

BROOKINGS SCHOOL DISTRICT NO. 5-1

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

JUNE 30, 2021

BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

School Board

Mellissa Heermann

Van Fishback

Wesley Tschetter

Keli Books

Debra DeBates

Business Manager

Brian Lueders

Superintendent

Dr. Klint Willert

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INDEPENDENT AUDITOR'S REPORT

School Board
Brookings School District No. 5-1
Brookings County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookings School District No. 5-1, Brookings County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

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

Qualified Opinions

In our opinion, except for the matters described in the "Basis for Qualified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general governmental fund and the aggregate remaining fund information of Brookings School District No.5-1 as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the capital outlay, special education, bond redemption and capital projects governmental funds, and the other enterprise and food service enterprise funds of Brookings School District as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2022, on our consideration of Brookings School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

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

February 11, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Brookings School District #5-1's (School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

GENERAL FUND

The general fund budget ended the year with an increase of \$1,354,4457.21 to the fund balance which increased the fund balance to \$5,589,711.92. The district received \$1600,775.00 in Corona Relief funding and \$455,005.00 for ESSER (Elementary and Secondary School Emergency Relief Fund) from the federal government in response to COVID 19. The district was able to offer remote services for students requesting the service however the school district held classes in the buildings through the entire 2020-21 school year. The district had a mask mandate in place for the entire school year and limited participation by parents, staff and community members at activities which reduced revenue for ticket sales. The FY20 budget included a growth of 20 students from the fall 19 count. When the fall count was complete, the district final count was down 63 students. With the projected increase of 22 students the district was down 85 students. The loss of enrollment was due to students choosing to either open-enroll to other districts or home school. The district gave staff a one-time stipend (\$700 for certified staff and \$350 for classified staff) for work done during the year due to COVID 19 in the November payroll.

CAPITAL OUTLAY

The capital outlay fund ended the year with an increase of \$1,191,081.60 to the fund balance which decreased the fund balance to \$3,647,557.64. Projects at the various schools included: updating the phone system district wide, crown and sod BHS football field, replace Medary controls for heating and cooling, install LED lights at 5th St. Gym, additional security cameras, computer equipment purchases, digital displays at BHS & MMS, trailers for use at bus garage, a new bus and miscellaneous concrete and asphalt repairs throughout the district. The district continues to work with Brookings Area Transit Authority (BATA) for a joint bus garage facility.

SPECIAL EDUCATION

The special education fund ended the year with an increase to the fund balance by \$707.23 increasing the fund balance to \$340,435.77. The district received \$233,207.00 from the extra ordinary cost fund.

BOND REDEMPTION FUNDS

The bond redemption budgets are used to pay for bonds issued to build Camelot and Dakota Prairie. This year the district paid off the advanced refunding for the Camelot bonds with the funds held in escrow. Each year, the district estimates the amount needed to pay for these bonds. The amount needed is sent to the auditor to determine the levy necessary to cover the bond payments.

CAPITAL PROJECTS

The Mickelson Middle School Project is almost complete. The final payment should be made sometime around November 2021.

CHILD NUTRITION

The child nutrition fund ended the year with a net position of \$842,092.78, which is an increase of \$38,984.02 from the previous year. All students attending school received free lunch and

breakfast. Due to the free lunch and breakfast the federal revenue received jumped dramatically while revenue from local funds went down dramatically.

ENTERPRISE FUND

The enterprise fund is self-sufficient as well and is used for drivers' education, ACT prep, summer camps, BHS 1:1 laptop insurance and AP testing.

SELF INSURANCE FUND

This fiscal year the district had no increase in health insurance premiums and a 7% increase in dental insurance premiums. The fund balance increased by \$409,882.60. The increased \$3,173,081.97 fund balance allowed the district to reduce premiums by 10% for the 2021-2022 school year.

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

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

Figure A-1 summarizes the major features of the School'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 Sample School's Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Statements | | |
|---|--|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School government (except fiduciary funds and the fiduciary component units) | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs. | Activities the School operates similar to private businesses, the food service operation. | Instances in which the School is the trustee or agent for someone else's resources. |
| Required Financial Statements | *Statement of Net Position *Statement of Activities | *Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances | *Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows | *Statement of Net Position *Statement of Changes in Net Position |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic 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 | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during 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 | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students and fees to cover ACT Prep, drivers' education and summer camps. The Food Service Fund and Enterprise Fund are the only business-type activities of the School.

Fund Financial Statements

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

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

The School has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

Table A-1
Brookings School District
Statement of Net Position

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|--|-------------------------|----------------------|--------------------------|---------------------|-----------------------|-----------------------|-------------------------------|
| | 2020 | 2021 | 2020 | 2020 | 2020 | 2021 | 2020-21 |
| Current and Other Assets | \$ 30,716,212.65 | \$ 28,664,035.27 | \$ 1,096,882.44 | \$ 1,210,450.07 | \$ 31,813,095.09 | \$ 29,874,485.34 | -6.09% |
| Capital Assets (Net of Depreciation) | 89,380,080.19 | 70,202,708.64 | 32,051.91 | 25,044.34 | 69,412,132.10 | 70,227,752.98 | 1.18% |
| Total Assets | 100,096,292.84 | 98,866,743.91 | 1,128,934.35 | 1,235,494.41 | 101,225,227.19 | 100,102,238.32 | -1.11% |
| Pension Related Deferred Outflows | 4,583,217.38 | 6,066,211.80 | | | 4,583,217.38 | 6,066,211.80 | 32.36% |
| Long-Term Liabilities Outstanding | 45,176,764.20 | 41,418,189.19 | | | 45,176,764.20 | 41,418,189.19 | -8.32% |
| Other Liabilities | 6,422,583.79 | 7,591,989.53 | 243,269.06 | 280,671.95 | 6,665,852.85 | 7,872,661.48 | 18.10% |
| Total Liabilities | 61,599,347.99 | 49,010,178.72 | 243,269.06 | 280,671.95 | 61,842,617.05 | 48,290,850.67 | -4.92% |
| Pension Related Deferred Inflows | 1,926,902.24 | 4,816,167.52 | | | 1,926,902.24 | 4,816,167.52 | 149.94% |
| OPEB Related Deferred Inflows | 308,023.00 | 264,926.00 | | | 308,023.00 | 264,926.00 | -13.99% |
| Taxes Levied for a Future Period | 8,990,923.17 | 8,925,924.84 | | | 8,990,923.17 | 8,925,924.84 | -0.72% |
| Total Deferred Inflows | 11,225,848.41 | 14,007,018.36 | | | 11,225,848.41 | 14,007,018.36 | 135.23% |
| Net Position | | | | | | | |
| Net Investment in Capital Assets | 30,490,518.58 | 29,180,847.84 | 32,051.91 | 25,044.34 | 30,522,570.49 | 29,205,692.18 | -4.31% |
| Restricted | 6,930,044.04 | 6,601,587.67 | | | 6,930,044.04 | 6,601,587.67 | -4.74% |
| Unrestricted | 4,433,751.20 | 6,133,523.12 | 853,613.38 | 929,778.12 | 5,287,364.58 | 7,063,301.24 | 33.59% |
| Total Net Position | 41,854,313.82 | 41,915,758.63 | 885,665.29 | 954,822.46 | 42,739,979.11 | 42,870,581.09 | 0.31% |
| Beginning Net Position | 43,293,078.99 | 41,854,313.82 | 983,991.41 | 885,665.29 | 44,277,070.40 | 42,739,979.11 | |
| Increase (Decrease) in Net Position | (1,438,765.17) | 61,444.81 | (98,326.12) | 69,157.17 | (1,637,091.29) | 130,601.98 | |
| Percentage of Increase (Decrease) in Net Position | -3.32% | 0.15% | -9.99% | 7.81% | -3.47% | 0.31% | |

GOVERNMENTAL ACTIVITIES

The governmental activities total net position increased by \$61,444.81 as a result of the GASB 68 Net Pension Asset, cash balance increases, and additional fixed assets that were purchased.

BUSINESS-TYPE ACTIVITIES

The business type activities total net position increased by \$69,157.17 as a result increased federal revenue due to all students receiving free lunch.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 general obligation bonds, capital outlay certificates payable, compensated absences payable and early retirement benefits payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Changes in Net Position

The Net Position increase is due to additional fixed assets purchased and increases in fund balances. The School's total revenues (excluding special items) totaled \$41,528,356.88, (See Table A-2.) Approximately one-half of the School's revenue comes from property and other taxes, with approximately 30% coming from the state. (See Figure A-2).

The total cost of all programs and services increased by approximately 4.8% due to increases in wages/benefits, utilities, insurance and professional fees. The School's expenses cover a range of services encompassing instruction, support services and child nutrition services. (See figure A-3)

Figure A-2, Brookings School District #5-1, Sources of Revenues for Fiscal Year 2021

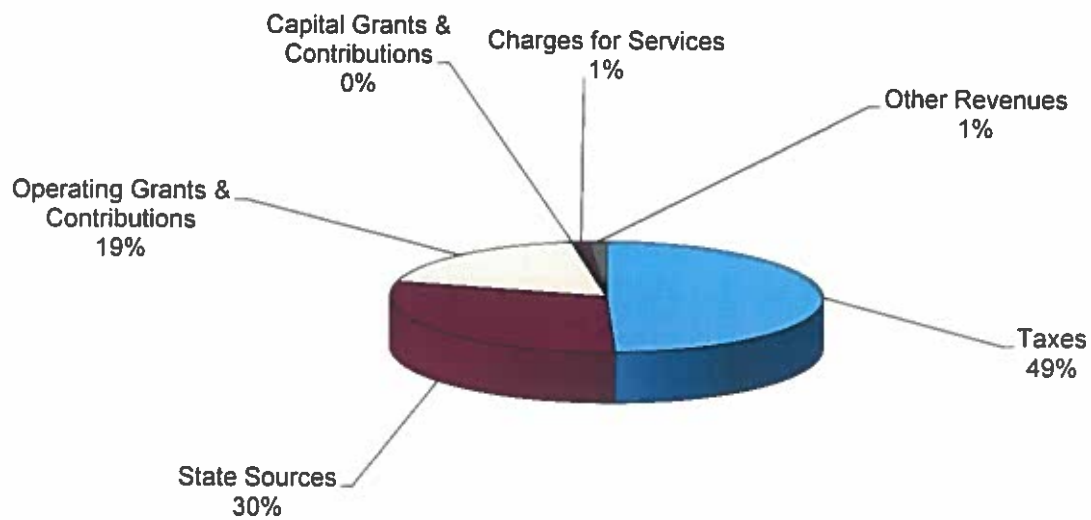
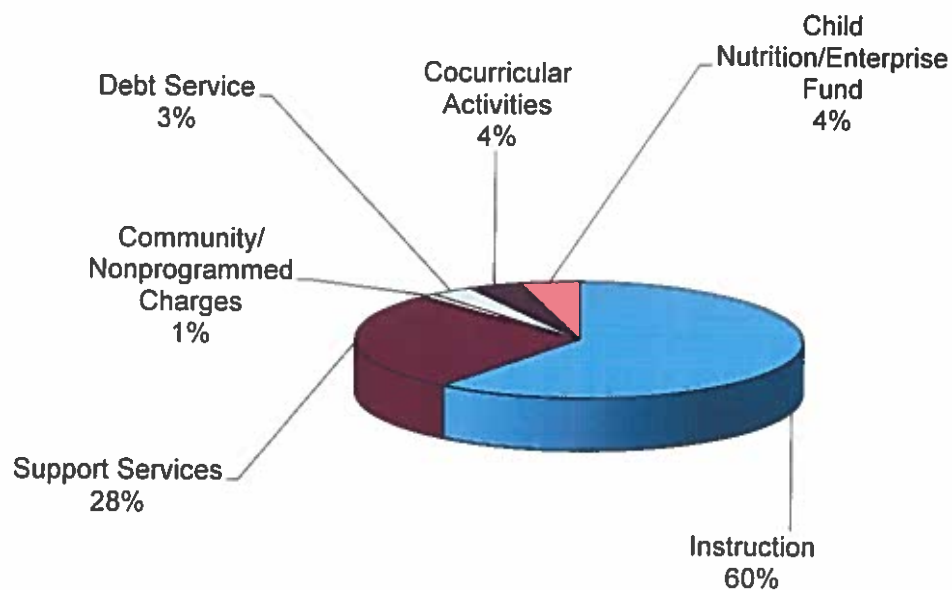


Figure A-3, Brookings School District #5-1, Functional Expenses for Fiscal Year 2021



GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

Table A-2
Brookings School District
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|--|--------------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|-------------------------------|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020-21 |
| Revenues | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 248,998.83 | \$ 160,222.20 | \$ 884,976.15 | \$ 325,899.37 | \$ 1,133,974.98 | \$ 486,121.57 | -57.13% |
| Operating Grants and Contributions | 4,211,335.15 | 6,132,980.92 | 825,539.35 | 1,515,799.73 | 5,036,874.50 | 7,648,780.65 | 51.86% |
| Capital Grants and Contributions | 15,138.34 | 49,686.69 | | | 15,138.34 | 49,686.69 | 228.22% |
| General Revenues | | | | | | | |
| Taxes | 18,857,453.77 | 20,492,385.71 | | | 18,857,453.77 | 20,492,385.71 | 8.67% |
| Revenue State Sources | 12,206,105.95 | 12,291,033.83 | | | 12,206,105.95 | 12,291,033.83 | 0.70% |
| Unrestricted Investment Earnings | 317,324.14 | 29,302.79 | 14,820.95 | 2,113.87 | 332,145.09 | 31,416.66 | -90.54% |
| Other General Revenues | 382,107.92 | 528,931.77 | | 0.00 | 382,107.92 | 528,931.77 | 38.42% |
| Total Revenues | 36,238,464.10 | 39,684,543.91 | 1,725,336.45 | 1,843,812.97 | 37,963,800.55 | 41,528,356.88 | 9.39% |
| Expenses | | | | | | | |
| Instruction | \$ 23,298,536.33 | \$ 24,928,882.37 | | | \$ 23,298,536.33 | \$ 24,928,882.37 | 7.00% |
| Support Services | 11,101,728.34 | 11,414,482.79 | | | 11,101,728.34 | 11,414,482.79 | 2.82% |
| Community/Nonprogrammed Charges | 378,546.12 | 396,861.07 | | | 378,546.12 | 396,861.07 | 4.84% |
| Debt Service | 1,395,310.90 | 1,303,396.39 | | | 1,395,310.90 | 1,303,396.39 | -6.59% |
| Cocurricular Activities | 1,503,107.58 | 1,579,476.48 | | | 1,503,107.58 | 1,579,476.48 | 5.08% |
| Drivers Ed/ACT Prep/Summer Camps | | | 100,267.66 | 81,508.85 | 100,267.66 | 81,508.85 | -18.71% |
| Child Nutrition | | | 1,723,394.91 | 1,693,146.95 | 1,723,394.91 | 1,693,146.95 | -1.76% |
| Total Expenses | 37,677,229.27 | 39,623,099.10 | 1,823,662.57 | 1,774,655.80 | 39,500,891.84 | 41,397,754.90 | 4.80% |
| Excess (Deficiency) Before Prior Period and Transfers | \$ (1,438,765.17) | \$ 61,444.81 | \$ (98,326.12) | \$ 69,157.17 | \$ (1,537,091.29) | \$ 130,601.98 | -108.50% |
| Transfers | - | - | - | - | - | - | |
| Prior Period Adjustment | 0.00 | 0.00 | | | | 0.00 | |
| Increase (Decrease) in Net Position | \$ (1,438,765.17) | \$ 61,444.81 | \$ (98,326.12) | \$ 69,157.17 | \$ (1,537,091.29) | \$ 130,601.98 | -108.50% |
| Beginning Net Position | \$ 43,293,079 | \$ 41,854,314 | \$ 983,991 | \$ 885,665 | \$ 44,277,070 | \$ 42,739,979 | -3.47% |
| Ending Net Position | \$ 41,854,314 | \$ 41,915,759 | \$ 885,665 | \$ 954,822 | \$ 42,739,979 | \$ 42,870,581 | 0.31% |

GOVERNMENTAL ACTIVITIES

The increase in governmental activities was due federal funding through the CRF (Corona Relief Funding).

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities Food Service and Enterprise Fund (Summer camps, ACT prep, AP testing, drivers' education and BHS student laptop insurance) increased by approximately 6.9% and expenses decreased by approximately 2.7%. Factors contributing to these results included:

- Increases in wages/benefits.
- Student enrollment did not increase as projected.
- Increased Federal funding

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSET ADMINISTRATION

By the end of 2021, the School had invested \$71,396,415 (net of depreciation) in a broad range of capital assets including: land, construction in process, buildings, various machinery, equipment and library books. This amount represents a net increase (including additions and deductions) of \$2,009,327, or increase of 2.89%, over last year.

| | Table A-3 Governmental Activities | | Business-type Activities | | Total Dollar Change | Total Percentage Change |
|-----------------------------------|---|----------------------|-----------------------------|------------------|---------------------------|-------------------------------|
| | 2020 | 2021 | 2020 | 2021 | 2020-21 | 2020-21 |
| | | | | | | |
| Land/CIP | \$ 21,839,576 | \$ 24,009,102 | | | \$ 2,169,526 | 9.93% |
| Buildings | 44,194,053 | 42,938,936 | | | (1,255,117) | -2.84% |
| Improvements Other Than Buildings | 877,013 | 832,698 | | | (44,315) | -5.05% |
| Machinery and Equipment | 2,469,438 | 2,421,973 | 32,052 | 25,044 | (54,472) | -2.18% |
| Total Capital Assets (Net) | \$ 69,380,080 | \$ 70,202,709 | \$ 32,052 | \$ 25,044 | \$ 815,621 | 1.18% |

This year's capital asset purchases were primarily used to continue to purchase library books, a bus, scrubber at Dakota Prairie, chariot vacuum at Medary, poured in place playground rubber at Medary, two trailers for the bus garage, two Daktronic message centers for BHS and MMS, light poles along the fire lane at Dakota Prairie, several computer servers and construction at MMS.

Detailed information on the district's capital assets can be in the notes to the financial statements.

LONG-TERM DEBT

At year-end, the School had \$44,798,972 in General Obligation Bonds, Capital Outlay Certificates and other long-term obligations. This is an decrease of 3.87% as shown on Table A-4 below. The decrease is due to debt payments which reduced the principal portion of the debt.

| | Governmental Activities | | Business-type Activities | | Dollar Change | Percentage Change |
|---|-------------------------|----------------------|--------------------------|-----------|---------------------|-------------------|
| | 2020 | 2021 | 2020 | 2021 | 2020-21 | 2020-21 |
| General Obligation Bonds | \$ 15,730,000 | \$ 14,765,000 | | | \$ (965,000) | -6.13% |
| Premium on Bonds | 1,958,707 | 1,806,510 | | | (152,197) | -7.77% |
| Capital Outlay Certificates | 23,385,000 | 22,655,000 | | | (730,000) | -3.12% |
| Premium on Certificates | 922,397 | 873,850 | | | (48,547) | -5.26% |
| Early Retirement | 703,023 | 695,631 | | | (7,392) | -1.05% |
| Post Employment Benefits | 1,731,057 | 2,085,348 | | | 354,291 | 20.47% |
| Capital Lease Payable | 562,808 | 1,812,805 | | | 1,249,997 | 222.10% |
| Compensated Absences | 183,772 | 104,828 | | | (78,944) | -42.96% |
| Total Outstanding Debt and Obligations | \$ 45,176,764 | \$ 44,798,972 | \$ | \$ | \$ (377,792) | -0.84% |

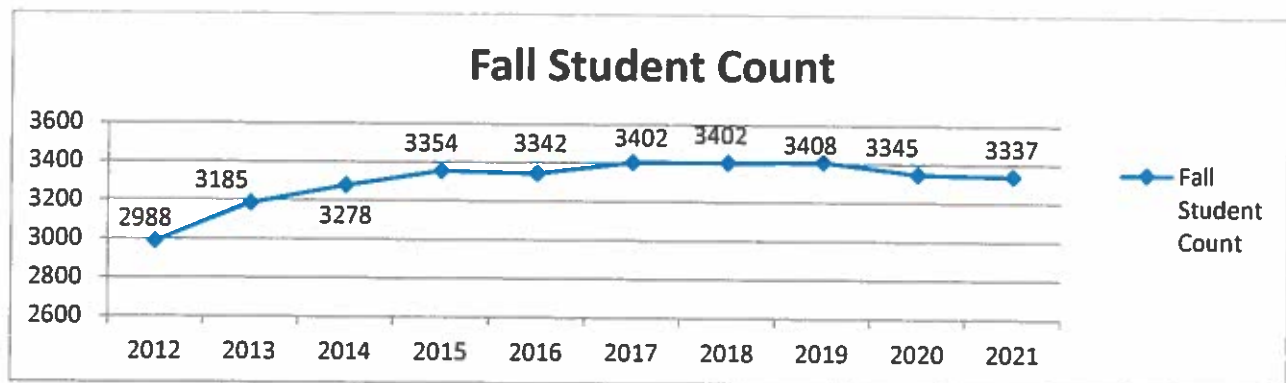
The School is liable for the accrued vacation leave payable to the year-round staff.

The School also maintains an early retirement plan which allows those meeting certain qualifications to retire early and receive 80% of their last year's salary. This payment is paid out in equal payments spread over the next three to five years. This plan allows the school to reduce the overall program cost by hiring teachers who are lower on the salary schedule.

Detailed information on the district's long term debt activity can be in the notes to the financial statements

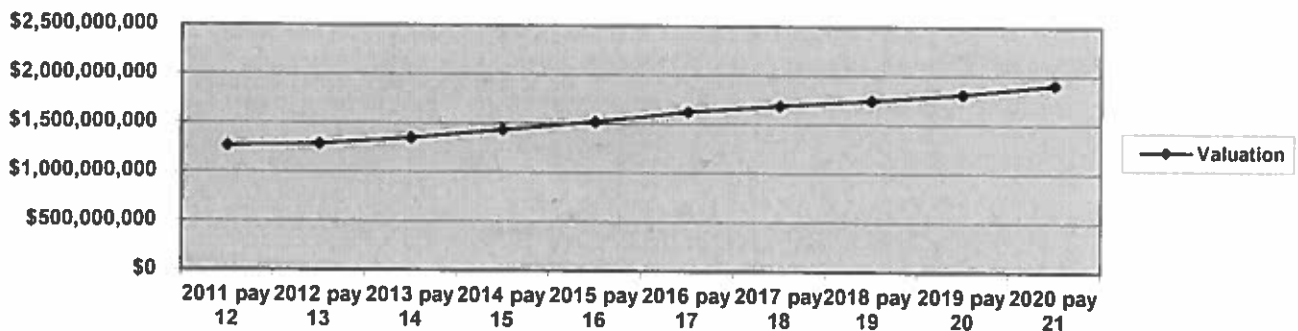
FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS, ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A loss of 8 students was budgeted for in the 2021-22 budget. It is estimated that the district will increase by approximately 50 students when the final student count is determined this fall. The increase is believed to be caused by students re-enrolling and new families moving into the district.



The district experienced an increase in total property valuation of \$98,067,053 to \$1,908,241,664 or 5.42% from the prior year. The total amount which can be levied is limited by

the State of South Dakota which passed a new law in the 2016 legislative session that restricts the increase in Capital Outlay reappraisals for 2016 taxes payable 2017 to 3% or inflation, whichever is less. This legislation will limit the capital outlay growth because appraisals have traditionally been over 3% while inflation has been less than 3%.



GENERAL FUND

The general fund budget increased by approximately 2.69% over 2020-21 adopted budget. The board of education through the negotiations process increased the teacher base salary from \$39,200 to \$44,000. This increase was a joint effort by the district and the BEA (Brookings Education Association) to not only increase starting teacher base pay but also increase teacher salaries throughout the district to ensure the district's average teacher salary was comparable with school districts in the region as well as school districts of similar size in the state. With reductions and enhancements implemented during the budget process, the district was able to make the salary increase a reality and sustainable into the future. The district is anticipating using \$385,145 of fund balance. A transfer in of \$100,000 from the Capital Outlay fund was budgeted to reduce the impact on the use of fund balance. ESSER funds as well as a onetime tax payment will be utilized as well to reduce the use of fund balance. The district is in the process of completing the submission to the Department of Education for the projected uses of ESSER II and III for the 21-22 school year.

CAPITAL OUTLAY

The capital outlay budget increased by 12.15% over the 2020-21 adopted budget. Projects at the various schools include: parking lot work at the administration and BHS, dirt and sod work at the BHS football field, updating the phone system at BHS, Medary and Hillcrest, new clock system at Hillcrest, entrance doors at 5th St. Gym and several concrete and asphalt repairs throughout the district.

SPECIAL EDUCATION

The special education budget increased by 10.33% over the 2020-21 adopted budget. This increase included the increase for teachers as mentioned in the general fund and a 2.4% increase in salary for all other staff. The district anticipates using \$467,900 of fund balance which is not feasible in order to maintain cash flow. This may require an application to the extraordinary cost fund.

BOND REDEMPTION FUNDS

The bond redemption budgets are used to pay for bonds issued to build Camelot and Dakota Prairie. Each year, the district estimates the amount needed to pay for these bonds. The amount needed is sent to the auditor to determine the levy necessary to cover the bond payments.

CAPITAL PROJECTS

The MMS final payment should be made in October or November. Any carryover will be used to help fund Medary and Hillcrest building projects.

CHILD NUTRITION

The child nutrition fund is a self-sufficient fund and is not covered by any taxes levied by the district. The budget decreased 2.7% from the 2020-21 budget. For the 2021-222 school year, the district gave staff a 9% increase in wages. The district has a plan in place to reduce the current fund balance to an acceptable level which is 3 months of operating expenditures. The staff increase was one way the district is using to reduce the fund balance. The department implemented free meals for all students on September 21, 2020 per USDA waivers. This change dramatically increased the federal revenue and reduced the local revenue.

ENTERPRISE FUND

The enterprise fund is self-sufficient as well and is used for drivers' education, ACT prep, summer camps, BHS/MMS 1:1 laptop insurance and AP testing.

SELF INSURANCE FUND

This year the district had a 10% decrease in health insurance premiums and a 0% increase for the dental insurance premiums. The self-insurance ended the year with a \$3,173,082 fund balance, which includes a year-end addition of \$409,881. The district insurance committee will meet in the fall of 2021 to discuss the insurance outlook for the remainder of the year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives and spends. If you have questions about this report or need additional information, contact the Brookings School District's Business Office, 2130 8th St S., Brookings, SD 57006.

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BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF NET POSITION
JUNE 30, 2021

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 17,014,931.64 | \$ 1,175,797.75 | \$ 18,190,729.39 |
| Taxes Receivable | 8,926,770.94 | | 8,926,770.94 |
| Inventories | | 34,652.32 | 34,652.32 |
| Due From Other Governments | 942,612.95 | | 942,612.95 |
| Prepaid Expense | 1,743,168.75 | | 1,743,168.75 |
| Net Pension Asset | 36,550.99 | | 36,550.99 |
| Capital Assets: | | | |
| Land & Construction in Progress | 24,009,101.64 | | 24,009,101.64 |
| Other Capital Assets, Net of Depreciation | 46,193,607.00 | 25,044.34 | 46,218,651.34 |
| TOTAL ASSETS | 98,866,743.91 | 1,235,494.41 | 100,102,238.32 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension Related Deferred Outflows | 5,899,206.80 | | 5,899,206.80 |
| OPEB Related Deferred Outflows | 167,005.00 | | 167,005.00 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 6,066,211.80 | | 6,066,211.80 |
| LIABILITIES : | | | |
| Accounts Payable | 669,484.94 | 19,647.93 | 689,132.87 |
| Unearned Revenue | 95,000.00 | 145,421.86 | 240,421.86 |
| Other Current Liabilities | 3,446,721.79 | 115,602.16 | 3,562,323.95 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 3,380,782.80 | | 3,380,782.80 |
| Due in More than One Year | 41,418,189.19 | | 41,418,189.19 |
| TOTAL LIABILITIES | 49,010,178.72 | 280,671.95 | 49,290,850.67 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Taxes Levied for a Future Period | 8,925,924.84 | | 8,925,924.84 |
| OPEB Related Deferred Inflows | 264,926.00 | | 264,926.00 |
| Pension Related Deferred Inflows | 4,816,167.52 | | 4,816,167.52 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 14,007,018.36 | | 14,007,018.36 |
| NET POSITION: | | | |
| Net Investment in Capital Assets | 29,180,647.84 | 25,044.34 | 29,205,692.18 |
| Restricted for: | | | |
| Capital Outlay | 3,648,010.14 | | 3,648,010.14 |
| Special Education | 340,717.01 | | 340,717.01 |
| Debt Service | 1,493,270.25 | | 1,493,270.25 |
| SDRS Pension Purposes | 1,119,590.27 | | 1,119,590.27 |
| Unrestricted | 6,133,523.12 | 929,778.12 | 7,063,301.24 |
| TOTAL NET POSITION | \$ 41,915,758.63 | \$ 954,822.46 | \$ 42,870,581.09 |

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|----------------------------------|--|--|--|-----------------------------|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instruction | \$ 24,928,882.37 | \$ 11,997.26 | \$ 3,741,393.54 | \$ | \$ (21,175,491.57) | \$ | \$ (21,175,491.57) |
| Support Services | 11,414,482.79 | 75,084.30 | 2,321,358.03 | | (9,018,040.46) | | (9,018,040.46) |
| Community Services | 10,897.85 | | | | (10,897.85) | | (10,897.85) |
| Nonprogrammed Charges | 385,963.22 | | | | (385,963.22) | | (385,963.22) |
| *Interest on Long-term Debt | 1,303,396.39 | | | 49,686.69 | (1,253,709.70) | | (1,253,709.70) |
| Cocurricular Activities | 1,579,476.48 | 73,140.64 | 70,229.35 | | (1,436,106.49) | | (1,436,106.49) |
| Total Governmental Activities | 39,623,099.10 | 160,222.20 | 6,132,980.92 | 49,686.69 | (33,280,209.29) | | (33,280,209.29) |
| Business-type Activities: | | | | | | | |
| Food Service | 1,693,146.95 | 214,217.37 | 1,515,799.73 | | | 36,870.15 | 36,870.15 |
| ACT Preparation Course | 5,344.36 | 5,925.00 | | | | 580.64 | 580.64 |
| Drivers Education Instruction | 27,572.93 | 33,980.00 | | | | 6,407.07 | 6,407.07 |
| Summer Camps | 11,019.66 | 11,330.00 | | | | 310.34 | 310.34 |
| Student Accident Insurance | 16,114.37 | 41,480.00 | | | | 25,365.63 | 25,365.63 |
| Advanced Placement | 21,457.53 | 18,967.00 | | | | (2,490.53) | (2,490.53) |
| Total Business-type Activities | 1,774,655.80 | 325,899.37 | 1,515,799.73 | | | 67,043.30 | 67,043.30 |
| Total Primary Government | \$ 41,397,754.90 | \$ 486,121.57 | \$ 7,648,780.65 | \$ 49,686.69 | (33,280,209.29) | 67,043.30 | (33,213,165.99) |
| *The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt. | | General Revenues: | | | | | |
| | | Taxes: | | | | | |
| | | Property Taxes | | | 19,970,236.65 | | 19,970,236.65 |
| | | Utility Taxes | | | 522,149.06 | | 522,149.06 |
| | | Revenue from State Sources: | | | | | |
| | | State Aid | | | 12,286,997.03 | | 12,286,997.03 |
| | | Other | | | 4,036.80 | | 4,036.80 |
| | | Unrestricted Investment Earnings | | | 29,302.79 | 2,113.87 | 31,416.66 |
| | | Other General Revenues | | | 528,931.77 | | 528,931.77 |
| | | Total General Revenues | | | 33,341,654.10 | 2,113.87 | 33,343,767.97 |
| | | Change in Net Position | | | 61,444.81 | 69,157.17 | 130,601.98 |
| | | Net Position - Beginning | | | 41,854,313.82 | 885,665.29 | 42,739,979.11 |
| | | NET POSITION - ENDING | | | \$ 41,915,758.63 | \$ 954,822.46 | \$ 42,870,581.09 |

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

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> |
|---|-------------------------|------------------------------------|---------------------------------------|
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 7,948,983.29 | \$ 2,487,464.85 | \$ 1,030,222.08 |
| Taxes Receivable - Current | 4,193,925.90 | 2,518,797.29 | 1,486,658.51 |
| Taxes Receivable - Delinquent | | 452.50 | 281.24 |
| Due from Other Governments | 712,326.51 | 28,514.23 | 193,643.72 |
| Prepaid Expenses | | 1,302,818.75 | |
| TOTAL ASSETS | <u>\$ 12,855,235.70</u> | <u>\$ 6,338,047.62</u> | <u>\$ 2,710,805.55</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 280,361.04 | \$ 171,240.19 | \$ 34,988.93 |
| Contracts Payable | 1,777,366.95 | | 631,300.51 |
| Construction Contracts Payable-- Retained Percentage | | | |
| Payroll Deductions and Withholdings and Employer Matching Payable | 564,412.68 | | 217,140.59 |
| Unearned Revenue | 95,000.00 | | |
| Total Liabilities | <u>2,717,140.67</u> | <u>171,240.19</u> | <u>883,430.03</u> |
| Deferred Inflows of Resources: | | | |
| Taxes Levied for a Future Period | 4,193,925.90 | 2,518,797.29 | 1,486,658.51 |
| Unavailable Revenue-Property Taxes | | 452.50 | 281.24 |
| Total Deferred Inflows of Resources | <u>4,193,925.90</u> | <u>2,519,249.79</u> | <u>1,486,939.75</u> |
| Fund Balances: | | | |
| Nonspendable - Prepaid Expenses | | 1,302,818.75 | |
| Restricted for: | | | |
| Capital Outlay | | 2,344,738.89 | |
| Special Education | | | 340,435.77 |
| Debt Service | | | |
| Assigned for: | | | |
| Unemployment | 10,000.00 | | |
| Subsequent Year's Budget | 460,145.00 | | |
| Unassigned | 5,474,024.13 | | |
| Total Fund Balances | <u>5,944,169.13</u> | <u>3,647,557.64</u> | <u>340,435.77</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 12,855,235.70</u> | <u>\$ 6,338,047.62</u> | <u>\$ 2,710,805.55</u> |

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

| <u>Middle School Bond Redemption Fund</u> | <u>Intermediate School Bond Redemption Fund</u> | <u>Mickelson Middle School Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|---|--|---|
| \$ 738,122.52 | \$ 306,556.88 | \$ 1,146,104.21 | \$ 13,657,453.83 |
| 494,118.38 | 232,424.76 | | 8,925,924.84 |
| 73.47 | 38.89 | | 846.10 |
| 5,525.57 | 2,602.92 | | 942,612.95 |
| | 440,350.00 | | 1,743,168.75 |
| <u>\$ 1,237,839.94</u> | <u>\$ 981,973.45</u> | <u>\$ 1,146,104.21</u> | <u>\$ 25,270,006.47</u> |
| \$ | \$ | \$ | \$ 486,590.16 |
| | | | 2,408,667.46 |
| | | 255,000.00 | 255,000.00 |
| | | | 781,553.27 |
| | | | 95,000.00 |
| | | <u>255,000.00</u> | <u>4,026,810.89</u> |
| 494,118.38 | 232,424.76 | | 8,925,924.84 |
| 73.47 | 38.89 | | 846.10 |
| <u>494,191.85</u> | <u>232,463.65</u> | | <u>8,926,770.94</u> |
| | 440,350.00 | | 1,743,168.75 |
| | | 891,104.21 | 3,235,843.10 |
| 743,648.09 | 309,159.80 | | 340,435.77 |
| | | | 1,052,807.89 |
| | | | 10,000.00 |
| | | | 460,145.00 |
| | | | 5,474,024.13 |
| <u>743,648.09</u> | <u>749,509.80</u> | <u>891,104.21</u> | <u>12,316,424.64</u> |
| <u>\$ 1,237,839.94</u> | <u>\$ 981,973.45</u> | <u>\$ 1,146,104.21</u> | <u>\$ 25,270,006.47</u> |

BROOKINGS SCHOOL DISTRICT NO. 5-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

| | | | |
|--|------------------------|-----------------|-------------------------|
| Total Fund Balances - Governmental Funds | | | \$ 12,316,424.64 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | |
| Cost of Assets | \$ 99,473,413.68 | | |
| Accumulated Depreciation | <u>(29,270,705.04)</u> | 70,202,708.64 | |
| The assets and liabilities of the Self-Insurance Internal Service Fund are included in the governmental activities in the Statement of Net Position. The Fund's net position is: | | | 3,173,081.97 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of: | | | |
| General Obligation Bonds | (16,571,510.46) | | |
| Capital Outlay Certificates | (23,528,849.96) | | |
| Early Retirement Benefits Payable | (695,631.27) | | |
| Compensated Absences | (104,827.71) | | |
| Other Postemployment Benefits | (2,085,348.00) | | |
| Financing (Capital Acquisition) Lease | <u>(1,812,804.59)</u> | (44,798,971.99) | |
| Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | | | 36,550.99 |
| Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. | | | 6,066,211.80 |
| Pension & OPEB related deferred inflows are components of pension liability and therefore are not reported in the funds. | | | (5,081,093.52) |
| Property taxes will be collected this year, but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds. | | | <u>846.10</u> |
| Net Position - Governmental Funds | | | <u>\$ 41,915,758.63</u> |

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

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BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> |
|---|-------------------------|------------------------------------|---------------------------------------|
| Revenues: | | | |
| Revenue from Local Sources: | | | |
| Taxes: | | | |
| Ad Valorem Taxes | \$ 9,226,510.60 | \$ 5,560,647.24 | \$ 3,212,170.45 |
| Prior Years' Ad Valorem Taxes | 126,163.76 | 100,154.85 | 55,697.21 |
| Utility Taxes | 522,149.06 | | |
| Penalties and Interest on Taxes | 17,682.05 | 6,845.56 | 3,861.53 |
| Tuition and Fees: | | | |
| Regular Day School Tuition | 11,997.26 | | |
| Earnings on Investments and Deposits | 15,876.28 | 3,479.76 | 1,176.04 |
| Cocurricular Activities: | | | |
| Admissions | 68,077.75 | | |
| Other Pupil Activity Income | 5,062.89 | | |
| Other Revenue from Local Sources: | | | |
| Rentals | 750.00 | | |
| Contributions and Donations | 292,291.32 | 26,933.00 | |
| Refund of Prior Years' Expenditures | 42,197.95 | | 2,233.00 |
| Judgments | 6,112.28 | | |
| Charges for Services | 41,235.38 | | 18,848.92 |
| Services Provided Other LEAs | | | 15,000.00 |
| Other | 121,155.13 | 59,140.20 | |
| Revenue from Intermediate Sources: | | | |
| County Sources: | | | |
| County Apportionment | 284,760.37 | | |
| Lease of County-Owned Land | 3,108.88 | | |
| Revenue from State Sources: | | | |
| Grants-in-Aid: | | | |
| Unrestricted Grants-in-Aid | 12,286,997.03 | | |
| Restricted Grants-in-Aid Received | | | 2,164,844.00 |
| Other State Revenue | 3,850.62 | | 186.18 |
| Revenue from Federal Sources: | | | |
| Grants-in-Aid: | | | |
| Unrestricted Grants-in-Aid Received from Federal Government through State | 1,600,775.00 | | 60,900.00 |
| Restricted Grants-in-Aid Received from Federal Government Through the State | 1,197,892.10 | 35,443.00 | 753,902.50 |
| Other Federal Revenue | 900.00 | 48,786.69 | |
| Total Revenue | <u>25,875,545.71</u> | <u>5,841,430.30</u> | <u>6,288,819.83</u> |
| Expenditures: | | | |
| Instruction: | | | |
| Regular Programs: | | | |
| Elementary | 6,456,563.20 | 611,658.14 | |
| Middle/Junior High | 3,678,711.43 | 817,318.45 | |
| High School | 4,323,141.48 | 1,349,156.59 | |
| Special Programs: | | | |
| Gifted | 72,377.30 | | |
| Programs for Special Education | | 5,909.67 | 4,764,577.46 |
| Culturally Different | 260,185.77 | | |
| Educationally Deprived | 460,536.62 | | |

| <u>Middle School Bond Redemption Fund</u> | <u>Intermediate School Bond Redemption Fund</u> | <u>Mickelson Middle School Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|---|--|---|
| \$ 1,108,337.63 | \$ 530,763.25 | \$ | \$ 19,638,429.17 |
| 20,893.46 | 10,117.62 | | 313,026.90 |
| | | | 522,149.06 |
| 1,400.14 | 678.92 | | 30,468.20 |
| | | | 11,997.26 |
| 2,326.39 | 1,032.63 | 5,411.69 | 29,302.79 |
| | | | 68,077.75 |
| | | | 5,062.89 |
| | | | 750.00 |
| | | | 319,224.32 |
| | | | 44,430.95 |
| | | | 6,112.28 |
| | | | 60,084.30 |
| | | | 15,000.00 |
| | | | 180,295.33 |
| | | | 284,760.37 |
| | | | 3,108.88 |
| | | | 12,286,997.03 |
| | | | 2,164,844.00 |
| | | | 4,036.80 |
| | | | 1,661,675.00 |
| | | | 1,987,237.60 |
| | | | 49,686.69 |
| <u>1,132,957.62</u> | <u>542,592.42</u> | <u>5,411.69</u> | <u>39,686,757.57</u> |
| | | | 7,068,221.34 |
| | | | 4,496,029.88 |
| | | | 5,672,298.07 |
| | | | 72,377.30 |
| | | | 4,770,487.13 |
| | | | 260,185.77 |
| | | | 460,536.62 |

BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021 (CONTINUED)

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> |
|--|-------------------------|------------------------------------|---------------------------------------|
| Support Services - Pupils: | | | |
| Attendance and Social Work | 68,782.79 | | |
| Guidance | 716,269.77 | | |
| Health | 231,752.83 | | |
| Psychological | | | 185,596.22 |
| Speech Pathology | | | 503,651.19 |
| Student Therapy Services | | | 226,714.41 |
| Support Services - Instructional Staff: | | | |
| Improvement of Instruction | 272,166.36 | | 213,492.15 |
| Educational Media | 695,567.33 | | |
| Support Services - General Administration: | | | |
| Board of Education | 204,605.82 | | |
| Executive Administration | 358,725.62 | | |
| Support Services - School Administration: | | | |
| Office of the Principal | 1,304,043.73 | | |
| Title I Program Administration | 6,496.66 | | |
| Other | 3,115.58 | | |
| Support Services - Business: | | | |
| Fiscal Services | 378,575.40 | 1,302.42 | |
| Facilities Acquisition and Construction | | | |
| Operation and Maintenance of Plant | 3,232,246.77 | 672,567.21 | |
| Pupil Transportation | 535,161.43 | 7,596.94 | |
| Internal Services | | 28,291.84 | |
| Support Services - Central: | | | |
| Information | 2,793.30 | | |
| Staff | 26,163.37 | | |
| Support Services - Special Education: | | | |
| Administrative Costs | | | 181,032.95 |
| Transportation Costs | | | 44,740.13 |
| Autism/Preschool | | | 168,308.09 |
| Community Services: | | | |
| Nonpublic School | 10,897.85 | | |
| Nonprogrammed Charges: | | | |
| Payments to State - Unemployment | 4,627.32 | | |
| Early Retirement Payments | 388,727.49 | | |
| Debt Services | | 2,218,111.11 | |
| Cocurricular Activities: | | | |
| Male Activities | 212,201.72 | | |
| Female Activities | 195,351.03 | | |
| Transportation | 109,289.85 | | |
| Combined Activities | 607,331.64 | 55,692.52 | |
| Capital Outlay | | 430,213.17 | |
| Total Expenditures | <u>24,816,409.46</u> | <u>6,197,818.06</u> | <u>6,288,112.60</u> |
| Excess of Revenue Over (Under) | | | |
| Expenditures | 1,059,136.25 | (356,387.76) | 707.23 |
| Other Financing Sources (Uses): | | | |
| Transfer In | 293,653.00 | | |
| Transfer (Out) | | (293,653.00) | |
| General Long-term Debt Issued | | 1,833,316.36 | |
| Sale of Surplus Property | 1,667.96 | 7,806.00 | |
| Total Other Financing Sources (Uses) | <u>295,320.96</u> | <u>1,547,469.36</u> | |
| Net Change in Fund Balances | 1,354,457.21 | 1,191,081.60 | 707.23 |
| Fund Balance - July 1, 2020 | <u>4,589,711.92</u> | <u>2,456,476.04</u> | <u>339,728.54</u> |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 5,944,169.13</u> | <u>\$ 3,647,557.64</u> | <u>\$ 340,435.77</u> |

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

| <u>Middle School Bond Redemption Fund</u> | <u>Intermediate School Bond Redemption Fund</u> | <u>Elementary School Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|---|--|---|
| | | | 68,782.79 |
| | | | 716,269.77 |
| | | | 231,752.83 |
| | | | 185,596.22 |
| | | | 503,651.19 |
| | | | 226,714.41 |
| | | | 485,658.51 |
| | | | 695,567.33 |
| | | | 204,605.82 |
| | | | 358,725.62 |
| | | | 1,304,043.73 |
| | | | 6,496.66 |
| | | | 3,115.58 |
| | | | 379,877.82 |
| | | 581,091.73 | 581,091.73 |
| | | | 3,904,813.98 |
| | | | 542,758.37 |
| | | | 28,291.84 |
| | | | 2,793.30 |
| | | | 26,163.37 |
| | | | 181,032.95 |
| | | | 44,740.13 |
| | | | 168,308.09 |
| | | | 10,897.85 |
| | | | 4,627.32 |
| 1,070,600.00 | 493,748.89 | | 388,727.49 |
| | | | 3,782,460.00 |
| | | | 212,201.72 |
| | | | 195,351.03 |
| | | | 109,289.85 |
| | | | 663,024.16 |
| | | 2,202,566.40 | 2,632,779.57 |
| <u>1,070,600.00</u> | <u>493,748.89</u> | <u>2,783,658.13</u> | <u>41,650,347.14</u> |
| 62,357.62 | 48,843.53 | (2,778,246.44) | (1,963,589.57) |
| | | | 293,653.00 |
| | | | (293,653.00) |
| | | | 1,833,316.36 |
| | | | 9,473.96 |
| | | | <u>1,842,790.32</u> |
| 62,357.62 | 48,843.53 | (2,778,246.44) | (120,799.25) |
| 681,290.47 | 700,666.27 | 3,669,350.65 | 12,437,223.89 |
| <u>\$ 743,648.09</u> | <u>\$ 749,509.80</u> | <u>\$ 891,104.21</u> | <u>\$ 12,316,424.64</u> |

BROOKINGS SCHOOL DISTRICT NO. 5-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (120,799.25)

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 outlay expense exceeds depreciation expense in the period.

| | | |
|----------------------|-----------------------|------------|
| Capital Outlays | \$ 2,632,779.57 | |
| Depreciation Expense | <u>(1,810,151.12)</u> | 822,628.45 |

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

| | | |
|---------------------------------------|------------------|--------------|
| General Obligation Bonds | 965,000.00 | |
| Capital Outlay Certificates | 730,000.00 | |
| Financing (Capital Acquisition) Lease | 583,320.13 | |
| Premium on Bonds | 152,196.26 | |
| Premium on Certificates | <u>48,547.22</u> | 2,479,063.61 |

When long-term debt is issued, it is reported as an other financing source in the fund financial statements but increases the liability in the government-wide financial statements. (1,833,316.36)

Governmental funds do not reflect the change in accrued leave, retirement benefits, and other postemployment benefits, but the Statement of Activities reflects these changes through expenses.

| | | |
|-------------------------------|---------------------|-------------|
| Early Retirement Benefits | 7,391.59 | |
| Compensated Absences | 78,944.37 | |
| Other Postemployment Benefits | <u>(144,189.00)</u> | (57,853.04) |

Internal service funds are used by management to charge costs of certain activities such as dental insurance benefits to individual funds. The net revenue (expense) of the internal service funds is reported within the governmental activities. 409,880.62

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (1,626,471.60)

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable tax revenue increased by this amount this year.

| | | |
|---|---------------------|--|
| | <u>(11,687.62)</u> | |
| Change in Net Position of Governmental Activities | <u>\$ 61,444.81</u> | |

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

BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

| | <u>Enterprise Funds</u> | | | <u>Internal Service Fund</u> |
|--|------------------------------|---------------------------------------|----------------------|----------------------------------|
| | <u>Food Service Fund</u> | <u>Other Enterprise Funds</u> | <u>Total</u> | <u>Self-Insurance Fund</u> |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$1,004,353.56 | \$171,444.19 | \$1,175,797.75 | \$3,357,477.81 |
| Inventory of Supplies | 11,689.03 | | 11,689.03 | |
| Inventory of Stores Purchased for Resale | 22,963.29 | | 22,963.29 | |
| Total Current Assets | <u>1,039,005.88</u> | <u>171,444.19</u> | <u>1,210,450.07</u> | <u>3,357,477.81</u> |
| Capital Assets: | | | | |
| Machinery and Equipment | 276,274.76 | | 276,274.76 | |
| Less: Accumulated Depreciation | <u>(251,230.42)</u> | | <u>(251,230.42)</u> | |
| Total Noncurrent Assets | <u>25,044.34</u> | | <u>25,044.34</u> | |
| TOTAL ASSETS | <u>1,064,050.22</u> | <u>171,444.19</u> | <u>1,235,494.41</u> | <u>3,357,477.81</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 1,021.93 | 18,626.00 | 19,647.93 | 182,894.78 |
| Contracts Payable | 64,962.10 | 14,125.13 | 79,087.23 | 1,320.80 |
| Payroll Deductions and Withholdings and Employer Matching Payable | 34,757.48 | 1,757.45 | 36,514.93 | 180.26 |
| Unearned Revenue | <u>115,567.83</u> | <u>29,854.03</u> | <u>145,421.86</u> | |
| Total Current Liabilities | <u>216,309.34</u> | <u>64,362.61</u> | <u>280,671.95</u> | <u>184,395.84</u> |
| NET POSITION: | | | | |
| Net Investment in Capital Assets | 25,044.34 | | 25,044.34 | |
| Unrestricted Net Position | <u>822,696.54</u> | <u>107,081.58</u> | <u>929,778.12</u> | <u>3,173,081.97</u> |
| Total Net Position | <u>\$ 847,740.88</u> | <u>\$107,081.58</u> | <u>\$ 954,822.46</u> | <u>\$ 3,173,081.97</u> |

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

| | Enterprise Funds | | | Internal Service Fund |
|---|------------------------------|---------------------------------------|-----------------------|----------------------------------|
| | Food Service Fund | Other Enterprise Funds | Total | Self-Insurance Fund |
| Operating Revenue: | | | | |
| Sales: | | | | |
| To Pupils | \$ 46,006.72 | \$ | \$ 46,006.72 | \$ |
| To Adults | 22,421.10 | | 22,421.10 | |
| A la Carte | 145,789.55 | | 145,789.55 | |
| Non-credit Tuition | | 111,682.00 | 111,682.00 | |
| Self Insurance Premiums | | | | 6,448,713.18 |
| Total Operating Revenue | <u>214,217.37</u> | <u>111,682.00</u> | <u>325,899.37</u> | <u>6,448,713.18</u> |
| Operating Expenses: | | | | |
| Salaries | 561,765.39 | 39,058.72 | 600,824.11 | |
| Employee Benefits | 302,078.57 | 4,770.02 | 306,848.59 | |
| Purchased Services | 11,703.23 | | 11,703.23 | |
| Supplies | 90,087.62 | 37,680.11 | 127,767.73 | |
| Cost of Food Sales | 720,504.57 | | 720,504.57 | |
| Self Insurance Costs | | | | 6,046,841.34 |
| Depreciation | 7,007.57 | | 7,007.57 | |
| Total Operating Expenses | <u>1,693,146.95</u> | <u>81,508.85</u> | <u>1,774,655.80</u> | <u>6,046,841.34</u> |
| Operating Income (Loss) | <u>(1,478,929.58)</u> | <u>30,173.15</u> | <u>(1,448,756.43)</u> | <u>401,871.84</u> |
| Nonoperating Revenue (Expense): | | | | |
| Local Sources: | | | | |
| Investment Earnings | 2,113.87 | | 2,113.87 | 8,008.78 |
| State Sources: | | | | |
| Cash Reimbursements | 5,904.11 | | 5,904.11 | |
| Federal Sources: | | | | |
| Other Grants | 124,974.52 | | 124,974.52 | |
| Cash Reimbursements | 1,234,366.42 | | 1,234,366.42 | |
| Donated Food | 150,554.68 | | 150,554.68 | |
| Total Nonoperating Revenue (Expense) | <u>1,517,913.60</u> | | <u>1,517,913.60</u> | <u>8,008.78</u> |
| Change in Net Position | <u>38,984.02</u> | <u>30,173.15</u> | <u>69,157.17</u> | <u>409,880.62</u> |
| Net Position - Beginning | <u>808,756.86</u> | <u>76,908.43</u> | <u>885,665.29</u> | <u>2,763,201.35</u> |
| NET POSITION - ENDING | <u>\$ 847,740.88</u> | <u>\$ 107,081.58</u> | <u>\$ 954,822.46</u> | <u>\$ 3,173,081.97</u> |

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

BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Enterprise Funds | | | Internal Service Fund |
|--|--------------------------|-------------------------------|--------------------------|------------------------------|
| | Food Service Fund | Other Enterprise Funds | Total | Self-Insurance Fund |
| Cash Flows from Operating Activities: | | | | |
| Receipts from Customers | \$ 227,484.40 | \$ 141,536.03 | \$ 369,020.43 | \$ |
| Cash Receipts for Interfund Services Provided | | | | 6,448,713.18 |
| Payments to Suppliers for Goods and Services | (677,689.23) | (37,114.11) | (714,803.34) | 96,955.80 |
| Payments to Employees | (861,083.40) | (27,946.16) | (889,029.56) | 29.34 |
| Other Receipts and (Disbursements) | | | | (6,046,841.34) |
| Net Cash Provided (Used) by Operating Activities | <u>(1,311,288.23)</u> | <u>76,475.76</u> | <u>(1,234,812.47)</u> | <u>498,856.98</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Operating Subsidies | 1,365,245.05 | | 1,365,245.05 | |
| Net Cash Provided (Used) from Noncapital Financing Activities | <u>1,365,245.05</u> | | <u>1,365,245.05</u> | |
| Cash Flows from Investing Activities: | | | | |
| Interest Earnings | 2,113.87 | | 2,113.87 | 8,008.78 |
| Net Increase in Cash and Cash Equivalents | <u>\$ 56,070.69</u> | <u>\$ 76,475.76</u> | <u>\$ 132,546.45</u> | <u>\$ 506,865.76</u> |
| Cash and Cash Equivalents at Beginning of Year | \$ 948,282.87 | \$ 94,968.43 | \$ 1,043,251.30 | \$ 2,850,612.05 |
| Cash and Cash Equivalents at End of Year | <u>1,004,353.56</u> | <u>171,444.19</u> | <u>1,175,797.75</u> | <u>3,357,477.81</u> |
| Net Increase in Cash and Cash Equivalents | <u>\$ 56,070.69</u> | <u>\$ 76,475.76</u> | <u>\$ 132,546.45</u> | <u>\$ 506,865.76</u> |
| RECONCILIATION OF OPERATING INCOME | | | | |
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | |
| Operating Income (Loss) | \$ (1,478,929.58) | \$ 30,173.15 | \$ (1,448,756.43) | \$ 401,871.84 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation | 7,007.57 | | 7,007.57 | |
| Value of Commodities Used | 150,554.68 | | 150,554.68 | |
| Change in Assets and Liabilities: | | | | |
| Accounts Receivable | 19,623.74 | | 19,623.74 | |
| Inventories | (644.92) | | (644.92) | |
| Accounts and Other Payables | (5,303.57) | 566.00 | (4,737.57) | 96,955.80 |
| Accrued Payables | 2,760.56 | 15,882.58 | 18,643.14 | 29.34 |
| Unearned Revenue | (6,356.71) | 29,854.03 | 23,497.32 | |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (1,311,288.23)</u> | <u>\$ 76,475.76</u> | <u>\$ (1,234,812.47)</u> | <u>\$ 498,856.98</u> |
| Noncash Investing, Capital and Financing Activities: | | | | |
| Value of Commodities Received | \$ 150,554.68 | | | |

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

| | Custodial Funds |
|---------------------------|----------------------------|
| ASSETS: | |
| Cash and Cash Equivalents | \$ 261,757.35 |
| Accounts Receivable | <u>5,090.73</u> |
| TOTAL ASSETS | <u>266,848.08</u> |
| LIABILITIES: | |
| Accounts Payable | 22,755.95 |
| Amounts Held for Others | <u>244,092.13</u> |
| Total Liabilities | <u>\$ 266,848.08</u> |

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

BROOKINGS SCHOOL DISTRICT NO. 5-1
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Brookings School District No 5-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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

Bond Redemption Funds – A fund established by SDCL 13-16-13 whereby taxes levied are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The 2007 General Obligation Bond payments are made from the Intermediate School Bond Fund and the 2009 General Obligation Refunding Bond payments are made from the Middle School Bond Fund. These are major funds.

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

Mickelson Middle School Capital Projects Fund is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of

net revenues from fees and charges of the activity and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity.

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

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

Other Enterprise Fund – A fund used to record financial transactions related to driver's education instruction, Summer Camps and ACT Preparation Courses. This fund is financed by user charges. This is a major fund.

Internal Service Funds – *are used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds.*

The Health/Dental Self-Insurance Fund is the only Internal Service Fund maintained by the School District.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Brookings School District No. 5-1, the length of that cycle is 45 days. The revenues that were accrued at June 30, 2021 are amounts due from other governments for utility taxes, grants, and accounts receivable from various sources.

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

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

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities column.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

No investments are classified in the financial statements as of June 30, 2021.

f. Capital Assets

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

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

Government-wide Financial Statements:

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

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately 2.50 percent for which the costs were determined by estimates of the original costs. The total June 30, 2021 balance of capital assets for business-type activities includes approximately 0.68 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by deflated current replacement cost.

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

| | Capitalization Threshold | Depreciation | Estimated Useful Life |
|-------------------------|-----------------------------|---------------|--------------------------|
| Land | \$ 100.00 | NA | NA |
| Buildings | 25,000.00 | Straight Line | 5-50 yrs. |
| Improvements | 25,000.00 | Straight Line | 5-40 yrs. |
| Machinery and Equipment | 5,000.00 | Straight Line | 5-15 yrs. |
| Food Service | 5,000.00 | Straight Line | 12 yrs. |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement benefits payable, capital outlay certificates payable, other postemployment benefits, energy efficiency conservation block grant loan, lease payable, and general obligation bonds payable.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications

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

j. Cash and Cash Equivalents

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

k. Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

l. Application of Net Position

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures

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

- 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.

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

The School District uses *restricted/committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government 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.

**BROOKINGS SCHOOL DISTRICT NO. 5-1
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS**

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>Special Education Fund</u> | <u>Middle School Bond Redemption Fund</u> | <u>Intermediate School Bond Redemption Fund</u> | <u>Mickelson Middle School Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|----------------------------|-------------------------|------------------------------------|---------------------------------------|---|---|--|---|
| Fund Balances: | | | | | | | |
| <i>Nonspendable:</i> | | | | | | | |
| Prepaid Expenses \$ | \$ | 1,302,818.75 | \$ | \$ | 440,350.00 | \$ | \$ 1,743,168.75 |
| <i>Restricted for:</i> | | | | | | | |
| Capital Outlay | | 2,344,738.89 | | | | 891,104.21 | 3,235,843.10 |
| Special Education | | | 340,435.77 | | | | 340,435.77 |
| Debt Service | | | | | | | |
| Requirements | | | | 743,648.09 | 309,159.80 | | 1,052,807.89 |
| <i>Assigned to:</i> | | | | | | | |
| Unemployment | 10,000.00 | | | | | | 10,000.00 |
| Subsequent Year's Budget | 460,145.00 | | | | | | 460,145.00 |
| <i>Unassigned</i> | <u>5,474,024.13</u> | | | | | | <u>5,474,024.13</u> |
| Total Fund Balances | <u>\$ 5,944,169.13</u> | <u>\$ 3,647,557.64</u> | <u>\$ 340,435.77</u> | <u>\$ 743,648.09</u> | <u>\$ 749,509.80</u> | <u>\$ 891,104.21</u> | <u>\$ 12,316,424.64</u> |

o. Pensions

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

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

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

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

Investments - In general, SDCL 4-5-6 permits school funds to be invested 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 that investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Following are the investment policies of the school district regarding the various risks the investments are exposed to:

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

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

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. The School District does not have any investments with an external investment pool as of June 30, 2021.

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

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectible accounts has been established, as the school district believes that all receivables are ultimately collectible.

NOTE 4 – INVENTORY

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

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

In the 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 consumed. No material inventories were on hand as of June 30, 2021 in the governmental funds.

NOTE 5 – PROPERTY TAXES

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

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

NOTE 6 – CHANGES IN CAPITAL ASSETS

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

Primary Government

| | Balance June 30, 2020 | Increase | Decrease | Balance June 30, 2021 |
|--|--------------------------|----------------|-----------|--------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 1,437,671.49 | \$ | \$ | \$ 1,437,671.49 |
| Construction Work in Progress | 20,401,904.30 | 2,169,525.85 | | 22,571,430.15 |
| Total Assets not being depreciated | 21,839,575.79 | 2,169,525.85 | | 24,009,101.64 |
| Capital Assets, being depreciated: | | | | |
| Buildings | 65,778,131.86 | | | 65,778,131.86 |
| Improvements Other than Buildings | 3,232,470.92 | 51,627.29 | | 3,284,098.21 |
| Machinery and Equipment | 4,907,923.41 | 250,434.74 | | 5,158,358.15 |
| Library Books | 1,146,219.43 | 161,191.69 | 63,687.30 | 1,243,723.82 |
| Total Assets, being depreciated | 75,064,745.62 | 463,253.72 | 63,687.30 | 75,464,312.04 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 21,584,079.37 | 1,255,116.18 | | 22,839,195.55 |
| Improvements Other than Buildings | 2,355,458.11 | 95,942.37 | | 2,451,400.48 |
| Machinery and Equipment | 2,698,749.51 | 396,906.38 | | 3,095,655.89 |
| Library Books | 885,954.23 | 62,186.19 | 63,687.30 | 884,453.12 |
| Total Accumulated Depreciation | 27,524,241.22 | 1,810,151.12 | 63,687.30 | 29,270,705.04 |
| Total Capital Assets, being depreciated, net | 47,540,504.40 | (1,346,897.40) | | 46,193,607.00 |
| Governmental activities capital assets, net | \$ 69,380,080.19 | \$ 822,628.45 | \$ | \$ 70,202,708.64 |

**Depreciation expense was charged to functions as follows:

Governmental Activities:

| | |
|--|-----------------|
| Instruction | \$ 912,155.28 |
| Support Services | 498,386.12 |
| Co-Curricular | 399,609.72 |
| Total Depreciation expense-governmental activities | \$ 1,810,151.12 |

Construction Work in Progress at June 30, 2021 is composed of the following:

| <u>Project Name</u> | <u>Project Authorization</u> | <u>Expended Thru 6/30/2021</u> | <u>Committed</u> |
|-------------------------|------------------------------|--------------------------------|------------------|
| Mickelson Middle School | \$ 22,826,430.15 | \$ 22,571,430.15 | \$ 255,000.00 |

Business-Type Activity:

| | <u>Balance June 30, 2020</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2021</u> |
|--|----------------------------------|----------------------|------------------|----------------------------------|
| Capital Assets, being depreciated: | | | | |
| Machinery and Equipment | \$ 276,274.76 | \$ | \$ | \$ 276,274.76 |
| Less Accumulated Depreciation: | | | | |
| Machinery and Equipment | 244,222.85 | 7,007.57 | | 251,230.42 |
| Business-type activity capital assets, net | <u>\$ 32,051.91</u> | <u>\$ (7,007.57)</u> | <u>\$</u> | <u>\$ 25,044.34</u> |
| **Depreciation expense was charged to functions as follows: | | | | |
| Business-type Activity | | | | |
| Food Service | | | | <u>\$ 7,007.57</u> |

NOTE 7 – LONG-TERM LIABILITIES

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

| | <u>Balance June 30, 2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2021</u> | <u>Due within One Year</u> |
|--------------------------------------|----------------------------------|------------------------|--------------------------|----------------------------------|--------------------------------|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Capital Outlay Certificates | \$ 23,385,000.00 | \$ | \$ (730,000.00) | \$ 22,655,000.00 | \$ 945,000.00 |
| General Obligation Bonds | 15,730,000.00 | | (965,000.00) | 14,765,000.00 | 1,020,000.00 |
| Premium on Bonds | 2,881,103.90 | | (200,743.48) | 2,680,360.42 | 200,743.48 |
| Early Retirement Payable | 703,022.86 | 375,230.40 | (382,621.99) | 695,631.27 | 568,105.25 |
| Compensated Absences | 137,849.83 | 104,827.71 | (137,849.83) | 104,827.71 | 104,827.71 |
| Superintendent Deferred Compensation | 45,922.25 | 5,268.25 | (51,190.50) | | |
| Other Postemployment Benefits | 1,731,057.00 | 354,291.00 | | 2,085,348.00 | |
| Lease Payable | 562,808.36 | 1,833,316.36 | (583,320.13) | 1,812,804.59 | 542,106.36 |
| Total Governmental Activities | <u>\$ 45,176,764.20</u> | <u>\$ 2,672,933.72</u> | <u>\$ (3,050,725.93)</u> | <u>\$ 44,798,971.99</u> | <u>\$ 3,380,782.80</u> |

Compensated absences and other postemployment benefits for governmental activities typically have been liquidated from the General Fund. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2021, excluding premiums on debt issued, are comprised of the following:

General Obligation Bonds:

Series 2016 Refunding – Bonds dated September 27, 2016; Interest rates at 2.00% to 4.00%, Final maturity is July 1, 2034; payments made semi-annually from the Middle School Bond Redemption Fund.

\$ 11,760,000.00

Series 2020 Refunding – Bonds dated January 29, 2020; Interest rate at 4.00%, Final maturity is August 1, 2027; payments made semi-annually from the Intermediate School Bond Redemption Fund.

3,005,000.00

Capital Outlay Certificates:

Series 2014 - Capital Outlay Certificates dated June 12, 2014; interest rates at .400 to 2.600%, depending on length to maturity.; final maturity is January 1, 2024. Payments from the Capital Outlay Fund

240,000.00

Series 2018 - Capital Outlay Certificates dated August 16, 2018; interest rates at 2.50 to 5.00%, depending on length to maturity.; final maturity is August 1, 2038. Payments from the Capital Outlay Fund

22,415,000.00

Early Retirement:

Payments to be made to employees who elected early retirement; Payments being made by the Pension Fund and the General Fund.

695,631.27

Compensated Absences:

Payments for vested accrued vacation leave from the fund from which the employee is generally compensated.

104,827.71

Other Postemployment Benefits:

Obligations to individuals who are retired or will retire from the school district and who will receive postemployment benefits. Payments are to be made from the General Fund.

2,085,348.00

Capital Lease Payable:

Capital Lease is due monthly through May 2025. Interest imputed at 0.00% per month. Payments are to be made from the Capital Outlay Fund.

1,073,968.00

Capital Lease is due yearly through August 2022. Interest imputed at 2.13% per month. Payments are to be made from the Capital Outlay Fund.

169,325.32

Capital Lease Payable:

Capital Lease is due monthly through July 2024. Interest imputed at 0.00% per month. Payments are to be made from the Capital Outlay Fund.

569,511.27

The purchase price at the commencement of the financing (capital acquisition) leases were:

| | Buses | Copiers | ThinkPads |
|-----------|----------------------|----------------------|------------------------|
| Principal | \$ 574,500.00 | \$ 110,975.40 | \$ 1,833,316.36 |
| Interest | 36,993.89 | 6,406.52 | |
| Total | <u>\$ 611,493.89</u> | <u>\$ 117,381.92</u> | <u>\$ 1,833,316.36</u> |

The annual debt service requirements to maturity for all debt outstanding, except compensated absences, bond premium and other postemployment benefits, as of June 30, 2021, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2021

| Year Ending | General Obligation Bonds | | Capital Outlay Certificates | |
|-------------|--------------------------|---------------------|-----------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2022 | \$ 1,020,000 | \$ 552,200 | \$ 945,000 | \$ 858,223 |
| 2023 | 1,075,000 | 516,900 | 990,000 | 811,948 |
| 2024 | 1,185,000 | 476,100 | 1,020,000 | 775,427 |
| 2025 | 1,190,000 | 429,600 | 980,000 | 738,138 |
| 2026 | 1,245,000 | 380,900 | 1,030,000 | 687,888 |
| 2027-2031 | 5,615,000 | 1,181,300 | 5,835,000 | 2,744,788 |
| 2032-2036 | 3,435,000 | 195,500 | 6,970,000 | 1,608,894 |
| 2037-2041 | | | 4,885,000 | 264,413 |
| Totals | <u>\$ 14,765,000</u> | <u>\$ 3,732,500</u> | <u>\$ 22,655,000</u> | <u>\$ 8,489,719</u> |

| Year Ending | Early Retirement | Capital Lease Payable | | Total | |
|-------------|-------------------|-----------------------|-----------------|----------------------|----------------------|
| | Principal | Principal | Interest | Principal | Interest |
| 2022 | \$ 568,105 | \$ 542,106 | \$ 3,579 | \$ 3,075,211 | \$ 1,414,002 |
| 2023 | 114,908 | 543,877 | 1,808 | 2,723,785 | 1,330,656 |
| 2024 | 12,618 | 458,329 | | 2,675,947 | 1,251,527 |
| 2025 | | 268,492 | | 2,438,492 | 1,167,738 |
| 2026 | | | | 2,275,000 | 1,068,788 |
| 2027-2031 | | | | 11,450,000 | 3,926,088 |
| 2032-2036 | | | | 10,405,000 | 1,804,394 |
| 2037-2041 | | | | 4,885,000 | 264,413 |
| Totals | <u>\$ 695,631</u> | <u>\$ 1,812,804</u> | <u>\$ 5,387</u> | <u>\$ 39,928,435</u> | <u>\$ 12,227,606</u> |

NOTE 8 – RESTRICTED NET POSITION

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

| <u>Major Purposes:</u> | <u>Restricted by</u> | <u>Amount</u> |
|-------------------------------|----------------------|------------------------|
| Capital Outlay Purposes | Law | \$ 3,648,010.14 |
| Special Education Purposes | Law | 340,717.01 |
| Debt Service Purposes | Debt Covenants | 1,493,270.25 |
| SDRS Pension Purposes | Law | 1,119,590.27 |
| Total Restricted Net Position | | <u>\$ 6,601,587.67</u> |

NOTE 9 - INTERFUND TRANSFERS

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

| | <u>Transfers to:</u> |
|-----------------------|----------------------|
| <u>Transfer From:</u> | <u>General Fund</u> |
| Capital Outlay Fund | \$ 293,653.00 |

The School District typically transfers from capital outlay fund to general fund to cover operating expenses per SDCL.

NOTE 10 - PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$1,160,054.23, \$1,108,237.94, and \$1,080,392.47, respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04% funded and accordingly, has a net pension asset. The proportionate 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, 2020 and reported by the School District as of June 30, 2021 are as follows:

| | |
|---|------------------------------|
| Proportionate share of pension benefits | \$ 103,459,175.64 |
| Less proportionate share of net pension restricted for pension benefits | 103,495,726.63 |
| Proportionate share of net pension benefits | <u><u>\$ (36,550.99)</u></u> |

At June 30, 2021, the School reported an asset of \$36,550.99 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was .84161080%, which is an decrease of .0052753% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense (reduction of pension expense) of \$1,626,471.60. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 139,827.47 | \$ 28,633.08 |
| Changes in assumption | 1,177,336.33 | 4,748,263.64 |
| Net difference between projected and actual earnings on pension plan investments | 3,397,235.80 | |
| Changes in proportion and difference between District contributions and proportionate share of contributions | 24,752.98 | 39,270.80 |
| District contributions subsequent to the measurement date | 1,160,054.23 | |
| TOTAL | <u><u>\$ 5,899,206.80</u></u> | <u><u>\$ 4,816,167.52</u></u> |

\$1,160,054.23 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

| | | |
|-------|----|--------------------|
| 2022 | \$ | (421,899.92) |
| 2023 | | (325,316.49) |
| 2024 | | 51,382.65 |
| 2025 | | 633,336.63 |
| TOTAL | \$ | <u>(62,497.13)</u> |

Actuarial Assumptions:

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

| | |
|---------------------------|---|
| Inflation | 2.25 percent |
| Salary Increases | 6.50% at entry to 3.00% after 25 years of service |
| Investment Rate of Return | 6.50% net of plan investment expense |
| Future COLAs | 1.41% |

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

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

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

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

Discount Rate:

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the School 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:

| | 1% <u>Decrease</u> | Current Discount <u>Rate</u> | 1% <u>Increase</u> |
|--|-----------------------|------------------------------------|-----------------------|
| School District's proportionate share of the net pension liability (asset) | \$ 14,179,362.46 | \$ (36,550.99) | \$ (11,664,888.19) |

Pension Plan Fiduciary Net Position:

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

NOTE 11 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description: Brookings School District has a single-employer defined benefit medical plan administered by the Sanford Health Plan. The plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Sanford Health Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Brookings School District, 2130 – 8th Street S., Brookings, SD 57006 or by calling 605-696-4700.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2021, the following employees were covered by the benefit terms:

| | |
|---|------------|
| Retirees currently receiving benefit payments | 14 |
| Active employees | <u>459</u> |
| | <u>473</u> |

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2020 Actuarial Valuation Report. See Note 10 – Pension Note.

Changes in the Total OPEB Liability:

| | |
|---|---------------------|
| Beginning of Year Balances | \$ 1,731,057 |
| Service Cost | 104,003 |
| Interest | 62,407 |
| Effect of assumptions changes or inputs | <u>187,881</u> |
| End of Year Balances | <u>\$ 2,085,348</u> |

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 2.25%:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------|------------------------|--------------------------------------|------------------------|
| Total OPEB Liability | \$ 2,249,390.00 | \$ 2,085,348.00 | \$ 1,933,517.00 |

For the year ended June 30, 2021, the School District recognized OPEB expense of \$144,189. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------|---|--|
| Changes in assumption | \$ 167,005.00 | \$ 264,926.00 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

Year Ended June 30:

| | |
|------------|----------------|
| 2022 | \$ (22,221.00) |
| 2023 | (22,221.00) |
| 2024 | (22,221.00) |
| 2025 | (22,221.00) |
| 2026 | (15,210.00) |
| Thereafter | 6,173.00 |
| TOTAL | \$ (97,921.00) |

NOTE 12 – RISK MANAGEMENT

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

Employee Health Insurance

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

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

The School District has assigned equity in the General Fund in the amount of \$10,000.00 for the payment of future unemployment benefits.

During the year ended June 30, 2021, about 26 claims were filed for unemployment benefits. The claims resulted in the payment of benefits in the amount of \$19,921.00. At June 30, 2021, there have been claims had been filed for unemployment benefits and some are anticipated in the next fiscal year.

NOTE 13 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between ages 58-62 and have at least 10 years of continuous service with the district and twelve years of service in education as a teacher. Under the plan, the district will pay 80% of the employee's current annual salary, payable in 3-5 annual installments following retirement. The district uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2021, 26 employees participated in the early retirement plan. The amount paid for such benefits during the year was \$382,621.99.

NOTE 14 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance Positive (Negative)</u> |
|---|-------------------------|----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 8,750,000.00 | \$ 8,750,000.00 | \$ 9,226,510.60 | \$ 476,510.60 |
| Prior Years' Ad Valorem Taxes | 15,000.00 | 15,000.00 | 126,163.76 | 111,163.76 |
| Utility Taxes | 485,000.00 | 485,000.00 | 522,149.06 | 37,149.06 |
| Penalties and Interest on Taxes | 11,500.00 | 11,500.00 | 17,682.05 | 6,182.05 |
| Tuition and Fees: | | | | |
| Regular Day School Tuition | | | 11,997.26 | 11,997.26 |
| Earnings on Investments/Deposits | 50,000.00 | 50,000.00 | 15,876.28 | (34,123.72) |
| Cocurricular Activities: | | | | |
| Admissions | 98,000.00 | 98,000.00 | 68,077.75 | (29,922.25) |
| Pupil Organization Memberships | 20,000.00 | 20,000.00 | | (20,000.00) |
| Other Pupil Activity Income | 21,500.00 | 21,500.00 | 5,062.89 | (16,437.11) |
| Other Revenue from Local Sources: | | | | |
| Rentals | 2,500.00 | 2,500.00 | 750.00 | (1,750.00) |
| Donations | 290,000.00 | 290,000.00 | 292,291.32 | 2,291.32 |
| Refund of Prior Years' Expenditures | | | 42,197.95 | 42,197.95 |
| Judgements | | | 6,112.28 | 6,112.28 |
| Charges for Services | 28,000.00 | 28,000.00 | 41,235.38 | 13,235.38 |
| Other | 79,500.00 | 79,500.00 | 121,155.13 | 41,655.13 |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County Apportionment | 330,000.00 | 330,000.00 | 284,760.37 | (45,239.63) |
| Lease of County-Owned Land | | | 3,108.88 | 3,108.88 |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid | 12,635,950.00 | 12,635,950.00 | 12,286,997.03 | (348,952.97) |
| Other State Revenue | 1,000.00 | 1,000.00 | 3,850.62 | 2,850.62 |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid Received from Federal Government through State | | 637,955.00 | 1,600,775.00 | 962,820.00 |
| Restricted Grants-in-Aid received from Federal Government Through the State | 721,735.00 | 1,268,265.00 | 1,197,892.10 | (70,372.90) |
| Other Federal Revenue | | | 900.00 | 900.00 |
| Total Revenue | <u>23,539,685.00</u> | <u>24,724,170.00</u> | <u>25,875,545.71</u> | <u>1,151,375.71</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary School | 6,421,185.00 | 6,557,010.00 | 6,456,563.20 | 100,446.80 |
| Middle/Junior High | 3,506,205.00 | 3,771,125.00 | 3,678,711.43 | 92,413.57 |
| High School | 4,028,775.00 | 4,283,890.00 | 4,323,141.48 | (39,251.48) |
| Special Programs: | | | | |
| Gifted and Talented | 73,450.00 | 74,175.00 | 72,377.30 | 1,797.70 |
| Culturally Different | 276,405.00 | 278,405.00 | 260,185.77 | 18,219.23 |
| Educationally Deprived | 458,500.00 | 471,350.00 | 460,536.62 | 10,813.38 |

REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts (Budgetary Basis)</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|------------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Support Services: | | | | |
| Pupils: | | | | |
| Attendance and Social Work | | 68,970.00 | 68,782.79 | 187.21 |
| Guidance | 709,365.00 | 720,365.00 | 716,269.77 | 4,095.23 |
| Health | 259,275.00 | 259,275.00 | 231,752.83 | 27,522.17 |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 227,795.00 | 308,845.00 | 272,166.36 | 36,678.64 |
| Educational Media | 694,365.00 | 700,865.00 | 695,567.33 | 5,297.67 |
| Support Services - General Administration: | | | | |
| Board of Education | 151,800.00 | 152,800.00 | 204,605.82 | (51,805.82) |
| Executive Administration | 346,645.00 | 346,645.00 | 358,725.62 | (12,080.62) |
| Support Services - School Administration: | | | | |
| Office of the Principal | 1,327,830.00 | 1,327,830.00 | 1,304,043.73 | 23,786.27 |
| Title I Program Administration | 6,480.00 | 6,605.00 | 6,496.66 | 108.34 |
| Other | 3,000.00 | 3,000.00 | 3,115.58 | (115.58) |
| Support Services - Business: | | | | |
| Fiscal Services | 364,730.00 | 367,430.00 | 378,575.40 | (11,145.40) |
| Operation/Maintenance of Plant | 3,075,540.00 | 3,298,690.00 | 3,232,246.77 | 66,443.23 |
| Pupil Transportation | 522,420.00 | 522,420.00 | 535,161.43 | (12,741.43) |
| Support Services - Central: | | | | |
| Planning | 5,000.00 | 5,000.00 | | 5,000.00 |
| Information | 3,000.00 | 3,000.00 | 2,793.30 | 206.70 |
| Staff | 28,300.00 | 28,300.00 | 26,163.37 | 2,136.63 |
| Community Services: | | | | |
| Nonpublic School | 6,690.00 | 11,090.00 | 10,897.85 | 192.15 |
| Nonprogrammed Charges: | | | | |
| Payments to State - Unemployment | 5,000.00 | 7,000.00 | 4,627.32 | 2,372.68 |
| Early Retirement Payments | 384,300.00 | 384,300.00 | 388,727.49 | (4,427.49) |
| Cocurricular Activities: | | | | |
| Male Activities | 227,300.00 | 227,300.00 | 212,201.72 | 15,098.28 |
| Female Activities | 211,595.00 | 211,595.00 | 195,351.03 | 16,243.97 |
| Transportation | 84,895.00 | 197,050.00 | 109,289.85 | 87,760.15 |
| Combined Activities | 666,765.00 | 666,765.00 | 607,331.64 | 59,433.36 |
| Total Expenditures | <u>24,076,610.00</u> | <u>25,261,095.00</u> | <u>24,816,409.46</u> | <u>444,685.54</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | (536,925.00) | (536,925.00) | 1,059,136.25 | 1,596,061.25 |
| Other Financing Sources: | | | | |
| Transfers In | 200,000.00 | 293,653.00 | 293,653.00 | |
| Sale of Surplus Property | | | 1,667.96 | 1,667.96 |
| Total Other Financing Sources (Uses) | <u>200,000.00</u> | <u>293,653.00</u> | <u>295,320.96</u> | <u>1,667.96</u> |
| Net Change in Fund Balances | (336,925.00) | (243,272.00) | 1,354,457.21 | 1,597,729.21 |
| Fund Balance - July 1, 2020 | <u>4,589,711.92</u> | <u>4,589,711.92</u> | <u>4,589,711.92</u> | |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 4,252,786.92</u> | <u>\$ 4,346,439.92</u> | <u>\$ 5,944,169.13</u> | <u>\$ 1,597,729.21</u> |

REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|---|-------------------------|------------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 5,409,000.00 | \$ 5,409,000.00 | \$ 5,560,647.24 | \$ 151,647.24 |
| Prior Years' Ad Valorem Taxes | 6,000.00 | 6,000.00 | 100,154.85 | 94,154.85 |
| Penalties and Interest on Taxes | 3,500.00 | 3,500.00 | 6,845.56 | 3,345.56 |
| Earnings on Investments and Deposits | 5,000.00 | 5,000.00 | 3,479.76 | (1,520.24) |
| Other Revenue from Local Sources: | | | | |
| Contributions and Donations | | | 26,933.00 | 26,933.00 |
| Other | | | 59,140.20 | 59,140.20 |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted Grants-in-Aid received from Federal Government Through the State | | | 35,443.00 | 35,443.00 |
| Other Federal Revenue | <u>30,000.00</u> | <u>30,000.00</u> | <u>48,786.69</u> | <u>18,786.69</u> |
| Total Revenue | <u>5,453,500.00</u> | <u>5,453,500.00</u> | <u>5,841,430.30</u> | <u>387,930.30</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular Programs: | | | | |
| Elementary | 633,000.00 | 644,750.00 | 611,658.14 | 33,091.86 |
| Middle/Junior High | 67,165.00 | 826,515.00 | 953,500.29 | (126,985.29) |
| High School | 90,355.00 | 1,164,325.00 | 1,358,244.09 | (193,919.09) |
| Special Programs: | | | | |
| Special Education | 8,035.00 | 8,035.00 | 5,909.67 | 2,125.33 |
| Support Services - Instructional Staff: | | | | |
| Educational Media | 586,555.00 | 586,555.00 | 62,695.85 | 523,859.15 |
| Support Services - General Administration: | | | | |
| Executive Administration | 1,250.00 | 1,250.00 | | 1,250.00 |
| Support Services - Business: | | | | |
| Fiscal Services | 3,200.00 | 3,200.00 | 1,302.42 | 1,897.58 |
| Operation and Maintenance of Plant | 1,453,285.00 | 1,478,835.00 | 799,182.19 | 679,652.81 |
| Pupil Transportation | 100,000.00 | 100,000.00 | 103,229.94 | (3,229.94) |
| Internal Services | 29,000.00 | 29,000.00 | 28,291.84 | 708.16 |
| Debt Services | 2,220,665.00 | 2,220,665.00 | 2,218,111.11 | 2,553.89 |
| Cocurricular Activities: | | | | |
| Combined Activities | <u>60,990.00</u> | <u>60,990.00</u> | <u>55,692.52</u> | <u>5,297.48</u> |
| Total Expenditures | <u>5,253,500.00</u> | <u>7,124,120.00</u> | <u>6,197,818.06</u> | <u>926,301.94</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | 200,000.00 | (1,670,620.00) | (356,387.76) | 1,314,232.24 |
| Other Financing Sources: | | | | |
| Transfers Out | (200,000.00) | (293,653.00) | (293,653.00) | |
| General Long-term Debt Issued | | 1,833,320.00 | 1,833,316.36 | (3.64) |
| Sale of Surplus Property | | | 7,806.00 | 7,806.00 |
| Total Other Financing Sources (Uses) | <u>(200,000.00)</u> | <u>1,539,667.00</u> | <u>1,547,469.36</u> | <u>7,802.36</u> |
| Net Change in Fund Balances | | (130,953.00) | 1,191,081.60 | 1,322,034.60 |
| Fund Balance - July 1, 2020 | <u>2,456,476.04</u> | <u>2,456,476.04</u> | <u>2,456,476.04</u> | |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 2,456,476.04</u> | <u>\$ 2,325,523.04</u> | <u>\$ 3,647,557.64</u> | <u>\$ 1,322,034.60</u> |

**REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2021**

| | <u>Budgeted Amounts</u> | | Actual Amounts (Budgetary Basis) | Variance Positive (Negative) |
|--|-------------------------|----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad Valorem Taxes | \$ 3,000,000.00 | \$ 3,110,500.00 | \$ 3,212,170.45 | \$ 101,670.45 |
| Prior Years' Ad Valorem Taxes | 5,000.00 | 55,000.00 | 55,697.21 | 697.21 |
| Penalties and Interest on Taxes | 1,800.00 | 1,800.00 | 3,861.53 | 2,061.53 |
| Earnings on Investments/Deposits | 2,500.00 | 2,500.00 | 1,176.04 | (1,323.96) |
| Other Revenue from Local Sources: | | | | |
| Services Provided to Other LEA's | 30,000.00 | 30,000.00 | 15,000.00 | (15,000.00) |
| Refund of Prior Years' Expenditures | | | 2,233.00 | 2,233.00 |
| Charges for services | 16,500.00 | 16,500.00 | 18,848.92 | 2,348.92 |
| Other | 1,000.00 | 1,000.00 | | (1,000.00) |
| Revenue from State Sources: | | | | |
| Restricted Grant in Aid | 2,024,500.00 | 2,024,500.00 | 2,164,844.00 | 140,344.00 |
| Other State Revenue | 1,000.00 | 1,000.00 | 186.18 | (813.82) |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted Grants-in-Aid Received from Federal Government through State | | | 60,900.00 | 60,900.00 |
| Restricted Grants-in-Aid Received from Federal Government through State | 748,665.00 | 748,665.00 | 753,902.50 | 5,237.50 |
| Total Revenue | <u>5,830,965.00</u> | <u>5,991,465.00</u> | <u>6,288,819.83</u> | <u>297,354.83</u> |
| Expenditures: | | | | |
| Special Programs: | | | | |
| Programs for Special Education | 4,576,070.00 | 4,847,570.00 | 4,764,577.46 | 82,992.54 |
| Support Services: | | | | |
| Pupils: | | | | |
| Psychological | 183,305.00 | 183,305.00 | 185,596.22 | (2,291.22) |
| Speech Pathology | 497,260.00 | 507,260.00 | 503,651.19 | 3,608.81 |
| Audiology Services | 250.00 | 250.00 | | 250.00 |
| Student Therapy Services | 292,710.00 | 292,710.00 | 226,714.41 | 65,995.59 |
| Support Services - Instructional Staff: | | | | |
| Improvement of Instruction | 208,130.00 | 218,130.00 | 213,492.15 | 4,637.85 |
| Support Services - Special Education: | | | | |
| Administrative Costs | 170,335.00 | 170,335.00 | 181,032.95 | (10,697.95) |
| Transportation Costs | 172,845.00 | 172,845.00 | 44,740.13 | 128,104.87 |
| Autism/Preschool | | | 168,308.09 | (168,308.09) |
| Total Expenditures | <u>6,100,905.00</u> | <u>6,392,405.00</u> | <u>6,288,112.60</u> | <u>104,292.40</u> |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | (269,940.00) | (400,940.00) | 707.23 | 401,647.23 |
| Other Financing Sources: | | | | |
| Transfers In | 269,940.00 | 269,940.00 | | (269,940.00) |
| Net Change in Fund Balance | | (131,000.00) | 707.23 | 131,707.23 |
| Fund Balance - July 1, 2020 | <u>339,728.54</u> | <u>339,728.54</u> | <u>339,728.54</u> | |
| FUND BALANCE - JUNE 30, 2021 | <u>\$ 339,728.54</u> | <u>\$ 208,728.54</u> | <u>\$ 340,435.77</u> | <u>\$ 131,707.23</u> |

BROOKINGS SCHOOL DISTRICT NO. 5-1
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 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the 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).

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.

**REQUIRED SUPPLEMENTARY INFORMATION
BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

TOTAL OPEB LIABILITY

| | |
|--|----------------------------|
| Service Cost | \$ 104,003 |
| Interest on Total OPEB Liability | 62,407 |
| Effect of assumption changes or inputs | <u>187,881</u> |
| Net change in total OPEB liability | 354,291 |
| Total OPEB liability, beginning | <u>1,731,057</u> |
| Total OPEB liability, ending | <u><u>\$ 2,085,348</u></u> |

Schedule of Required Supplementary Information
BROOKINGS SCHOOL DISTRICT NO. 5-1

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

South Dakota Retirement System

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.7442668% | 0.78238330% | 0.79773790% | 0.84176830% | 0.85283060% | 0.84688610% | 0.84161080% |
| District's proportionate share of net pension liability (asset) | \$ (5,362,138) | \$ (3,318,311) | \$ 2,694,680 | \$ (76,391) | \$ (19,890) | \$ (89,747) | \$ (36,551) |
| District's covered-employee payroll | \$12,994,554 | \$14,265,837 | \$15,168,943 | \$17,064,767 | \$17,688,360 | \$17,965,776 | \$18,433,264 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -41.26% | -23.26% | 17.76% | -0.45% | -0.11% | -0.50% | -0.20% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 107.30% | 104.10% | 96.89% | 100.10% | 100.02% | 100.09% | 100.04% |

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Schedule of Required Supplementary Information
 BROOKINGS SCHOOL DISTRICT NO. 5-1
 SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
 South Dakota Retirement System

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 781,475 | \$ 857,046 | \$ 910,140 | \$ 1,027,157 | \$ 1,061,305 | \$ 1,080,392 | \$ 1,108,238 | \$ 1,160,054 |
| Contributions in relation to the contractually required contribution | \$ 781,475 | \$ 857,046 | \$ 910,140 | \$ 1,027,157 | \$ 1,061,305 | \$ 1,080,392 | \$ 1,108,238 | \$ 1,160,054 |
| Contribution deficiency (excess) | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| District's covered-employee payroll | \$ 12,994,554 | \$ 14,265,837 | \$ 15,168,943 | \$ 17,064,767 | \$ 17,688,360 | \$ 17,965,776 | \$ 18,433,264 | \$ 19,294,959 |
| Contributions as a percentage of covered-employee payroll | 6.01% | 6.01% | 6.00% | 6.02% | 6.00% | 6.01% | 6.01% | 6.01% |

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

BROOKINGS SCHOOL DISTRICT NO. 5-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019 and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019 and is 1.41% as of June 30, 2020.

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

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

Actuarial Method Changes

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

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

| <u>Federal Grantor/Pass-Through Grantor</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Expenditures Amount 2021</u> |
|--|------------------------------------|--|---|
| U.S. Department of Agriculture: Pass Through the SD Department of Education: Child Nutrition Cluster: Non-cash Assistance (Commodities) National School Lunch Program | 10.555 | NSLP-05001-21 | \$ 150,554.68 |
| Cash Assistance: (Note 3) School Breakfast Program | 10.553 | CANS-05001-21 | 229,273.70 |
| National School Lunch Program | 10.555 | CANS2-05001-21 | 1,005,092.72 |
| Fresh Fruit | 10.582 | N/A | <u>114,649.52</u> |
| Total U.S. Department of Agriculture | | | 1,499,570.62 |
| U.S. Department of the Treasury: Pass Through the State of South Dakota Coronavirus Relief Fund (Note 4) | 21.019 | CRF-05001-21 | 1,672,000.00 |
| National Endowment for the Arts: Pass Through the SD Department of Education: Promotion of the Arts Partnership Agreement | 45.025 | | 900.00 |
| U.S. Department of Education: Pass Through the SD Department of Education: Title I Grants to Local Educational Agencies | 84.010 | TIA-05001-21 | 548,577.00 |
| Special Education Cluster:(Note 4) Special Education - Grants to States | 84.027 | 611-05001-21 | 732,957.50 |
| Special Education - Preschool Grants | 84.173 | 619-05001-21 | <u>20,945.00</u> |
| Total Special Education Cluster | | | 753,902.50 |
| Career and Technical Education - Basic Grants to States | 84.048 | CTE-05001-21 | 37,665.00 |
| Title IV Transfer | 84.424A | TIV-05001-21 | 55,159.00 |
| Improving Teacher Quality State Grants | 84.367 | TII-05001-21 | 151,488.00 |
| Education Stabilization Fund - ESSER 1 (Note 4) | 84.425D | ESF-05001-21 | <u>440,446.10</u> |
| Total U.S. Department of Education | | | <u>1,987,237.60</u> |
| U.S. Environmental Protection Agency: National Clean Diesel Rebate Program | 66.040 | N/A | <u>33,471.55</u> |
| Grand Total | | | <u>\$5,193,179.77</u> |

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)**

Note 1: *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: *Summary of Significant Accounting Policies*

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

Note 3: *Federal Reimbursement*

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

Note 4: *Major Federal Financial Assistance Program*

This represents a Major Federal Financial Assistance Program.

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

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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
Brookings School District No. 5-1
Brookings County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Brookings School District No. 5-1, Brookings County, South Dakota (School District), as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2022, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of

laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Quam, Berglin & Post P.C.

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

February 11, 2022

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

School Board
Brookings School District No. 5-1
Brookings County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Brookings School District No. 5-1, Brookings County, South Dakota compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Brookings School District No.5-1 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, 2021.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



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

February 11, 2022

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDING:

The prior audit report contained no written federal audit findings.

PRIOR OTHER AUDIT FINDINGS:

The prior audit report contained no written other audit findings.

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of the business-type activities and the capital outlay, special education, bond redemption and capital projects governmental funds and the other enterprise and food service enterprise funds. A qualified opinion for not implementing GASB Statement No. 84 *Fiduciary Activities* was issued for the statements of the governmental activities, the general governmental fund and the aggregate remaining fund information.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- c. Our audit did not disclose any noncompliance that was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to the major programs.
- e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Uniform Guidance.
- f. The federal awards tested as major programs were:

| | |
|---|--------------|
| <u>Pass-Through the SD Department of Education:</u> | <u>CFDA#</u> |
| SPED Cluster | |
| IDEA Part B | 84.027A |
| IDEA PreSchool | 84.173A |
| Education Stabilization Fund | 84.425D |
| <u>Pass-Through the SD Department of Treasury:</u> | |
| Coronavirus Relief Fund | 21.019 |

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. The district qualified as a low-risk auditee.

**BROOKINGS SCHOOL DISTRICT NO. 5-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.