

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

INDEPENDENT AUDITOR'S REPORTS,
FINANCIAL STATEMENTS, AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2019



RAPID CITY, SOUTH DAKOTA
GILLETTE, WYOMING

Eagle Butte School District No. 20-1
Table of Contents
June 30, 2019

	<u>PAGE</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (Unaudited).....	5 - 12
 BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Exhibit I - Statement of Net Position	14 - 15
Exhibit II - Statement of Activities	16 - 17
<i>Fund Financial Statements:</i>	
Exhibit III - Balance Sheet - Governmental Funds.....	18 - 19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Exhibit IV - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22 - 25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities	26
Notes to the Financial Statements	27 - 46
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budgetary Basis - General Fund.....	48 - 51
Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund.....	52 - 53
Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund.....	54 - 55
Notes to Required Supplementary Information - Budgetary Comparison Schedules	56 - 57
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset).....	58
Schedule of the School District's Contributions	59
Notes to Required Supplementary Information - Pension Schedules.....	60

Eagle Butte School District No. 20-1
Table of Contents (Continued)
June 30, 2019

	<u>PAGE</u>
SINGLE AUDIT INFORMATION	
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 <i>Government Auditing Standards</i>	63 - 64
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance	65 - 66
Schedule of Findings and Questioned Costs.....	67 - 69
Schedule of Prior Audit Findings and Questioned Costs.....	70 - 71
Corrective Action Plan (Unaudited).....	72 - 73
Schedule of Expenditures of Federal Awards.....	74
OTHER INFORMATION	
Schedule of District Officials	77

Independent Auditor's Report

School Board
Eagle Butte School District No. 20-1
Eagle Butte, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Eagle Butte School District No. 20-1, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Basis for Qualified Opinion on Governmental Activities

The District provided an other post-employment benefits plan (OPEB) to its employees. Accounting principles generally accepted in the United States of America require employers to accrue the value of retiree healthcare benefits earned during the employee's working lifetime, which should be reported and disclosed in the District's financial statements. An actuarial valuation is needed to determine accrued liability and expenses that are required to be a part of the financial statements. Management has not obtained an actuarial valuation. Therefore, the District does not have the proper liabilities, expenses, net position, and disclosures. The amount by which this departure has affected these areas has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities of the Eagle Butte School District No. 20-1, as of June 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Eagle Butte School District No. 20-1, and the respective changes in financials position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of the School District's Pension Contributions, and Notes to the Required Supplementary Information - Pension Schedules on pages 5 - 12, 48 - 57, 58, 59, and 60 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eagle Butte School District No. 20-1's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

The Corrective Action Plan and list of School District Officials on pages 72 - 73 and 77, respectively, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021 on our consideration of Eagle Butte School District No. 20-1's internal control over financial reporting and on 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 on compliance and the results of that testing and not to provide an opinion on 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 Eagle Butte School District No. 20-1's internal control over financial reporting and compliance.



Casey Peterson, Ltd.

Rapid City, South Dakota

March 26, 2021

EAGLE BUTTE SCHOOL DISTRICT 20-1
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Eagle Butte School District 20-1 report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position from governmental activities increased approximately \$1,279,154.42 primarily due to an increase in program revenues and the addition of Net Pension Asset.
- During the year, the District's revenues generated from taxes and other revenues of the governmental programs were \$1,279,154.42 more than the \$8,598,231.57 governmental program expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major features of Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds
Scope	Entire school government (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as elementary and high school education programs
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheets Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net-position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

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

The Government-wide financial statements are reported in two categories:

Governmental activities-this includes the District's basic instructional services such as elementary and high school educational programs, support services, debt service payments, extra-curricular activities and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

Business-type activities-the District doesn't have any activities of this type.

Fund Financial Statements

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

- State law requires some of the funds
- The school board establishes other funds to control and manage money for particular purposes.

The District has one kind of fund:

Governmental funds-Most of the District's basic services are included in the governmental funds which focus on (1) how cash and other financial assets that can readily convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass that additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The District’s net position is as follows:

**Table A-1
Eagle Butte School District 20-1
STATEMENT OF NET POSITION**

	Governmental Activities		Total Activities	
	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Current and Other Assets	\$10,939,986.13	\$12,952,898.56	\$10,939,986.13	\$12,952,898.56
Capital Assets (Net of Depreciation)	4,699,066.56	4,755,727.25	4,699,066.56	4,755,727.25
Net Pension Asset	19,261.21	4,715.59	19,261.21	4,715.59
TOTAL ASSETS	15,658,313.90	17,713,341.40	15,658,313.90	17,713,341.40
Pension Related Deferred Outflows	2,079,280.77	1,687,630.32	2,079,280.77	1,687,630.32
Long-Term Debt	46,381.00	44,211.86	46,381.00	44,211.86
Outstanding Other Liabilities	684,700.02	1,048,022.72	684,700.02	1,048,022.72
Net Pension Liability	-	-	-	-
TOTAL LIABILITIES	731,081.02	1,092,234.58	731,081.02	1,092,234.58
Deferred Inflows of Resources				
Taxes Levied for Future Period	328,960.86	373,206.90	328,960.86	373,206.90
Pension Related	431,418.96	400,700.12	431,418.96	400,700.12
Other Resources	-	9,541.87	-	9,541.87
TOTAL INFLOWS	760,379.82	783,448.89	760,379.82	783,448.89
Net Position				
Invested in Capital Assets	4,699,066.56	4,755,727.25	4,699,066.56	4,755,727.25
Restricted	2,186,902.06	1,496,405.61	2,186,902.06	1,496,405.61
Unrestricted	9,360,165.21	11,273,155.39	9,360,165.21	11,273,155.39
TOTAL NET POSITION	16,246,133.83	17,525,288.25	16,246,133.83	17,525,288.25
Adjusted Beginning Net Position	15,334,210.23	16,246,133.83	15,334,210.23	16,246,133.83
Increase (Decrease) in Net Position	\$ 911,923.60	\$ 1,279,154.42	\$ 911,923.60	\$ 1,279,154.42
Percentage of Increase (Decrease in Net Position	5.66%	40.27%	5.66%	40.27%

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

EAGLE BUTTE SCHOOL DISTRICT 20-1
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The District's total revenues totaled \$9,877,385.99. Approximately 8.2% comes from taxes, 20.4% from program operating grants and contributions, 20.1% from state aid formula, 43.3% from federal sources, 1.3% from investment earnings and 4.5% from other general revenue (rentals, etc.) and 2.2% from charges for services.

The District's total expenditures totaled \$8,598,231.57. The District's expenses cover a range of services; encompassing instruction, support services, nonprogrammed charges, community charges and co-curricular activities. Approximately 62.0% of the total expenses were spent on instructions, 36.8% on support services and 1.2% on co-curricular services.

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows, considers the operations of the governmental activities.

	Table A-2			
	Changes in Net Position			
	Governmental Activities		Total Activities	
	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Revenues				
Program Revenues				
Operating Grants & Contributions	\$ 1,730,288.87	\$ 2,015,914.07	\$ 1,730,288.87	\$ 2,015,914.07
Charges for Services	132,000.00	216,206.77	132,000.00	216,206.77
General Revenues				
Taxes	770,476.02	808,607.48	770,476.02	808,607.48
Revenue State Sources	1,994,700.38	1,990,111.51	1,994,700.38	1,990,111.51
Revenue Federal Sources	3,060,858.44	4,276,505.23	3,060,858.44	4,276,505.23
Revenue Local Sources	201,336.46	443,321.27	201,336.46	443,321.27
Unrestricted Investment Earnings	104,280.02	126,719.66	104,280.02	126,719.66
Total Revenues	<u>7,993,940.19</u>	<u>9,877,385.99</u>	<u>7,993,940.19</u>	<u>9,877,385.99</u>
Expenses				
Instruction	4,402,361.73	5,329,879.49	4,402,361.73	5,329,879.49
Support Services	2,588,998.46	3,162,159.62	2,588,998.46	3,162,159.62
Non-programmed Charges	-	377.30	-	377.30
Community Services	-	4,614.53	-	4,614.53
Co-Curricular Activities	90,656.40	101,200.63	90,656.40	101,200.63
Total Expenses	<u>7,082,016.59</u>	<u>8,598,231.57</u>	<u>7,082,016.59</u>	<u>8,598,231.57</u>
Increase (Decrease) in Net Position	911,923.60	1,279,154.42	911,923.60	1,279,154.42
Adjusted Net Position Beginning	<u>15,334,210.23</u>	<u>16,246,133.83</u>	<u>15,334,210.23</u>	<u>16,246,133.83</u>
Net Position Ending	<u>\$ 16,246,133.83</u>	<u>17,525,288.25</u>	<u>\$ 16,246,133.83</u>	<u>17,525,288.25</u>

Governmental Activities

The District's total revenues equal \$9,877,385.99 (See Table A-2). Program revenues (grants) increased by \$369,831.97 (19.9%), revenues from state and federal sources increased by \$1,211,057.92 (24%), while general revenue from taxes and local sources increased \$280,116.27 (28.8%).

The District's expenditures totaled \$8,598,231.57 (See Table A-2) and covered a range of services, including instruction, support services and co-curricular activities.

Financial Analysis of the District's Funds

The General Fund, increased while the Capital Outlay Fund and Special Education Fund had a decrease in fund balance.

Budgetary Amendments

Over the course of the year, the School Board revised the budget several times. These amendments fall into the following category:

- Supplemental appropriations approved for unanticipated, yet necessary expenses to provide items necessary for the education program of this District.

Capital Asset Administration

By June 30th, 2019 the school had capital assets in the amount of \$12,211,945.63. This includes: land, buildings, and machinery and equipment. (See Table A-3). This amount represents a net increase of \$421,468.37 or (3.6%) from last year.

TABLE A-3
EAGLE BUTTE DISTRICT 20-1----CAPITAL ASSETS
(net of depreciation)
Governmental Activities

Primary Government	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 210,576.00	\$ -	\$ -	\$ 210,576.00
Construction in Progress	-	-	-	-
Totals Not Being Depreciated	<u>210,576.00</u>	<u>-</u>	<u>-</u>	<u>210,576.00</u>
Capital Assets, Being Depreciated:				
Buildings	9,005,995.47	-	-	9,005,995.47
Improvements other than Bldgs.	363,052.69	-	-	363,052.69
Machinery and Equipment	<u>2,210,853.10</u>	<u>517,770.37</u>	<u>(96,302.00)</u>	<u>2,632,321.47</u>
Totals Being Depreciated	<u>11,579,901.26</u>	<u>517,770.37</u>	<u>(96,302.00)</u>	<u>12,001,369.63</u>
Less Accumulated Depreciation For:				
Buildings	(5,193,521.44)	(192,535.11)		(5,386,056.55)
Improvements other than Bldgs.	(168,288.83)	(26,666.30)		(194,955.13)
Machinery and Equipment	<u>(1,729,600.43)</u>	<u>(241,908.27)</u>	<u>96,302.00</u>	<u>(1,875,206.70)</u>
Total Accumulated Depreciation	<u>(7,091,410.70)</u>	<u>(461,109.68)</u>	<u>96,302.00</u>	<u>(7,456,218.38)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,488,490.56</u>	<u>56,660.69</u>	<u>\$ -</u>	<u>4,545,151.25</u>
Governmental Activities, Capital Assets, Net	<u>\$ 4,699,066.56</u>	<u>\$ 56,660.69</u>	<u>\$ -</u>	<u>\$ 4,755,727.25</u>

This year's capital asset purchases were primarily computers.

Long Term Debt

At year-end the District had \$44,211.86 in long-term obligations. This is a decrease of 4.7% as shown on Table A-4 below.

Table A-4
Eagle Butte School District 20-1 – Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2017-2018	2018-2019		
Compensated Absences	<u>46,381.00</u>	<u>44,211.86</u>	<u>2,169.14</u>	<u>4.7%</u>
Total Outstanding Debt and Obligations	<u>46,381.00</u>	<u>44,211.86</u>	<u>2,169.14</u>	<u>4.7%</u>

The District is liable for the compensated absence pay to the administration and teaching staff.

Economic Factors

The District's current economic position has shown little change. However, the State of South Dakota sets a maximum tax rate which can be levied by the District. The primary source of revenue for the district is the per student allocation received from the State of South Dakota in State Aid and the Impact Aid we receive. However, student enrollment is declining and could result in a significant reduction of future state and federal revenues.

Contacting the School's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Eagle Butte School District 20-1 Business Office, P.O. Box 260, Eagle Butte, South Dakota, 57625.

BASIC FINANCIAL STATEMENTS

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT I - STATEMENT OF NET POSITION

June 30, 2019

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets:	
Cash and cash equivalents	\$ 1,225,767.10
Investments	10,074,686.94
Taxes receivable	409,970.98
Other receivables	1,216,771.40
Inventories	25,702.14
Net pension asset	4,715.59
Capital assets:	
Land and construction in progress	210,576.00
Other capital assets, net of depreciation	<u>4,545,151.25</u>
Total Assets	<u>17,713,341.40</u>
Deferred Outflows of Resources:	
Pension related deferred outflows	<u>1,687,630.32</u>

The accompanying notes are an integral part of these financial statements.

Liabilities:	
Accounts payable	49,990.45
Other current liabilities	998,032.27
Noncurrent liabilities:	
Due within one year	6,631.78
Due in more than one year	<u>37,580.08</u>
Total Liabilities	<u>1,092,234.58</u>
Deferred Inflows of Resources:	
Taxes levied for future period	373,206.90
Pension related deferred inflows	400,700.12
Other deferred inflows of resources	<u>9,541.87</u>
Total Deferred Inflows of Resources	<u>783,448.89</u>
Net Position	
Invested in capital assets	4,755,727.25
Restricted for:	
Capital Outlay	81,817.71
Special Education	122,942.11
SDRS Pension	1,291,645.79
Unrestricted	<u>11,273,155.39</u>
Total Net Position	<u><u>\$ 17,525,288.25</u></u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT II - STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental activities:					
Instruction	\$5,329,879.49	\$ -	\$1,766,148.00	\$ -	\$ (3,563,731.49)
Support services	3,162,159.62	216,206.77	249,766.07	-	(2,696,186.78)
Community services	4,614.53	-	-	-	(4,614.53)
Nonprogrammed charges	377.30	-	-	-	(377.30)
Cocurricular activities	<u>101,200.63</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,200.63)</u>
Total Governmental Activities	<u>\$8,598,231.57</u>	<u>\$ 216,206.77</u>	<u>\$2,015,914.07</u>	<u>\$ -</u>	<u>(6,366,110.73)</u>

General Revenues:

Taxes:

Property taxes 715,357.97

Utility taxes 93,249.51

Revenue from State Sources:

State aid 1,990,111.51

Revenue from Federal Sources 4,276,505.23

Unrestricted Investment Earnings 126,719.66

Other General Revenues 443,321.27

The accompanying notes are an integral part of these financial statements.

Total General Revenues	<u>7,645,265.15</u>
Change in Net Position	1,279,154.42
Net Position - Beginning	<u>16,246,133.83</u>
Net Position - Ending	<u>\$17,525,288.25</u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT III - BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 950,730.90	\$ 81,817.71	\$ 193,218.49	\$ 1,225,767.10
Investments	10,074,686.94	-	-	10,074,686.94
Taxes receivable--current	216,016.86	-	157,190.04	373,206.90
Taxes receivable--delinquent	24,394.92	-	12,369.16	36,764.08
Accounts receivable-net	237,737.28	-	-	237,737.28
Due from General fund	-	-	-	-
Due from Federal government	847,034.12	-	132,000.00	979,034.12
Inventory of supplies	25,702.14	-	-	25,702.14
Total Assets	<u>\$12,376,303.16</u>	<u>\$ 81,817.71</u>	<u>\$ 494,777.69</u>	<u>\$12,952,898.56</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,703.03	\$ -	\$ 39,287.42	\$ 49,990.45
Contracts payable	602,218.10	-	114,441.08	716,659.18
Due to Special Education fund	-	-	-	-
Payroll deductions and withholdings and employer matching payable	226,376.80	-	54,996.29	281,373.09
Total Liabilities	<u>839,297.93</u>	<u>-</u>	<u>208,724.79</u>	<u>1,048,022.72</u>

The accompanying notes are an integral part of these financial statements.

Deferred Inflows of Resources				
Unavailable revenue - property taxes	24,394.92	-	12,369.16	36,764.08
Property taxes levied for future period	216,016.86	-	157,190.04	373,206.90
Other deferred inflows of resources	<u>9,541.87</u>	<u>-</u>	<u>-</u>	<u>9,541.87</u>
Total Deferred Inflows of Resources	<u>249,953.65</u>	<u>-</u>	<u>169,559.20</u>	<u>419,512.85</u>
Fund Balances:				
Nonspendable	25,702.14	-	-	25,702.14
Restricted:				
Capital Outlay	-	81,817.71	-	81,817.71
Special Education	-	-	116,493.70	116,493.70
Unassigned	<u>11,261,349.44</u>	<u>-</u>	<u>-</u>	<u>11,261,349.44</u>
Total Fund Balances	<u>11,287,051.58</u>	<u>81,817.71</u>	<u>116,493.70</u>	<u>11,485,362.99</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$12,376,303.16</u>	<u>\$ 81,817.71</u>	<u>\$ 494,777.69</u>	<u>\$12,952,898.56</u>

The accompanying notes are an integral part of these financial statements.

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EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2019

Total Fund Balances - Governmental Funds	\$ 11,485,362.99
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.	4,715.59
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of assets is \$12,211,945.63 and the accumulated depreciation is \$7,456,218.38	4,755,727.25
Property taxes receivable will be collected this year but not available soon enough to pay the current periods expenditures, and therefore are deferred in the governmental funds.	36,764.08
Pension related deferred outflows are components of pension liability and therefore are not reported in the governmental funds.	1,687,630.32
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Accrued leave payable	(44,211.86)
Pension related deferred inflows are components of pension liability and therefore are not reported in the governmental funds.	<u>(400,700.12)</u>
Net Position - Governmental Activities	<u>\$ 17,525,288.25</u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT IV - 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	Total Governmental Funds
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 378,292.58	\$ -	\$ 279,527.11	\$ 657,819.69
Prior years' ad valorem taxes	25,458.39	-	7,388.83	32,847.22
Utility taxes	93,249.51	-	-	93,249.51
Penalties and interest on taxes	2,950.52	-	1,464.35	4,414.87
Earnings on investments and deposits	126,719.66	-	-	126,719.66
Other revenue from local sources:				
Rentals	78,645.00	-	-	78,645.00
Services provided other LEAs	84,206.77	-	132,000.00	216,206.77
Refund prior years' expenditures	22,039.28	-	1,850.74	23,890.02
Other local sources	302,774.06	-	1,093.15	303,867.21
Revenue from intermediate sources:				
County sources:				
County apportionment	4,659.99	-	-	4,659.99
Revenue from State sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,990,111.51	-	-	1,990,111.51
Restricted grants-in-aid	4,006.94	-	270,370.00	274,376.94

The accompanying notes are an integral part of these financial statements.

Revenue from Federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid:				
Received directly from Federal government	4,089,244.19	-	187,261.04	4,276,505.23
Restricted grants-in-aid:				
Received directly from Federal government	215,179.00	-	-	215,179.00
Received from Federal government through the state	1,281,744.00	-	239,880.00	1,521,624.00
Johnson O'Malley Funds	<u>4,734.13</u>	<u>-</u>	<u>-</u>	<u>4,734.13</u>
Total Revenue	<u>8,704,015.53</u>	<u>-</u>	<u>1,120,835.22</u>	<u>9,824,850.75</u>
Expenditures:				
Instruction:				
Regular programs:				
Elementary	1,248,519.19	9,945.76	-	1,258,464.95
Middle/Junior High	377,288.20	8,627.94	-	385,916.14
High School	814,612.47	4,007.92	-	818,620.39
Other regular programs	200,319.93	-	-	200,319.93
Special programs:				
Programs for special education	-	-	1,085,416.90	1,085,416.90
Culturally different	210,270.60	-	-	210,270.60
Educationally deprived	828,994.49	-	-	828,994.49
Support services:				
Pupils:				
Attendance and social work	57,699.58	-	-	57,699.58
Guidance	145,600.57	-	-	145,600.57
Health	56,457.09	-	-	56,457.09
Psychological	-	-	154,286.77	154,286.77
Speech pathology	-	-	206,099.98	206,099.98
Audiology services	-	-	1,362.07	1,362.07

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

EXHIBIT IV - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended June 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures (continued):				
Support services (continued):				
Pupils(continued):				
Student therapy services	\$ -	\$ -	\$ 4,825.00	\$ 4,825.00
Support services - instructional staff:				
Improvement of instruction	97,486.44	-	9,625.01	107,111.45
Educational media	171,257.37	-	-	171,257.37
Support services - general administration:				
Board of education	122,519.39	-	-	122,519.39
Executive administration	199,229.53	-	-	199,229.53
Support services - school administration:				
Office of the principal	264,155.52	-	-	264,155.52
Support services - business:				
Fiscal services	219,113.76	-	-	219,113.76
Facilities acquisition and construction	-	1,156.86	-	1,156.86
Operation and maintenance of plant	640,933.06	210,946.78	-	851,879.84
Pupil transportation	47,155.94	-	-	47,155.94
Food services	130,173.56	4,077.62	-	134,251.18
Support services - special education:				
Transportation costs	-	-	33,424.22	33,424.22
Other special education costs	-	-	102,437.95	102,437.95

The accompanying notes are an integral part of these financial statements.

Community services:				
Costody and care of children	4,614.53	-	-	4,614.53
Nonprogrammed charges:				
Payments to state unemployment	377.30	-	-	377.30
Cocurricular activities:				
Combined activities	89,638.35	6,037.50	-	95,675.85
Capital outlay	<u>65,872.61</u>	<u>451,897.76</u>	<u>-</u>	<u>517,770.37</u>
Total Expenditures	<u>5,992,289.48</u>	<u>696,698.14</u>	<u>1,597,477.90</u>	<u>8,286,465.52</u>
Excess of Revenue Over (Under) Expenditures	<u>2,711,726.05</u>	<u>(696,698.14)</u>	<u>(476,642.68)</u>	<u>1,538,385.23</u>
Other Financing Sources (Uses):				
Transfers in	-	650,000.00	200,000.00	850,000.00
Transfers out	(850,000.00)	-	-	(850,000.00)
Sale of Surplus Property	4,101.50	-	-	4,101.50
Compensation for loss of general capital assets	<u>28,157.55</u>	<u>-</u>	<u>-</u>	<u>28,157.55</u>
Total Other Financing Sources (Uses)	<u>(817,740.95)</u>	<u>650,000.00</u>	<u>200,000.00</u>	<u>32,259.05</u>
Net Change in Fund Balances	1,893,985.10	(46,698.14)	(276,642.68)	1,570,644.28
Fund Balance - Beginning	9,388,185.13	128,515.85	393,136.38	9,909,837.36
Change in Inventory	<u>4,881.35</u>	<u>-</u>	<u>-</u>	<u>4,881.35</u>
Fund Balance - Ending	<u>\$ 11,287,051.58</u>	<u>\$ 81,817.71</u>	<u>\$ 116,493.70</u>	<u>\$ 11,485,362.99</u>

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities

For the Year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds \$ 1,570,644.28

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 capital outlays (\$517,770.37) exceed depreciation expense (\$461,109.68) in the year. 56,660.69

Governmental funds report inventory supplies using the purchase method. However, in the Statement of Activities inventory supplies are reported using the consumption method to be consistent with the accrual basis of accounting. 4,881.35

Governmental Funds report property taxes as revenue in the period for which the tax is levied, subject to 'Availability', but the Statement of Activities includes the property taxes as revenue in the period for which the taxes are levied, regardless of when collection occurs. 20,276.19

Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures. 2,169.14

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 the governmental funds (e.g., accrued interest revenue, pension expense) (375,477.23)

Change in Net Position of Governmental Activities \$1,279,154.42

The accompanying notes are an integral part of these financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

Financial Reporting Entity:

The reporting entity of Eagle Butte School District No. 20-1 (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.

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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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 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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (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. Funds are organized into one major category: governmental. An emphasis is placed on major funds within the governmental category. 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 of the individual governmental funds 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 of the individual governmental funds are at least 5 percent of the corresponding total for all governmental funds combined, or
3. Management has elected to classify one or more governmental 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. Included in the General Fund is the Impact Aid Fund, a Fund established by the SDCL 13-16-30 and 13-16-31 to account for receipt of Federal Funds under the provisions of P.L. 103-382, Title VIII for basic support. No expenditures may be directly charged to Impact Aid Fund. The General Fund is always a major fund.

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

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

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, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2019 are federal grants and other accounts receivable from the state or other entities.

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued):

Basis of Accounting (continued):

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.

Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” include 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.

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 reported in the government-wide or fund financial statements.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued):

Government-wide Financial Statements:

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. The amount of donated assets included in the capital assets is \$19,000. The School District has the use of equipment that is owned by another entity at no cost. The fair value of this equipment is \$75,000. Reported cost values include ancillary charges necessary to place asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The School District has borrowed no money for construction of fixed assets. Should the School District borrow funds for construction of fixed assets, interest costs incurred during construction of general capital assets, will not be capitalized along with other capital assets costs.

The total June 30, 2019 balance of capital assets for governmental activities is 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 are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	ALL	-----N/A-----	-----N/A-----
Improvements	\$10,000	Straight-line	25yrs.
Buildings	\$50,000	Straight-line	50-65yrs.
Machinery and Equipment	\$5,000	Straight-line	5-25yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of accrued leave payable.

Program Revenues:

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

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

Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Equity Classifications (continued):

3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components.

Application of Net Position:

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

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 School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Fund Balance Classification Policies and Procedures (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	Contributions and donations and federal grants
Special Education Fund	Property taxes, tuition, investment earnings, charges for services, grants from state and federal government

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended <u>6/30/2019</u>
Capital Outlay Fund	\$ 121,698.14

The Governing Board Plans to take the following actions to address these violations:

The School District had enough in the Capital Outlay and Special Education Fund balance to cover these costs. The School District should have approved a supplementary budget.

Pensions:

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Deposits and Investments, Fair Value Measurements, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

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

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 and its fiscal agent.

The meaning of investments in this note differs from the meaning of the caption investments in the financial statements. Certificates of deposit are considered deposits, but certificates of deposit with a term to maturity of 90 days or more are considered investments in the financial statements.

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

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

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

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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Deposits and Investments, Fair Value Measurements, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (continued)

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the 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. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

Receivables and Payables:

The School District aggregates receivables and payables in the financial statements. Detail of the significant components is as follows:

Receivables at June 30, 2019, were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 240,411.78	\$ 237,737.28	\$ 847,034.12	\$ 1,325,183.18
Capital Outlay Fund	-	-	-	-
Special Education Fund	<u>169,559.20</u>	<u>-</u>	<u>132,000.00</u>	<u>301,559.20</u>
Total - Governmental Activities	<u>\$ 409,970.98</u>	<u>\$ 237,737.28</u>	<u>\$ 979,034.12</u>	<u>\$ 1,626,742.38</u>

Payables at June 30, 2019 were as follows:

	<u>Accounts</u>	<u>Accrued Wages</u>	<u>Other Payables</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$ 10,703.03	\$ 602,218.10	\$ 226,376.80	\$ 839,297.93
Capital Outlay Fund	-	-	-	-
Special Education Fund	<u>39,287.42</u>	<u>114,441.08</u>	<u>54,996.29</u>	<u>208,724.79</u>
Total - Governmental Activities	<u>\$ 49,990.45</u>	<u>\$ 716,659.18</u>	<u>\$ 281,373.09</u>	<u>\$ 1,048,022.72</u>

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Subsequent Events:

In preparing the financial statements, the School District has evaluated events and transactions for potential recognition or disclosure through June 30, 2019, the date the financial statements were available to be issued.

Note 2. Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO). 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 governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Note 3. Property Taxes

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations, and therefore is 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."

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in Capital Assets

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

Primary Government

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 210,576.00	\$ -	\$ -	\$ 210,576.00
Totals, not being depreciated	<u>210,576.00</u>	<u>-</u>	<u>-</u>	<u>210,576.00</u>
Capital assets, being depreciated:				
Buildings	9,005,995.47	-	-	9,005,995.47
Improvements other than buildings	363,052.69	-	-	363,052.69
Machinery and equipment	<u>2,210,853.10</u>	<u>517,770.37</u>	<u>(96,302.00)</u>	<u>2,632,321.47</u>
Totals, being depreciated	<u>11,579,901.26</u>	<u>517,770.37</u>	<u>(96,302.00)</u>	<u>12,001,369.63</u>
Less accumulated depreciation for:				
Buildings	(5,193,521.44)	(192,535.11)	-	(5,386,056.55)
Improvements other than buildings	(168,288.83)	(26,666.30)	-	(194,955.13)
Machinery and equipment	<u>(1,729,600.43)</u>	<u>(241,908.27)</u>	<u>96,302.00</u>	<u>(1,875,206.70)</u>
Total accumulated depreciation	<u>(7,091,410.70)</u>	<u>(461,109.68)</u>	<u>96,302.00</u>	<u>(7,456,218.38)</u>
Total capital assets, being depreciated, net	<u>4,488,490.56</u>	<u>56,660.69</u>	<u>-</u>	<u>4,545,151.25</u>
Governmental activities capital assets, net	<u>\$ 4,699,066.56</u>	<u>\$ 56,660.69</u>	<u>\$ -</u>	<u>\$ 4,755,727.25</u>

Governmental activities:

Instruction	\$ 280,885.78
Support services	175,985.42
Cocurricular	<u>4,238.48</u>

Total depreciation expense - governmental activities \$ 461,109.68

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities

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

Primary Government:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities:					
Accrued Compensated Absences	\$ 46,381.00	\$ 16,395.11	\$ 18,564.25	\$ 44,211.86	\$ 6,631.78

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

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

Primary Government

Governmental Activities:
Compensated Absences

Accrued sick leave payable, paid from General Fund and Special Education Fund \$ 44,211.86

Note 6. Interfund Transfers

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

<u>Transfer From:</u>	<u>Transfer to:</u>	
	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>
General Fund	\$ 650,000.00	\$ 200,000.00
Totals	<u>\$ 650,000.00</u>	<u>\$ 200,000.00</u>

The School District typically uses transfers to transfer federal monies from Impact Aid Fund to Capital Outlay and Special Education Fund. Transfers of federal monies from the Impact Aid Fund, which is blended in the General Fund, to other funds are permissible under SDCL 13-13-26.2.

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.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 7. Restricted Net Position

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

<u>Purposes</u>	<u>Restricted By</u>	<u>Amount</u>
Governmental Activities:		
Major Funds:		
Capital Outlay	Law	\$ 81,817.71
Special Education	Law	122,942.11
Other Purposes:		
SDRS Pension	Law	<u>1,291,645.79</u>
Total Restricted Net Assets		<u><u>\$ 1,496,405.61</u></u>

These balances are restricted due to federal grant and statutory requirements.

Note 8. Pension Plan

Plan Information:

All employees, except for employees who are certified, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions.

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

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (continued)

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and not greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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 \$247,261.54, \$252,961.27 and \$258,938.68, 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 shares 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:

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (continued)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions: (continued)

Proportionate share of total pension liability	\$ 24,809,310.82
Less proportionate share of net position restricted for pension benefits	<u>24,814,026.41</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (4,715.59)</u></u>

At June 30, 2019, the School District reported an liability (asset) of (\$4,715.59) 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 .20279990%, which is a increase (decrease) of (.0096060)% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$375,477.21. 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	\$ 178,767.64	\$ -
Changes in assumption	1,200,803.99	-
Net difference between projected and actual earnings on pension plan investments	-	357,459.80
Changes in proportion and difference between School District contributions and proportionate share of contributions	60,797.15	43,240.32
School District contributions subsequent to the measurement date	<u>247,261.54</u>	<u>-</u>
Total	<u><u>\$ 1,687,630.32</u></u>	<u><u>\$ 400,700.12</u></u>

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (continued)

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions (continued):

\$247,261.54 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:	
2020	\$ 650,604.58
2021	479,740.59
2022	(55,753.49)
2023	(34,923.02)
2024	-
Thereafter	-
Total	<u>\$ 1,039,668.66</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 6.5% at entry to 3.00% after 25 years of service
Investment Rate of Return	6.50% net of plan investment expense

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (continued)

Actuarial Assumptions (continued):

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>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50 percent. 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)	\$ 3,572,297.37	\$ (4,715.59)	\$ (2,914,447.24)

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plan (continued)

Pension Plan Fiduciary Net Position:

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

Note 9. 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 purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management (continued)

Worker's Compensation (continued):

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over 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 fiscal year ended June 30, 2019, two claims were filed for unemployment benefits. This resulted in the payment of benefits in the amount of \$377.30. At June 30, 2019 there was no outstanding claims. It is estimated, based upon historical trends, that one additional claim for unemployment benefits will be filed in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 380,000.00	\$ 380,000.00	\$ 378,292.58	\$ (1,707.42)
Prior years' ad valorem taxes	8,000.00	8,000.00	25,458.39	17,458.39
Utility taxes	90,000.00	90,000.00	93,249.51	3,249.51
Penalties and interest on taxes	2,000.00	2,000.00	2,950.52	950.52
Earnings on investments and deposits	500.00	500.00	-	(500.00)
Other revenue from local sources:				
Rentals	90,000.00	90,000.00	78,645.00	(11,355.00)
Services provided other school district	-	-	84,206.77	84,206.77
Refund of prior years' expenditures	-	-	22,039.28	22,039.28
Other	15,000.00	15,000.00	302,774.06	287,774.06
Revenue from intermediate sources:				
County sources:				
County apportionment	11,000.00	11,000.00	4,659.99	(6,340.01)
Revenue from State sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,943,000.00	1,943,000.00	1,990,111.51	47,111.51
Restricted grants-in-aid	-	-	4,006.94	4,006.94
Grants-in-aid:				
Restricted grants-in-aid received directly from Federal government	214,017.00	214,017.00	215,179.00	1,162.00

See the accompanying notes to the required supplementary information.

Restricted grants-in-aid received from				
Federal government through the State	1,240,779.00	1,412,238.00	1,281,744.00	(130,494.00)
Johnson O'Malley Funds	14,276.00	14,276.00	4,734.13	9,541.87
Other Federal revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Revenue	 <u>4,008,572.00</u>	 <u>4,180,031.00</u>	 <u>4,488,051.68</u>	 <u>308,020.68</u>
 Expenditures:				
Instruction:				
Regular programs:				
Elementary	1,557,600.00	1,571,259.00	1,248,519.19	322,739.81
Middle/Junior High	448,950.00	448,950.00	377,288.20	71,661.80
High School	877,308.00	877,308.00	831,707.91	45,600.09
Other regular programs	206,541.00	206,541.00	200,319.93	6,221.07
Special programs:				
Culturally different	214,017.00	214,017.00	210,270.60	3,746.40
Educationally deprived	880,800.00	959,322.00	877,771.66	81,550.34
Support Services:				
Pupils				
Attendance and social work	30,276.00	87,636.00	57,699.58	29,936.42
Guidance	149,360.00	151,151.00	145,600.57	5,550.43
Health	58,800.00	58,800.00	56,457.09	2,342.91
Support services - instructional staff:				
Improvement of instruction	95,840.00	115,967.00	97,486.44	18,480.56
Educational media	210,010.00	210,010.00	171,257.37	38,752.63

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Support Services (continued):				
Support services - general administration:				
Board of education	\$ 155,700.00	\$ 155,700.00	\$ 122,519.39	\$ 33,180.61
Executive administration	206,100.00	206,100.00	199,229.53	6,870.47
Support services - school administration:				
Office of the principal	274,600.00	274,600.00	264,155.52	10,444.48
Support services - business:				
Fiscal services	195,760.00	195,760.00	219,113.76	(23,353.76)
Operation and maintenance of plant	631,000.00	631,000.00	640,933.06	(9,933.06)
Pupil transportation	67,000.00	67,000.00	47,155.94	19,844.06
Food services	140,200.00	140,200.00	130,173.56	10,026.44
Community Services:				
Custody and care of children	-	-	4,614.53	(4,614.53)
Nonprogrammed charges:				
Payments to state unemployment	10,000.00	10,000.00	377.30	9,622.70
Cocurricular activities:				
Combined activities	<u>92,500.00</u>	<u>92,500.00</u>	<u>89,638.35</u>	<u>2,861.65</u>
Total Expenditures	<u>6,502,362.00</u>	<u>6,673,821.00</u>	<u>5,992,289.48</u>	<u>681,531.52</u>
Excess of Revenue Over (Under) Expenditures	<u>(2,493,790.00)</u>	<u>(2,493,790.00)</u>	<u>(1,504,237.80)</u>	<u>989,552.20</u>

See the accompanying notes to the required supplementary information.

Other Financing Sources:				
Transfers in	2,493,790.00	2,493,790.00	1,726,461.78	(767,328.22)
Sale of Surplus Property	-	-	4,101.50	4,101.50
Compensation for loss of general capital assets	<u>-</u>	<u>-</u>	<u>28,157.55</u>	<u>28,157.55</u>
Total Other Financing Sources (Uses)	<u>2,493,790.00</u>	<u>2,493,790.00</u>	<u>1,758,720.83</u>	<u>(735,069.17)</u>
Net Change in Fund Balances	-	-	254,483.03	254,483.03
Fund Balance - Beginning	60,433.73	60,433.73	60,433.73	-
Change in Inventory	<u>-</u>	<u>-</u>	<u>4,881.35</u>	<u>4,881.35</u>
Fund Balance - Ending	<u>\$ 60,433.73</u>	<u>\$ 60,433.73</u>	<u>\$ 319,798.11</u>	<u>\$ 259,364.38</u>

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - CAPITAL OUTLAY FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from Federal government	\$ 35,000.00	\$ 35,000.00	\$ -	\$ (35,000.00)
Total Revenue	35,000.00	35,000.00	-	(35,000.00)
Expenditures:				
Instruction:				
Regular programs:				
Elementary	30,000.00	30,000.00	91,630.60	(61,630.60)
Middle/Junior High	-	-	8,627.94	(8,627.94)
High school	-	-	4,007.92	(4,007.92)
Support services - instructional staff:				
Educational media	20,000.00	20,000.00	6,362.67	13,637.33
Support services - general administration:				
Board of Education	-	-	-	-
Executive administration	5,000.00	5,000.00	-	5,000.00

See the accompanying notes to the required supplementary information.

Support services - school administration:				
Office of the principal	5,000.00	5,000.00	-	5,000.00
Support services - business:				
Fiscal services	5,000.00	5,000.00	-	5,000.00
Facilities acquisition and construction	25,000.00	25,000.00	143,447.11	(118,447.11)
Operation and maintenance of plant	270,000.00	270,000.00	253,821.78	16,178.22
Pupil transportation	190,000.00	190,000.00	178,685.00	11,315.00
Food services	20,000.00	20,000.00	4,077.62	15,922.38
Cocurricular activities:				
Combined activities	<u>5,000.00</u>	<u>5,000.00</u>	<u>6,037.50</u>	<u>(1,037.50)</u>
Total Expenditures	<u>575,000.00</u>	<u>575,000.00</u>	<u>696,698.14</u>	<u>(121,698.14)</u>
Excess of Revenue Over (Under) Expenditures	<u>(540,000.00)</u>	<u>(540,000.00)</u>	<u>(696,698.14)</u>	<u>(156,698.14)</u>
Other Financing Sources (Uses):				
Transfers in	<u>540,000.00</u>	<u>540,000.00</u>	<u>650,000.00</u>	<u>110,000.00</u>
Total Other Financing Sources (Uses)	<u>540,000.00</u>	<u>540,000.00</u>	<u>650,000.00</u>	<u>110,000.00</u>
Net Change in Fund Balances	-	-	(46,698.14)	(46,698.14)
Fund Balance - Beginning	<u>128,515.85</u>	<u>128,515.85</u>	<u>128,515.85</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 128,515.85</u>	<u>\$ 128,515.85</u>	<u>\$ 81,817.71</u>	<u>\$ (46,698.14)</u>

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE BUDGETARY BASIS - SPECIAL EDUCATION FUND

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	\$ 220,000.00	\$ 220,000.00	\$ 279,527.11	\$ 59,527.11
Prior years' ad valorem taxes	4,500.00	4,500.00	7,388.83	2,888.83
Penalties and interest on taxes	1,800.00	1,800.00	1,464.35	(335.65)
Earnings on investment and deposits	500.00	500.00	-	(500.00)
Other revenue from local sources:				
Services provided other LEAs	132,800.00	132,800.00	132,000.00	(800.00)
Refund of prior years' expenditures	-	-	1,850.74	1,850.74
Other	-	-	1,093.15	1,093.15
Revenue from State sources:				
Grants-in-aid:				
Restricted grants-in-aid	250,000.00	250,000.00	270,370.00	20,370.00
Revenue from Federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from Federal government	53,000.00	53,000.00	187,261.04	134,261.04
Restricted grants-in-aid received from Federal government through the State	<u>239,880.00</u>	<u>239,880.00</u>	<u>239,880.00</u>	<u>-</u>
Total Revenue	<u>902,480.00</u>	<u>902,480.00</u>	<u>1,120,835.22</u>	<u>218,355.22</u>

See the accompanying notes to the required supplementary information.

Expenditures:				
Instructions:				
Special programs:				
Programs for special education	1,107,500.00	1,107,500.00	1,085,416.90	22,083.10
Support Services:				
Pupils:				
Psychological	220,500.00	220,500.00	154,286.77	66,213.23
Speech pathology	140,000.00	140,000.00	206,099.98	(66,099.98)
Audiology	2,500.00	2,500.00	1,362.07	1,137.93
Student therapy services	7,000.00	7,000.00	4,825.00	2,175.00
Support services - instructional staff:				
Improvement of instruction	23,900.00	23,900.00	9,625.01	14,274.99
Support services - special education:				
Administrative costs	101,420.00	101,420.00	-	101,420.00
Transportation costs	3,000.00	3,000.00	33,424.22	(30,424.22)
Other special education costs	<u>34,000.00</u>	<u>34,000.00</u>	<u>102,437.95</u>	<u>(68,437.95)</u>
 Total Expenditures	<u>1,639,820.00</u>	<u>1,639,820.00</u>	<u>1,597,477.90</u>	<u>42,342.10</u>
 Excess of Revenue Over (Under) Expenditures	<u>(737,340.00)</u>	<u>(737,340.00)</u>	<u>(476,642.68)</u>	<u>260,697.32</u>
 Other Financing Sources:				
Transfers In	<u>737,340.00</u>	<u>737,340.00</u>	<u>200,000.00</u>	<u>(537,340.00)</u>
 Total Other Financing Sources (Uses)	<u>737,340.00</u>	<u>737,340.00</u>	<u>200,000.00</u>	<u>(537,340.00)</u>
 Net Change in Fund Balances	-	-	(276,642.68)	(276,642.68)
 Fund Balance - Beginning	<u>393,136.38</u>	<u>393,136.38</u>	<u>393,136.38</u>	<u>-</u>
 Fund Balance - Ending	<u>\$ 393,136.38</u>	<u>\$ 393,136.38</u>	<u>\$ 116,493.70</u>	<u>\$ (276,642.68)</u>

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

Note 1. Budgets and Budgetary Accounting

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

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

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

Note 2. USGAAP/Budgetary Accounting Basis Differences

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

Note 3. USGAAP/Budgetary Accounting Basis Difference

The financial statements prepared in conformity with USGAAP presents the Impact Aid Fund, which is a special revenue fund established by South Dakota State Law, SDCL 13-16-30 and 13-16-31, blended with the General Fund. Per South Dakota State Law SDLC 13-11-2, all funds are required to be budgeted, such as General, Impact Aid, and Capital Outlay. GASB requires budgetary RSI for General and major special revenue funds. Impact Aid is not a GASB recognized major special revenue fund so it is not reported as budgetary RSI. General Fund budgetary RSI only includes the budgetary General Fund and not any blended Impact Aid amounts.

The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	Year Ended 6/30/2019
General Fund:	
USGAAP Basis Fund Balance	<u>\$ 11,287,051.58</u>
(Deduct) Impact Aid Revenue	(4,215,963.85)
Impact Aid Beginning Balance	(9,327,751.40)
Impact Aid Transfer Out	<u>2,576,461.75</u>
Net Adjustment to GAAP	
Basis Fund Balance	<u>(10,967,253.47)</u>
Budgetary Basis Fund Balance	<u>\$ 319,798.11</u>

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

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

South Dakota Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.20279990%	0.21240590%	0.19049880%	0.19599430%	0.20075880%
District's proportionate share of net pension liability (asset)	\$ (4,715.59)	\$ (19,261.21)	\$ 643,499.54	\$ (831,254.13)	\$ (1,446,385.06)
District's covered-employee payroll	\$4,216,008.86	\$4,315,643.10	\$3,672,288.59	\$ 3,528,849.67	\$ 3,510,720.00
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.11%	0.45%	17.52%	23.56%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.10%	96.89%	104%	107%

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

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS

South Dakota Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 247,261.54	\$ 252,961.27	\$ 258,938.68	\$ 220,338.90	\$ 211,738.18
Contributions in relation to the contractually required contribution	<u>247,261.54</u>	<u>252,961.27</u>	<u>258,938.68</u>	<u>220,338.90</u>	<u>211,738.18</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,120,546.24	\$ 4,216,008.86	\$ 4,315,643.10	\$ 3,672,288.59	\$ 3,528,969.67
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

* Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See the accompanying notes to the required supplementary information.

EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

Changes of benefit terms:

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.

Changes of assumptions:

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%.

SINGLE AUDIT INFORMATION

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

School Board
Eagle Butte School District No. 20-1
Eagle Butte, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Eagle Butte School District No. 20-1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Eagle Butte School District No. 20-1's basic financial statements and have issued our report thereon dated March 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eagle Butte School District No. 20-1'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 Eagle Butte School District No. 20-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Eagle Butte School District No. 20-1'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2019-002 described in the accompanying schedule of findings and questioned costs to be a significant deficiency

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eagle Butte School District No. 20-1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2019-004.

Eagle Butte School District No. 20-1's Response to Findings

Eagle Butte School District No. 20-1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Eagle Butte School District No. 20-1'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 Eagle Butte School District No. 20-1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle Butte School District No. 20-1'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.

A handwritten signature in blue ink that reads "Casey Peterson, LTD." The signature is written in a cursive style.

Casey Peterson, Ltd.

Rapid City, South Dakota
March 26, 2021

Independent Auditor's Report on Compliance for
Each Major Program and Report on Internal Control
over Compliance Required by the Uniform Guidance

School Board
Eagle Butte School District No. 20-1
Eagle Butte, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Eagle Butte School District No. 20-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Eagle Butte School District No. 20-1's major federal programs for the year ended June 30, 2019. Eagle Butte School District No. 20-1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Eagle Butte School District No. 20-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Butte School District No. 20-1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Eagle Butte School District No. 20-1's compliance.

Opinion on Each Major Federal Program

In our opinion, Eagle Butte School District No. 20-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

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Report on Internal Control over Compliance

Management of Eagle Butte School District No. 20-1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eagle Butte School District No. 20-1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Butte School District No. 20-1's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 that we consider to be material weaknesses.

Eagle Butte School District No. 20-1's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Eagle Butte School District No. 20-1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other 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.



Casey Peterson, Ltd.

Rapid City, South Dakota
March 26, 2021

Eagle Butte School District No. 20-1
Schedule of Findings and Questioned Costs
June 30, 2019

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expressed a qualified opinion on the financial statements of Eagle Butte School District No. 20-1.
- b. The 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* disclosed a material weakness and a significant deficiency in internal control over financial reporting.
- c. An instance of noncompliance material to the financial statements of the District which is required to be reported in accordance with *Governmental Auditing Standards* was noted during the audit.
- d. The Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance for the District expressed an unmodified opinion on all major programs.
- e. Two material weaknesses and a significant deficiency in internal control related to major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.
- f. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
- g. The federal awards tested as major programs were:
 - Impact Aid, CFDA #84.041
 - Title I Grants to Local Educational Agencies #84.010
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Eagle Butte School District No. 20-1 did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Lack of Segregation of Duties

2019-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the preparations of reconciliations and over several areas including revenues and expenses.

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Cause: This condition exists due to the small staff size within the finance function of the District. This issue is common in a District of this size.

Effect: The possibility of fraud or errors occurring and not being detected or corrected is present.

Repeat of Prior Year Finding: This issue was reported as finding 2018-001 in the prior year and has been an ongoing finding for several years.

Eagle Butte School District No. 20-1
Schedule of Findings and Questioned Costs
June 30, 2019

Auditor's Recommendation: It is the responsibility of management and those charged with governance to decide whether to accept the degree of risk associated with this condition. Management may train Business Office personnel to perform additional responsibilities such that the Business Manager can provide oversight, or management could involve board members in the year-end close process.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Significant Deficiency

Internal Control over Financial Reporting

2019-002 *Condition:* Draw requests are not being performed regularly and the client is potentially losing grant funds because available funds are not being drawn down. Based on procedures performed during the audit, it appears the TECA grant has not been drawn on for some time.

Criteria: Establishing a proper system of internal controls ensures grant or draw requests are being performed in a timely matter.

Cause: This condition exists due to a lack of oversight.

Effect: The District is possibly losing funds by not drawing down funds it is entitled to.

Repeat of Prior Year Finding: No.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make sure timely grant and/or draw requests are being performed. A verification process should be enacted to ensure funds are being drawn down.

View of Management: A response can be found in the Corrective Action Plan.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Material Weakness

Internal Control over Allowable Activities

All Major Programs

2019-003: See 2019-001 for condition, criteria, cause, effect, repeat of prior year finding, auditor's recommendation, and view of management.

Material Weakness

Internal Control over Federal Compliance

Noncompliance

All Federal Programs

2019-004 *Condition:* Audit and data collection form not submitted within federal guidelines.

Criteria: Per Uniform Guidance 200.512, the audit must be completed and the data collection form must be submitted either 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period, whichever is earlier.

Cause: Management did not provide the required information in a timely fashion that allowed the auditor sufficient time to complete the audit prior to the deadline

Effect: The District is not in compliance with federal regulations, which may affect future funding.

Eagle Butte School District No. 20-1
Schedule of Findings and Questioned Costs
June 30, 2019

Repeat of Prior Year Finding: This issue was reported as finding 2018-004 in the prior year.

Auditor's Recommendation: The District should implement proper oversight to ensure the auditor's requests for information and documentation are being provided in a timely manner.

View of Management: A response can be found in the Corrective Action Plan.

**EAGLE BUTTE SCHOOL DISTRICT 20-1
P.O. BOX 260
EAGLE BUTTE, SOUTH DAKOTA 57625**

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JR. HIGH SCHOOL –(605) 964-7841; HIGH SCHOOL – (605) 964-8744
ADMINISTRATION OFFICE – (605) 964-4911 –FAX # - (605) 964-4912

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS AUDIT

Internal Control over Revenues, Expenditures, and Payroll

Finding Number 2018-001

A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for the revenues, expenditures, and payroll functions.

Analysis:

For the revenues, expenditures, and payroll functions there is a lack of segregation of duties because one or two persons perform a major portion of the procedures with few checks and balances. This may affect the completeness and existence of transactions. Lack of segregation of duties could adversely affect the School District's ability to record, process, summarize and report financial data consistent with management assertions.

Recommendation:

We recommend the Eagle Butte School District No. 20-1 officials be cognizant of this lack of segregation of duties for revenues, expenditures, and payroll and attempt to provide compensating internal controls whenever possible and practical.

Current Status: This finding is reported as 2019-001 in the current year.

Finding Number 2018-002: Provide Oversight of the Financial Reporting Process

A significant deficiency in controls to provide oversight of the financial reporting process was disclosed by our audit. The School District's management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). We noted the absence of appropriate internal controls in the following areas:

- The School District does not have a system of internal controls that would enable management to conclude that the financial statements and the related disclosures are presented in accordance with generally accepted accounting principles. As such, management requested us to assist in identifying adjustments to the accounting records and to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of this service is not unusual in schools of your size and is a result of management's cost benefit decision to use our accounting expertise rather than to incur internal resource costs. Management reviewed the adjustments and also reviewed, approved, and accepted responsibility for those financial statements prior to their issuance. The adjustments "were for recording a government due receivable and depreciation expense. Also, it is management's responsibility to make the ultimate decision to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation:

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration.

Current Status: This finding was resolved in the current year.

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SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS (CONTINUED)

MAJOR FEDERAL AWARD PROGRAM AUDIT

Impact Aid - Maintenance and Operations CFDA 84.041

Activities Allowed or Unallowed:

Title I CFDA 84.010A

Activities Allowed or Unallowed:

Reporting:

A material weakness was disclosed by the prior year auditor of the internal control over major federal programs, as listed in Section I - Summary of Auditor's Results, Identification of Major Programs, for lack of segregation of duties for the revenues, expenditure, and payroll functions as discussed in Section II in audit finding 2018-001. This finding initially occurred on June 30, 1997 and continues to exist.

Recommendation:

We recommend the Eagle Butte School District No. 20-1 officials be cognizant of this lack of segregation of duties for the student count for Impact Aid and Average Daily Membership and attempt to provide compensating internal controls whenever and wherever possible and practical.

Current Status: This finding is reported as 2019-003 in the current year.

Federal Compliance:

Finding Number 2018-004:

Per Uniform Guidance 200.512, the audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor's report, or nine months after the end of the audit period. Management was more than nine months after the end of the audit period with the audit being completed and submitted. Management did not provide the required information in a timely fashion that allowed the auditor sufficient time to complete the audit prior to the submission deadline. This is the third year Management has been late with the submission of the audit. Management in previous years, submitted the audit by the required nine months after the end of the audit period.

Current Status: This finding is reported as 2019-004 in the current year.

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CORRECTIVE ACTION PLAN (UNAUDITED)

Eagle Butte School District No. 20-1 respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Casey Peterson, Ltd.
909 St. Joseph St., Ste 101
Rapid City, SD 57701

The findings from the 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Lack of Segregation of Duties

2019-001 *Condition:* There is a lack of segregation of duties within the Business Office related to the preparations of reconciliations and over several areas including revenues and expenses.

Criteria: Establishing a proper system of internal controls to segregate responsibilities and provide oversight and review of processes is the responsibility of management.

Repeat of Prior Year Finding: This issue was reported as finding 2018-001 in the prior year and has been an ongoing finding for several years.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to decide whether to accept the degree of risk associated with this condition. Management may train Business Office personnel to perform additional responsibilities such that the Business Manager can provide oversight, or management could involve board members in the year-end close process.

Management Response: Due to the size of the District, there is a limited number of finance staff. The District does not believe it is cost-effective to hire additional staff. The District will work to improve oversight by involving the Superintendent and School Board members in the oversight and review processes. The District will implement this plan by July 2021. Keith Watt, Business Manager, is responsible for implementing this corrective action plan.

Significant Deficiency

Internal Control over Financial Reporting

2019-002 *Condition:* Draw requests are not being performed regularly and the client is potentially losing grant funds because available funds are not being drawn down. Based on procedures performed during the audit, it appears the TECA grant has not been drawn on for some time.

Criteria: Establishing a proper system of internal controls ensures grant or draw requests are being performed in a timely matter.

Repeat of Prior Year Finding: No.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make sure timely grant and/or draw requests are being performed. A verification process should be enacted to ensure funds are being drawn down.

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CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)

Management Response: Due to the size of the District, there is a limited number of finance staff. The District does not believe it is cost-effective to hire additional staff. The District will work to improve oversight by involving the Superintendent and School Board members in the oversight and review processes. The District will implement this plan by July 2021. Keith Watt, Business Manager, is responsible for implementing this corrective action plan.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Material Weakness
Internal Control over Allowable Activities
All Major Programs

2019-003: See 2019-001 for condition, criteria, repeat of prior year finding, auditor's recommendation, and management's response.

Material Weakness
Internal Control over Federal Compliance
Noncompliance
All Federal Programs

2019-004 *Condition:* Audit and data collection form not submitted within federal guidelines.

Criteria: Per Uniform Guidance 200.512, the audit must be completed and the data collection form must be submitted either 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period, whichever is earlier.

Repeat of Prior Year Finding: This issue was reported as finding 2018-004 in the prior year.

Auditor's Recommendation: The District should implement proper oversight to ensure the auditor's requests for information and documentation are being provided in a timely manner.

Management Response: Due to the size of the District, there is a limited number of finance staff. The District does not believe it is cost-effective to hire additional staff. The District will work to improve oversight by involving the Superintendent and School Board members in the oversight and review processes. The District will implement this plan by July 2021. Keith Watt, Business Manager, is responsible for implementing this corrective action plan.

If there are questions regarding this plan, please contact Keith Watt, Business Manager, at 605-964-2702

Sincerely yours,

Keith Watt, Business Manager
Eagle Butte School District No. 20-1
Eagle Butte, South Dakota

**Eagle Butte School District No. 20-1
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

CFDA Numbers	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<u>Special Education Cluster:</u>				
<u>U.S. Department of Education</u>				
84 . 027	Special Education - Grants to States	South Dakota Department of Education	H027A180091	\$ 233,872
84 . 173	Special Education - Preschool Grants	South Dakota Department of Education	H173A180091	6,008
Total Special Education Cluster				<u>239,880</u>
<u>U.S. Department of Interior</u>				
15 . 130	Indian Education - Assistance to Schools	NA	NA	<u>14,276</u>
Total U.S. Department of Interior				<u>14,276</u>
<u>U.S. Department of Education</u>				
84 . 041	Impact Aid (Title VII of ESEA) (Notes 3 and 4)	NA	NA	2,576,462
84 . 060	Indian Education - Grants to Local Education Agencies	NA	NA	215,179
84 . 010	Title I Grants to Local Educational Agencies (Note 3)	South Dakota Department of Education	S010A180041	1,003,832
84 . 048	Career and Technical Education - Basic Grants to States	South Dakota Department of Education	V048A180041	21,173
84 . 367	Supporting Effective Instruction State Grant	South Dakota Department of Education	S367A180039	173,527
84 . 424	Student Support and Academic Enrichment Program	South Dakota Department of Education	S424A180043	<u>83,212</u>
Total U.S. Department of Education				<u>4,073,385</u>
Total Federal Financial Assistance				<u>\$ 4,327,541</u>

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2: The District has not elected to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3: This represents a major federal financial assistance program.

NOTE 4: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 5: The District has no amounts passed through to subrecipients.

See independent auditor's report.

OTHER INFORMATION

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EAGLE BUTTE SCHOOL DISTRICT NO. 20-1

SCHOOL DISTRICT OFFICIALS

June 30, 2019

BOARD MEMBERS

Kyle Ward - Chairperson
Charles Shupiek – Vice Chairperson
Brad Lecompte
Sammi Ducheneaux
Jackson Neigel
Alissa Benoist
Katherine Morgan

SUPERINTENDENT

Carol Veit

BUSINESS MANAGER

Keith Watt