes	1,635.15	2,060.44	557.77	10.76			4,264.12
Earnings on Investments and Deposits	1,133.93	36,321.12	11,691.58	2,262.51			51,409.14
Occurricular Activities:							
Admissions	22,337.44						22,337.44
Other Student Activity Income	5,565.00						5,565.00
Other Revenue from Local Sources:							
Rentals	3,760.00						3,760.00
Charges for Services	3,176.57		229.00				3,405.57
Other	8,022.41		306.00				8,328.41
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	23,080.82						23,080.82
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	840,528.69						840,528.69
Restricted Grants-in-Aid	600.00						600.00
Revenue from Federal Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	4,067.32						4,067.32
Restricted Grants-in-Aid Received from Federal Government Through the State	89,518.00	19,312.50	66,863.00				175,693.50
<b>Total Revenue</b>	<b>2,038,266.92</b>	<b>1,345,159.76</b>	<b>495,396.65</b>	<b>2,302.15</b>	<b>0.00</b>	<b>0.00</b>	<b>3,881,125.48</b>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2005 Debt Service Fund	QZAB Bond Series 2010 Debt Service Fund	Total Total Governmental Funds
<b>Expenditures:</b>							
Instruction:							
Regular Programs:							
Elementary	567,219.67	5,546.83					572,766.50
Middle/Junior High	106,756.79	351.87					107,108.66
High School	427,897.63	1,814.93					429,712.56
Preschool Services	30,115.95						30,115.95
Special Programs:							
Programs for Special Education			261,645.36				261,645.36
Educationally Deprived	76,544.28						76,544.28
Support Services:							
Students:							
Guidance	61,514.71		6,616.68				68,131.39
Health	924.00						924.00
Psychological			30,436.92				30,436.92
Speech Pathology			57,990.01				57,990.01
Student Therapy Services			33,519.90				33,519.90
Instructional Staff:							
Improvement of Instruction	750.00						750.00
Educational Media	35,819.54						35,819.54
General Administration:							
Board of Education	23,400.96						23,400.96
Executive Administration	103,200.75						103,200.75
School Administration:							
Office of the Principal	177,229.50						177,229.50
Other	311.02						311.02
Business:							
Fiscal Services	141,331.13	3,800.00					145,131.13
Facilities Acquisition and Construction		12,253.96					12,253.96
Operation and Maintenance of Plant	373,699.37	5,366.80					379,066.17
Student Transportation	137,266.74						137,266.74
Food Services	563.73						563.73
Central:							
Planning	2,070.00						2,070.00

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



**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2019**

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	QZAB Bond Series 2005 Debt Service Fund	QZAB Bond Series 2010 Debt Service Fund	Total Total Governmental Funds
<b>Expenditures (Continued):</b>							
Support Services:							
Special Education:							
Administrative Costs			22,496.76				22,496.76
Transportation Costs			8,054.42				8,054.42
Other Special Education Costs			24,133.68				24,133.68
Community Services:							
Nonpublic School	2,621.00						2,621.00
Other	355.00						355.00
Cocurricular Activities:							
Male Activities	36,699.70						36,699.70
Female Activities	39,324.41						39,324.41
Combined Activities	133,094.57						133,094.57
Capital Outlay		78,250.00					78,250.00
Total Expenditures	2,478,710.45	107,384.39	444,893.73	0.00	0.00	0.00	3,030,988.57
Excess of Revenue Over (Under) Expenditures	(440,443.53)	1,237,775.37	50,502.92	2,302.15	0.00	0.00	850,136.91
<b>Other Financing Sources (Uses):</b>							
Transfers In	535,065.38						535,065.38
Transfers Out	(5,000.00)	(416,806.64)	(11,691.58)	(137,052.68)	13,818.52	16,667.00	(570,550.90)
Sale of Surplus Property		250.00					250.00
Compensation for Loss of General Capital Assets	1,153.50						1,153.50
Total Other Financing Sources (Uses)	531,218.88	(416,556.64)	(11,691.58)	(137,052.68)	13,818.52	16,667.00	(3,596.50)
Net Change in Fund Balances	90,775.35	821,218.73	38,811.34	(134,750.53)	13,818.52	16,667.00	846,540.41
Fund Balance - Beginning	1,191,038.98	2,073,670.12	1,349,132.51	134,750.53	179,640.76	133,336.00	5,061,568.90
Adjustments:							
Prior Year Overpayment of Federal Funds			(4,965.00)				(4,965.00)
Adjusted Fund Balance - Beginning	1,191,038.98	2,073,670.12	1,344,167.51	134,750.53	179,640.76	133,336.00	5,056,603.90
FUND BALANCE - ENDING	1,281,814.33	2,894,888.85	1,382,978.85	0.00	193,459.28	150,003.00	5,903,144.31

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2019**

Net Change in Fund Balances - Total Governmental Funds	<u>846,540.41</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	<u>(74,300.16)</u>
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	<u>385.32</u>
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	<u>3,283.42</u>
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.	<u>2,394.24</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(156,495.51)</u>
Change in Net Position of Governmental Activities	<u><u>621,807.72</u></u>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**As of June 30, 2019**

	<b>Enterprise Funds</b>
	<b>Food Service Fund</b>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	2,814.14
Accounts Receivable, Net	468.15
Inventory - Stores for Resale	2,000.49
Inventory of Donated Food	5,765.16
Total Current Assets	11,047.94
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment--Local Funds	138,505.25
Machinery and Equipment--Federal Assistance	2,996.00
Less: Accumulated Depreciation	(112,818.30)
Total Noncurrent Assets	28,682.95
<b>TOTAL ASSETS</b>	<b>39,730.89</b>
<b>LIABILITIES:</b>	
Contracts Payable	1,933.40
Payroll Deductions and Withholdings and Employer Matching Payable	196.46
<b>TOTAL LIABILITIES</b>	<b>2,129.86</b>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	28,682.95
Unrestricted Net Position	8,918.08
<b>TOTAL NET POSITION</b>	<b>37,601.03</b>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>
	<b>Food Service</b>
	<b>Fund</b>
<b>Operating Revenue:</b>	
Food Sales:	
Student	86,562.16
Adults	5,660.95
Other Charges for Goods and Services	317.45
<b>Total Operating Revenue</b>	<b>92,540.56</b>
<b>Operating Expenses:</b>	
Salaries	82,400.35
Employee Benefits	10,549.44
Purchased Services	637.15
Supplies	2,842.44
Cost of Sales - Purchased	56,350.18
Cost of Sales - Donated	14,901.49
Other	2,298.00
Depreciation	5,675.02
<b>Total Operating Expenses</b>	<b>175,654.07</b>
<b>Operating Income (Loss)</b>	<b>(83,113.51)</b>
<b>Nonoperating Revenue:</b>	
State Grants	669.96
Federal Grants	54,549.92
Donated Food	12,056.35
<b>Total Nonoperating Revenue (Expense)</b>	<b>67,276.23</b>
<b>Income (Loss) Before Transfers</b>	<b>(15,837.28)</b>
Transfers In	5,000.00
<b>Change in Net Position</b>	<b>(10,837.28)</b>
<b>Net Position - Beginning</b>	<b>48,438.31</b>
<b>NET POSITION - ENDING</b>	<b>37,601.03</b>

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2019**

	<b>Enterprise Funds</b>
	<b>Food Service</b>
	<b>Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Receipts from Customers	92,072.41
Cash Payments to Employees for Services	(92,949.79)
Cash Payments to Suppliers of Goods and Services	(62,079.23)
Net Cash Provided (Used) by Operating Activities	(62,956.61)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Transfers from General Fund	5,000.00
Operating Grants	55,219.88
Net Cash Provided (Used) from Noncapital Financing Activities	60,219.88
Net Increase (Decrease) in Cash and Cash Equivalents	(2,736.73)
Cash and Cash Equivalents at Beginning of Year	5,550.87
Cash and Cash Equivalents at End of Year	2,814.14
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	(83,113.51)
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	5,675.02
Value of Donated Commodities Used	14,901.49
(Increase) decrease in Receivables	(468.15)
(Increase) decrease in Inventories	48.54
Net Cash Provided (Used) by Operating Activities	(62,956.61)
<b>Noncash Investing, Capital and Financing Activities:</b>	
Value of Commodities Received	12,056.35

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

**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**As of June 30, 2019**

	<b>Agency Funds</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	<u>15,818.88</u>
<b>TOTAL ASSETS</b>	<b>15,818.88</b>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>15,818.88</u>
<b>TOTAL LIABILITIES</b>	<b><u>15,818.88</u></b>

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

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Corsica-Stickney School District No. 21-3 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**Fund Financial Statements:**

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

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

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

**Governmental Funds:**

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

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

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

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

**Pension Fund** – A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund. This fund was closed in fiscal year 2019.

**Debt Service Fund Types** – 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 QZAB Bond Series 2005 Debt Service Fund** – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the payment of principal on Qualified Zone Academy Bonds. This is a major fund.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The QZAB Bond Series 2010 Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the payment of principal on Qualified Zone Academy Bonds. This is a major fund.

**Proprietary Funds:**

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- 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.

**Fiduciary Funds:**

Fiduciary funds are never considered to be major funds.

Agency Fund Types – agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes:

Custodial funds for student classes and organizations in the School District.

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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements:

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

**Basis of Accounting:**

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Corsica-Stickney School District No. 21-3, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2019 are grants from the State of South Dakota and gross receipts taxes.

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

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

d. Deposits and Investments:

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

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

e. Capital Assets:

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

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

Government-Wide Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during the construction of general capital assets are not capitalized along with other capital asset costs. Interest costs incurred during the construction of enterprise capital assets are capitalized along with other capital asset costs, if applicable.

The total June 30, 2019 balance of capital assets for governmental activities includes approximately three percent for which the costs were determined by estimates of original costs. The total June 30, 2019 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	\$ 0.00	----N/A----	-----N/A-----
Improvements	\$ 15,000.00	Straight-line	15-25 yrs.
Buildings	\$ 50,000.00	Straight-line	50-75 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-20 yrs.
Machinery & Equipment - Food Service	\$ 1,000.00	Straight-line	10-20 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 governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 and QZAB bonds payable.

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

g. Program Revenues:

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

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

h. 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.

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 and expenses.

j. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

k. Equity Classifications:

Government-wide 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 its 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 does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

l. 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 is available.

m. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

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

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Capital Outlay Fund	Real Estate Taxes and Grants
Special Education Fund	Real Estate Taxes and Grants

n. Pensions:

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

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATION OF CREDIT RISK, AND INTEREST RATE RISK

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

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

As of June 30, 2019, the School District did not have any investments.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

As of June 30, 2019, the School District had the following investments. Except for the investment in SDFIT, all investments are in an internal deposit and investment pool.

External Investment Pools:	<u>Credit Rating</u>	<u>Fair Value</u>
SDFIT	Unrated	<u>\$ 256,378.06</u>
TOTAL INVESTMENTS		<u>\$ 256,378.06</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

3. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 343,462.28	For Debt Service, by debt covenants

4. 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

5. INVENTORY

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

In the Government-wide financial statements, inventory items 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, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed in the General Fund, special revenue funds, and proprietary funds. At June 30, 2019, the supplies inventory on hand was not material in the General Fund and special revenue funds.

6. PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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."



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
Primary Government:				
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	69,256.02			69,256.02
Total, not being depreciated	<u>69,256.02</u>	<u>0.00</u>	<u>0.00</u>	<u>69,256.02</u>
Capital Assets, being depreciated:				
Improvements	822,741.82			822,741.82
Buildings	4,233,413.68		(35,000.00)	4,198,413.68
Machinery & Equipment	1,060,520.05	78,250.00	(41,200.00)	1,097,570.05
Total, being depreciated	<u>6,116,675.55</u>	<u>78,250.00</u>	<u>(76,200.00)</u>	<u>6,118,725.55</u>
Less Accumulated Depreciation for:				
Improvements	(369,810.07)	(42,274.73)		(412,084.80)
Buildings	(1,729,974.94)	(45,807.40)	35,000.00	(1,740,782.34)
Machinery & Equipment	(548,406.17)	(64,468.03)	41,200.00	(571,674.20)
Total Accumulated Depreciation	<u>(2,648,191.18)</u>	<u>(152,550.16)</u>	<u>76,200.00</u>	<u>(2,724,541.34)</u>
Total Capital Assets, being depreciated, net	<u>3,468,484.37</u>	<u>(74,300.16)</u>	<u>0.00</u>	<u>3,394,184.21</u>
Governmental Activity Capital Assets, Net	<u>3,537,740.39</u>	<u>(74,300.16)</u>	<u>0.00</u>	<u>3,463,440.23</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 61,627.88
Support Services	64,888.73
Co-curricular Activities	26,033.55
Total Depreciation Expense - Governmental Activities	<u>\$ 152,550.16</u>

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	141,501.25			141,501.25
Total, being depreciated	<u>141,501.25</u>	<u>0.00</u>	<u>0.00</u>	<u>141,501.25</u>
Less Accumulated Depreciation for:				
Machinery & Equipment	(107,143.28)	(5,675.02)		(112,818.30)
Total Accumulated Depreciation	<u>(107,143.28)</u>	<u>(5,675.02)</u>	<u>0.00</u>	<u>(112,818.30)</u>
Business-Type Activity Capital Assets, Net	<u>34,357.97</u>	<u>(5,675.02)</u>	<u>0.00</u>	<u>28,682.95</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Services	\$ 5,675.02
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,675.02</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

8. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
QZAB Series 2005	250,000.00			250,000.00	0.00
QZAB Series 2010	250,000.00			250,000.00	0.00
Total Debt	<u>500,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>500,000.00</u>	<u>0.00</u>
Accrued Compensated Absences	14,016.70	7,966.10	8,351.42	13,631.38	7,000.00
Total Governmental Activities	<u>514,016.70</u>	<u>7,966.10</u>	<u>8,351.42</u>	<u>513,631.38</u>	<u>7,000.00</u>

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

Liabilities Payable at June 30, 2019, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Qualified Zone Academy Bonds:

QZAB Bond Series 2005 for School Renovation;  
Maturity Date June 29, 2021; 0% Interest Rate;  
Payable from the QZAB Bond Series 2005 Debt Service Fund

\$250,000.00

Qualified Zone Academy Bonds:

QZAB Bond Series 2010;  
Maturity Date December 1, 2024; 0% Interest Rate;  
Payable from the QZAB Bond Series 2010 Debt Service Fund

\$250,000.00

Compensated Absences:

Accrued Leave Balance

\$ 13,631.38

Payment to be made by the fund that the payroll expenditures are charged to.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

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

Year Ending June 30,	Qualified Zone Academy Bonds (QZAB), Series 2005 Payable		Qualified Zone Academy Bonds (QZAB), Series 2010 Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020					0.00	0.00
2021	250,000.00				250,000.00	0.00
2022					0.00	0.00
2023					0.00	0.00
2024					0.00	0.00
2025			250,000.00		250,000.00	0.00
Totals	<u>250,000.00</u>	<u>0.00</u>	<u>250,000.00</u>	<u>0.00</u>	<u>500,000.00</u>	<u>0.00</u>

9. RESTRICTED NET POSITION

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

Fund	Restricted By	Amount
Major Purposes:		
Special Education	Law	\$ 1,384,283.24
Capital Outlay	Law	2,899,163.64
SDRS Pension	Governmental Accounting Standards	521,531.06
Debt Service	Debt Covenants	343,462.28
NPIP Insurance Reserve	Contractual Agreements	15,924.00
Total Restricted Net Position		<u>\$ 5,164,364.22</u>

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. INTERFUND TRANSFERS

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

Transfers from:	Transfers to:				TOTAL
	Governmental Activities			Business- Type Activities	
	General Fund	QZAB Debt Service # 1 Fund	QZAB Debt Service # 2 Fund	Food Service Fund	
Major Funds:					
General Fund				5,000.00	5,000.00
Capital Outlay Fund	386,321.12	13,818.52	16,667.00		416,806.64
Special Education Fund	11,691.58				11,691.58
Pension Fund	137,052.68				137,052.68
Totals	535,065.38	13,818.52	16,667.00	5,000.00	570,550.90

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt. Transfers of future debt service payments from the Capital Outlay Fund to the Debt Service Fund are also reported. Also, a transfer from the General Fund to the Food Service Fund was made to conduct indispensable functions of the School District and a transfer from the Capital Outlay Fund to the General Fund was made as allowed by state law. The Pension Fund balance was also transferred to the General Fund.

11. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018, and 2017 were \$101,608.68, \$99,214.44, and \$98,846.10, 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, 2018, SDRS is 100.02% 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, 2018 and reported by the School District as of June 30, 2019 are as follows:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Proportionate share of pension liability	\$ 9,730,472.74
Less proportionate share of net pension restricted for pension benefits	<u>\$ 9,732,327.80</u>
Proportionate share of net pension liability (asset)	<u>\$ (1,855.06)</u>

At June 30, 2019, the School District reported a liability (asset) of \$(1,855.06) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the School District's proportion was 0.07954030%, which is an increase (decrease) of (0.0015424%) from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense (reduction of pension expense) of \$154,101.27. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 70,114.59	
Changes in assumption.	\$ 470,968.22	
Net Difference between projected and actual earnings on pension plan investments.		\$ 140,199.57
Changes in proportion and difference between School district contributions and proportionate share of contributions.	\$ 26,794.92	\$ 9,610.84
School District contributions subsequent to the measurement date.	<u>\$ 101,608.68</u>	
<b>TOTAL</b>	<u><u>\$ 669,486.41</u></u>	<u><u>\$ 149,810.41</u></u>

\$101,608.68 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Year Ended	
June 30:	
2020	\$ 265,490.46
2021	\$ 191,397.34
2022	\$ (24,027.58)
2023	<u>\$ (15,552.42)</u>
TOTAL	<u>\$ 417,307.80</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100%</u>	

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (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 percent as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,401,093.42	\$(1,855.06)	\$(1,143,077.53)

Pension Plan Fiduciary Net Position:

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

12. JOINT VENTURES

The School District participates in the Mid-Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing equal educational opportunity services to the member school districts.

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

Armour School District No. 21-1	4.68%
Burke School District No. 26-2	6.03%
Colome Consolidated School District No. 59-3	6.45%
Corsica-Stickney School District No. 21-3	6.36%
Ethan School District No. 17-1	6.61%
Gregory School District No. 26-4	10.80%
Kimball School District No. 7-2	8.49%
Mt. Vernon School District No. 17-3	5.64%
Plankinton School District No. 1-1	9.55%
Platte-Geddes School District No. 11-5	13.40%
Wessington Springs School District No. 32-6	9.32%
White Lake School District No. 1-3	3.04%
Wolsey-Wessington School District No. 2-6	9.63%

The co-op's governing board is composed of two representatives from each member school district, who are one administrator of the school on the advisory board and one school board member on the governing



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

board. 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.

Audited financial information is not available for periods after June 30, 2015.

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

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

Armour School District No. 21-1	5.4%
Burke School District No. 26-2	7.1%
Colome Consolidated School District No. 59-3	7.3%
Corsica-Stickney School District No. 21-3	8.5%
Gregory School District No. 26-4	9.6%
Kimball School District No. 7-2	8.8%
Mt. Vernon School District No. 17-3	6.9%
Plankinton School District No. 1-1	11.5%
Platte-Geddes School District No. 11-5	10.8%
Wessington Springs School District No. 32-6	9.1%
White Lake School District No. 1-3	4.3%
Wolsey-Wessington School District No. 2-6	10.7%

The co-op's governing board is composed of two representatives from each member school district, who are one administrator of the school on the advisory board and one school board member on the governing board. 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 Core Educational Cooperative.

At June 30, 2019, this joint venture had total assets of \$934,576.24, total liabilities of \$1,381.46, and net position of \$933,194.78.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

### 13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2019, the School District managed its risks as follows:

Employee Health Insurance:

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

The coverage includes the option of three different plans with a deductible from \$750.00 to \$2,500.00.

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

Liability Insurance:

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

Worker's Compensation:

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

Unemployment Benefits:

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

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

### 14. SIGNIFICANT CONTINGENCIES – LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	890,984.00	890,984.00	912,141.65	21,157.65
Prior Years' Ad Valorem Taxes	0.00	0.00	1,764.23	1,764.23
Utility Taxes	100,000.00	100,000.00	120,935.71	20,935.71
Penalties and Interest on Taxes	2,000.00	2,000.00	1,635.15	(364.85)
Earnings on Investments and Deposits	5,000.00	5,000.00	1,133.93	(3,866.07)
Cocurricular Activities:				
Admissions	18,000.00	18,000.00	22,337.44	4,337.44
Other Student Activity Income	4,000.00	4,000.00	5,565.00	1,565.00
Other Revenue from Local Sources:				
Rentals	2,200.00	2,200.00	3,760.00	1,560.00
Charges for Services	2,000.00	2,000.00	3,176.57	1,176.57
Other	10,500.00	10,500.00	8,022.41	(2,477.59)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	25,000.00	25,000.00	23,080.82	(1,919.18)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	817,655.00	817,655.00	840,528.69	22,873.69
Restricted Grants-in-Aid	0.00	0.00	600.00	600.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	0.00	0.00	4,067.32	4,067.32
Restricted Grants-in-Aid Received from Federal Government Through the State	100,741.00	100,741.00	89,518.00	(11,223.00)
<b>Total Revenue</b>	<b>1,978,080.00</b>	<b>1,978,080.00</b>	<b>2,038,266.92</b>	<b>60,186.92</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	585,722.00	585,722.00	567,219.67	18,502.33
Middle/Junior High	109,778.00	109,778.00	106,756.79	3,021.21
High School	460,283.00	460,283.00	427,897.63	32,385.37
Preschool Services	29,320.00	30,320.00	30,115.95	204.05
Special Programs:				
Educationally Deprived	78,784.00	78,784.00	76,544.28	2,239.72
Support Services:				
Students:				
Guidance	64,890.00	64,890.00	61,514.71	3,375.29
Health	2,595.00	2,595.00	924.00	1,671.00

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis)	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive (Negative)</u>
<b>Expenditures (Continued):</b>				
Support Services:				
Instructional Staff:				
Improvement of Instruction	2,500.00	2,500.00	750.00	1,750.00
Educational Media	38,225.00	38,225.00	35,819.54	2,405.46
General Administration:				
Board of Education	38,885.00	38,885.00	23,400.96	15,484.04
Executive Administration	111,409.00	111,409.00	103,200.75	8,208.25
School Administration:				
Office of the Principal	180,762.00	180,762.00	177,229.50	3,532.50
Other	750.00	750.00	311.02	438.98
Business:				
Fiscal Services	146,966.00	146,966.00	141,331.13	5,634.87
Operation and Maintenance of Plant	398,224.00	401,224.00	373,699.37	27,524.63
Student Transportation Services	151,250.00	151,250.00	137,266.74	13,983.26
Food Service	18,459.00	18,459.00	563.73	17,895.27
Central:				
Planning	1,137.00	2,137.00	2,070.00	67.00
Community Services:				
Nonpublic School	3,000.00	3,000.00	2,621.00	379.00
Other	500.00	500.00	355.00	145.00
Nonprogrammed Charges:				
Payments to State - Unemployment	2,401.72	2,401.72	0.00	2,401.72
Cocurricular Activities:				
Male Activities	49,167.00	49,167.00	36,699.70	12,467.30
Female Activities	42,137.00	44,137.00	39,324.41	4,812.59
Combined Activities	138,575.00	139,075.00	133,094.57	5,980.43
Contingencies	35,000.00	35,000.00		
Amount Transferred		(7,500.00)		27,500.00
<b>Total Expenditures</b>	<b>2,690,719.72</b>	<b>2,690,719.72</b>	<b>2,478,710.45</b>	<b>212,009.27</b>
Excess of Revenue Over (Under)				
Expenditures	(712,639.72)	(712,639.72)	(440,443.53)	272,196.19
<b>Other Financing Sources (Uses):</b>				
Transfers In	695,575.44	695,575.44	535,065.38	(160,510.06)
Transfers Out	0.00	0.00	(5,000.00)	(5,000.00)
Compensation for Loss of				
General Capital Assets	0.00	0.00	1,153.50	1,153.50
<b>Total Other Financing Sources (Uses)</b>	<b>695,575.44</b>	<b>695,575.44</b>	<b>531,218.88</b>	<b>(164,356.56)</b>
<b>Net Change in Fund Balances</b>	<b>(17,064.28)</b>	<b>(17,064.28)</b>	<b>90,775.35</b>	<b>107,839.63</b>
Fund Balance - Beginning	1,191,038.98	1,191,038.98	1,191,038.98	0.00
<b>FUND BALANCE - ENDING</b>	<b>1,173,974.70</b>	<b>1,173,974.70</b>	<b>1,281,814.33</b>	<b>107,839.63</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,300,000.00	1,300,000.00	1,286,603.88	(13,396.12)
Prior Years' Ad Valorem Taxes	0.00	0.00	861.82	861.82
Penalties and Interest on Taxes	0.00	0.00	2,060.44	2,060.44
Earnings on Investments and Deposits	0.00	0.00	36,321.12	36,321.12
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	0.00	0.00	19,312.50	19,312.50
<b>Total Revenue</b>	<b>1,300,000.00</b>	<b>1,300,000.00</b>	<b>1,345,159.76</b>	<b>45,159.76</b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	11,000.00	11,000.00	5,546.83	5,453.17
Middle/Junior High	4,000.00	4,000.00	351.87	3,648.13
High School	31,000.00	31,000.00	1,814.93	29,185.07
Support Services:				
Business:				
Fiscal Services	4,000.00	4,000.00	3,800.00	200.00
Facilities Acquisition and Construction	165,000.00	165,000.00	12,253.96	152,746.04
Operation and Maintenance of Plant	210,000.00	210,000.00	5,366.80	204,633.20
Student Transportation Services	150,000.00	150,000.00	78,250.00	71,750.00
Debt Services	158,124.56	158,124.56	0.00	158,124.56
Cocurricular Activities:				
Combined Activities	6,000.00	6,000.00	0.00	6,000.00
<b>Total Expenditures</b>	<b>739,124.56</b>	<b>739,124.56</b>	<b>107,384.39</b>	<b>631,740.17</b>
Excess of Revenue Over (Under) Expenditures	560,875.44	560,875.44	1,237,775.37	676,899.93
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(560,875.44)	(560,875.44)	(416,806.64)	144,068.80
Sale of Surplus Property	0.00	0.00	250.00	250.00
<b>Total Other Financing Sources (Uses)</b>	<b>(560,875.44)</b>	<b>(560,875.44)</b>	<b>(416,556.64)</b>	<b>144,318.80</b>
Net Change in Fund Balances	0.00	0.00	821,218.73	821,218.73
Fund Balance - Beginning	2,073,670.12	2,073,670.12	2,073,670.12	0.00
<b>FUND BALANCE - ENDING</b>	<b>2,073,670.12</b>	<b>2,073,670.12</b>	<b>2,894,888.85</b>	<b>821,218.73</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**For the Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	401,411.00	401,411.00	415,441.25	14,030.25
Prior Years' Ad Valorem Taxes	0.00	0.00	308.05	308.05
Penalties and Interest on Taxes	0.00	0.00	557.77	557.77
Earnings on Investments and Deposits	5,000.00	5,000.00	11,691.58	6,691.58
Other Revenue from Local Sources:				
Charges for Services	0.00	0.00	229.00	229.00
Other	0.00	0.00	306.00	306.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	63,608.00	63,608.00	66,863.00	3,255.00
<b>Total Revenue</b>	<b>470,019.00</b>	<b>470,019.00</b>	<b>495,396.65</b>	<b>25,377.65</b>
<b>Expenditures:</b>				
Instruction:				
Special Programs:				
Programs for Special Education	300,442.00	320,442.00	261,645.36	58,796.64
Support Services:				
Students:				
Guidance	7,000.00	7,000.00	6,616.68	383.32
Psychological	27,000.00	30,500.00	30,436.92	63.08
Speech Pathology	55,000.00	58,300.00	57,990.01	309.99
Student Therapy Services	35,000.00	35,000.00	33,519.90	1,480.10
Special Education:				
Administrative Costs	27,000.00	27,000.00	22,496.76	4,503.24
Transportation Costs	5,000.00	9,000.00	8,054.42	945.58
Other Special Education Costs	75,000.00	75,000.00	24,133.68	50,866.32
<b>Total Expenditures</b>	<b>531,442.00</b>	<b>562,242.00</b>	<b>444,893.73</b>	<b>117,348.27</b>
Excess of Revenue Over (Under) Expenditures	(61,423.00)	(92,223.00)	50,502.92	142,725.92
<b>Other Financing Sources (Uses):</b>				
Transfers Out	0.00	0.00	(11,691.58)	(11,691.58)
<b>Net Change in Fund Balances</b>	<b>(61,423.00)</b>	<b>(92,223.00)</b>	<b>38,811.34</b>	<b>131,034.34</b>
Fund Balance - Beginning	1,349,132.51	1,349,132.51	1,349,132.51	0.00
Adjustments:				
Prior Year Overpayment of Federal Funds	0.00	0.00	(4,965.00)	(4,965.00)
<b>Adjusted Fund Balance - Beginning</b>	<b>1,349,132.51</b>	<b>1,349,132.51</b>	<b>1,344,167.51</b>	<b>(4,965.00)</b>
<b>FUND BALANCE - ENDING</b>	<b>1,287,709.51</b>	<b>1,256,909.51</b>	<b>1,382,978.85</b>	<b>126,069.34</b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CORSICA-STICKNEY SCHOOL DISTRICT NO. 21-3**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**PENSION FUND**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	0.00	0.00	28.88	28.88
Penalties and Interest on Taxes	0.00	0.00	10.76	10.76
Earnings on Investments and Deposits	0.00	0.00	2,262.51	2,262.51
<b>Total Revenue</b>	<b>0.00</b>	<b>0.00</b>	<b>2,302.15</b>	<b>2,302.15</b>
<b>Expenditures:</b>				
<b>Total Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Excess of Revenue Over (Under)</b> <b>Expenditures</b>	<b>0.00</b>	<b>0.00</b>	<b>2,302.15</b>	<b>2,302.15</b>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(134,700.00)	(134,700.00)	(137,052.68)	(2,352.68)
<b>Net Change in Fund Balances</b>	<b>(134,700.00)</b>	<b>(134,700.00)</b>	<b>(134,750.53)</b>	<b>(50.53)</b>
<b>Fund Balance - Beginning</b>	<b>134,750.53</b>	<b>134,750.53</b>	<b>134,750.53</b>	<b>0.00</b>
<b>FUND BALANCE - ENDING</b>	<b>50.53</b>	<b>50.53</b>	<b>0.00</b>	<b>(50.53)</b>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2019

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

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

1. Prior to the first regular meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and special revenue funds 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/Student Transportation function of government, along with all other current Student Transportation related expenditures.



REQUIRED SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last Four Fiscal Years \*

	2019	2018	2017	2016
District's proportion of the net pension liability/asset	0.0795403%	0.0810827%	0.0762136%	0.0833974%
District's proportionate share of net pension liability (asset)	\$ (1,855)	\$ (7,358)	\$ 257,442	\$ (353,712)
District's covered-employee payroll	\$ 1,653,569	\$ 1,647,435	\$ 1,449,204	\$ 1,522,589
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.11	0.45%	17.76%	23.23
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02	100.10%	96.89%	104.10%

\* 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.

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
 P.O. Box 247  
 105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

## South Dakota Retirement System

## Last Four Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 101,609	\$ 99,214	\$ 98,846	\$ 86,952
Contributions in relation to the contractually required contribution	<u>\$ 101,609</u>	<u>\$ 99,214</u>	<u>\$ 98,846</u>	<u>\$ 86,952</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$1,693,471	\$1,653,569	\$1,647,435	\$1,449,204
Contributions as a percentage of covered-employee payroll	6.0%	6.0%	6.0%	6.0%

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2019**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions.

**Changes of benefit terms:**

No significant changes.

**Changes of assumptions:**

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 and exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017 and is 2.03% as of June 30, 2018.

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