

CANTON SCHOOL DISTRICT NO 41-1

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

JUNE 30, 2020

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CANTON SCHOOL DISTRICT NO 41-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

School Board

Christal Dietzenbach

Todd Gannon

Tanya Iverson

Josh Otkin

Jon Gustad

Jennifer Skiles

Scott Larson

Business Manager

Nancy Thompson

Superintendent

Terry Gerber

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QUAM, BERGLIN & POST, P.C.

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INDEPENDENT AUDITOR'S REPORT

School Board
Canton School District No. 41-1
Lincoln 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 Canton School District No. 41-1, Lincoln County, South Dakota, as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Canton School District No. 41-1 as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Liability/(Asset), and the Schedule of the School District Contributions, as 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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

January 14, 2021

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CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 4,227,582.95	\$ 122,396.60	\$ 4,349,979.55
Investments-Certificates of Deposit	738,270.04		738,270.04
Taxes Receivable	2,524,940.49		2,524,940.49
Accounts Receivable		5,065.61	5,065.61
Due from Other Governments	232,118.09		232,118.09
Inventories		4,833.64	4,833.64
Net Pension Asset	21,620.57		21,620.57
Capital Assets:			
Land and Construction in Progress	364,715.54		364,715.54
Other Capital Assets, Net of Depreciation	<u>21,445,497.24</u>	<u>60,902.68</u>	<u>21,506,399.92</u>
TOTAL ASSETS	<u>29,554,744.92</u>	<u>193,198.53</u>	<u>29,747,943.45</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	<u>1,135,977.29</u>		<u>1,135,977.29</u>
LIABILITIES :			
Accounts Payable	158,565.37	2,942.45	161,507.82
Contracts and Benefits Payable	741,102.19		741,102.19
Unearned Revenue		20,218.07	20,218.07
Noncurrent Liabilities:			
Due Within One Year	747,513.15		747,513.15
Due in More than One Year	<u>10,639,310.71</u>		<u>10,639,310.71</u>
TOTAL LIABILITIES	<u>12,286,491.42</u>	<u>23,160.52</u>	<u>12,309,651.94</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	2,469,519.53		2,469,519.53
Pension Related Inflows	<u>445,536.64</u>		<u>445,536.64</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,915,056.17</u>		<u>2,915,056.17</u>
NET POSITION:			
Net Investment in Capital Assets	10,451,911.69	60,902.68	10,512,814.37
Restricted for:			
Capital Outlay	2,206,012.96		2,206,012.96
Special Education	155,261.43		155,261.43
Debt Service	157,437.84		157,437.84
SDRS Pension Purposes	<u>712,061.22</u>		<u>712,061.22</u>
Unrestricted	<u>1,806,489.48</u>	<u>109,135.33</u>	<u>1,915,624.81</u>
TOTAL NET POSITION	<u>\$ 15,489,174.62</u>	<u>\$ 170,038.01</u>	<u>\$ 15,659,212.63</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF ACTIVITIES
JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 5,806,671.84	\$ 17,261.82	\$ 691,132.47	\$ (5,098,277.55)	\$	\$ (5,098,277.55)
Support Services	3,092,812.52			(3,092,812.52)		(3,092,812.52)
*Interest on Long-term Debt	272,271.24			(272,271.24)		(272,271.24)
Cocurricular Activities	330,055.02	35,529.96		(294,525.06)		(294,525.06)
Total Governmental Activities	9,501,810.62	52,791.78	691,132.47	(8,757,886.37)		(8,757,886.37)
Business-type Activities:						
Food Service	284,443.39	150,327.85	135,179.37		1,063.83	1,063.83
Total Primary Government	\$ 9,786,254.01	\$ 203,119.63	\$ 826,311.84	(8,757,886.37)	1,063.83	(8,756,822.54)
*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 District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

CANTON SCHOOL DISTRICT NO. 41-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

ASSETS

Assets:

Cash and Cash Equivalents
Investments-Certificates of Deposit
Taxes Receivable--Current
Taxes Receivable--Delinquent
Due from Other Government

TOTAL ASSETS

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCES:**

Liabilities:

Accounts Payable
Contracts Payable
Payroll Deductions and Withholdings
and Employer Matching Payable
Total Liabilities

Deferred Inflows of Resources:

Taxes Levied for a Future Period
Unavailable Revenue-Property Taxes
Total Deferred Inflows of Resources

Fund Balances:

Restricted
Assigned
Unassigned
Total Fund Balances

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCES**

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

General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
\$ 1,465,256.89	\$ 2,310,776.32	\$ 298,392.55	\$ 153,157.19	\$ 4,227,582.95
728,270.04	10,000.00			738,270.04
962,930.19	826,056.05	494,349.55	186,183.74	2,469,519.53
28,461.82	14,639.81	8,038.68	4,280.65	55,420.96
232,118.09				232,118.09
<u>\$ 3,417,037.03</u>	<u>\$ 3,161,472.18</u>	<u>\$ 800,780.78</u>	<u>\$ 343,621.58</u>	<u>\$ 7,722,911.57</u>
\$ 4,025.72	\$ 129,403.17	\$ 25,136.48	\$	\$ 158,565.37
503,682.94		103,977.52		607,660.46
111,385.93		22,055.80		133,441.73
<u>619,094.59</u>	<u>129,403.17</u>	<u>151,169.80</u>		<u>899,667.56</u>
962,930.19	826,056.05	494,349.55	186,183.74	2,469,519.53
28,461.82	14,639.81	8,038.68	4,280.65	55,420.96
<u>991,392.01</u>	<u>840,695.86</u>	<u>502,388.23</u>	<u>190,464.39</u>	<u>2,524,940.49</u>
381,119.63	2,191,373.15	147,222.75	153,157.19	2,491,753.09
1,425,430.80				381,119.63
<u>1,806,550.43</u>	<u>2,191,373.15</u>	<u>147,222.75</u>	<u>153,157.19</u>	<u>4,298,303.52</u>
<u>\$ 3,417,037.03</u>	<u>\$ 3,161,472.18</u>	<u>\$ 800,780.78</u>	<u>\$ 343,621.58</u>	<u>\$ 7,722,911.57</u>

**CANTON SCHOOL DISTRICT NO. 41-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Fund Balances - Governmental Funds **\$ 4,298,303.52**

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.

The cost of the assets is:	\$ 31,258,916.59	
The accumulated depreciation is:	<u>(9,448,703.81)</u>	21,810,212.78

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:

Capital Outlay Certificates Payable	(4,725,000.00)	
Bonds Payable	(6,250,000.00)	
Premium on Debt Issued	(383,301.09)	
Capital Leases Payable	<u>(28,522.77)</u>	(11,386,823.86)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	21,620.57
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Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	1,135,977.29
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Pension related deferred inflows are components of pension liability and therefore are not reported in the funds	(445,536.64)
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures, are deferred in the funds.	<u>55,420.96</u>
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Net Position - Governmental Funds	<u>\$15,489,174.62</u>
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The notes to the financial statements are an integral part of this statement

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2020

Revenues:	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Revenue from Local Sources:							
Taxes:							
Ad Valorem Taxes	\$ 2,067,038.04	\$ 1,796,337.98	\$ 1,055,002.02	\$	\$ 473,197.05	\$	\$ 5,391,575.09
Prior Years' Ad Valorem Taxes	13,343.61	8,363.50	4,484.82	104.67	2,056.69		28,353.29
Utility Taxes	160,375.09						160,375.09
Penalties and Interest on Taxes	6,701.91	2,684.84	1,488.75	26.39	722.15		11,624.04
Tuition and Fees:							
Regular Day School Tuition	17,261.82						17,261.82
Earnings on Investments and Deposits	64,807.47						64,807.47
Co-curricular Activities:							
Admissions	34,825.96						34,825.96
Rentals	704.00						704.00
Other Revenue from Local Sources:							
Rentals	3,706.00						3,706.00
Contributions and Donations	27,690.52	15,827.35					43,517.87
Charge for Services	6,288.61		25,013.86				31,302.47
Other	13,425.78						13,425.78
Revenue from Intermediate Sources:							
County Sources:							
County Apportionment	25,037.04						25,037.04
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted Grants-in-Aid	3,269,667.38						3,269,667.38
Restricted Grants-in-Aid			461,959.00				461,959.00
Other State Revenue	3,534.38						3,534.38
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted Grants-In-Aid Received From Federal Government Through the State	197,871.00						197,871.00
Total Revenue	<u>5,912,278.61</u>	<u>1,823,213.67</u>	<u>1,547,948.45</u>	<u>131.06</u>	<u>475,975.89</u>		<u>9,759,547.68</u>

Expenditures:**Instruction:****Regular Programs:**

Elementary

1,449,203.87

29,689.24

1,478,893.11

Middle/Junior High

710,182.27

16,573.57

726,755.84

High School

973,220.07

125,356.40

1,098,576.47

Special Programs:

Programs for Special Education

159,820.35

2,952.02

1,189,197.03

Programs for Educationally Deprived

58,333.03

12,000.00

1,192,149.05

Other Special Programs

159,820.35

Support Services:**Pupils:**

Attendance and Social Work

64,596.67

46.81

64,596.67

Guidance

164,830.72

535.26

164,877.53

Health

51,445.52

12,848.92

64,829.70

Psychology

7,504.75

7,504.75

Speech Pathology

29,601.95

29,601.95

Student Therapy Services

64,185.65

64,185.65

Support Services - Instructional Staff:

Improvement of Instruction

33,777.82

59.77

33,777.82

Educational Media

163,476.54

163,476.54

Support Services - General Administration:

Board of Education

112,692.16

112,692.16

Executive Administration

193,857.64

193,917.41

Support Services - School Administration:

Office of the Principal

374,706.65

131.19

374,837.84

Other

745.49

745.49

Support Services - Business:

Fiscal Services

171,559.92

1,103.99

172,663.91

Facilities Acquisition and Construction

2,216.00

2,216.00

Operation and Maintenance of Plant

688,618.47

129,916.75

818,535.22

Pupil Transportation

355,692.86

56,165.62

411,858.48

Internal Services

10,576.44

10,576.44

Support Services - Special Education:

Administrative Costs

111,789.73

111,789.73

Internal Services

8,984.92

8,984.92

Transportation Costs

59,949.78

59,949.78

Other Special Education Costs

1,230.00

1,230.00

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Capital Projects Fund	Total Governmental Funds
Debt Services							
Cocurricular Activities:		524,905.00			485,307.50		1,010,212.50
Male Activities	91,086.89	34,862.98					125,949.87
Female Activities	44,908.06	2,390.80					47,298.86
Combined Activities	152,333.89	4,472.40					156,806.29
Capital Outlay		409,170.83				63,933.00	473,103.83
Total Expenditures	<u>6,025,665.33</u>	<u>1,361,533.55</u>	<u>1,476,307.81</u>		<u>485,307.50</u>	<u>63,933.00</u>	<u>9,412,747.19</u>
Excess of Revenue Over (Under) Expenditures	<u>(113,386.72)</u>	<u>461,680.12</u>	<u>71,640.64</u>	<u>131.06</u>	<u>(9,331.61)</u>	<u>(63,933.00)</u>	<u>346,800.49</u>
Other Financing Sources:							
Transfers In	273,685.87					63,933.00	337,618.87
Transfers (Out)		(63,933.00)		(273,685.87)			(337,618.87)
Total Other Financing Sources (Uses)	<u>273,685.87</u>	<u>(63,933.00)</u>		<u>(273,685.87)</u>		<u>63,933.00</u>	
Net Change in Fund Balances	160,299.15	397,747.12	71,640.64	(273,554.81)	(9,331.61)		346,800.49
Fund Balance Beginning	<u>1,646,251.28</u>	<u>1,793,626.03</u>	<u>75,582.11</u>	<u>273,554.81</u>	<u>162,488.80</u>		<u>3,951,503.03</u>
FUND BALANCE - ENDING	<u>\$1,806,550.43</u>	<u>\$2,191,373.15</u>	<u>\$ 147,222.75</u>	<u>\$</u>	<u>\$ 153,157.19</u>	<u>\$</u>	<u>\$ 4,298,303.52</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 346,800.49

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays during this period.

Capital Outlays	\$ 473,103.83	
Depreciation Expense	<u>(677,142.06)</u>	(204,038.23)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayments.

General Obligation Bonds	330,000.00	
Capital Lease	8,984.94	
Capital Outlay Certificates	<u>375,000.00</u>	713,984.94

Governmental funds do not reflect the change in accrued leave, early retirement, due to other governments, and other post-employment benefits, but the statement of activities reflects the change in these benefits through expenses. (3,279.07)

When bonds are issued there is usually a premium or a discount involved. This premium or discount is amortized over the life of the bonds issued. 23,956.32

In both the government-wide and fund financial statements, revenues from property tax levies and are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". 7,033.51

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (619,687.39)

Change in Net Position of Governmental Activities \$ 264,770.57

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Food Service Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 122,396.60
Accounts Receivable	5,065.61
Inventory of Donated Food	<u>4,833.64</u>
Total Current Assets	<u>132,295.85</u>
Capital Assets:	
Machinery and Equipment	206,736.27
Less: Accumulated Depreciation	<u>(145,833.59)</u>
Total Noncurrent Assets	<u>60,902.68</u>
TOTAL ASSETS	<u>193,198.53</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	2,942.45
Revenue Collected in Advance	<u>20,218.07</u>
Total Current Liabilities	<u>23,160.52</u>
NET POSITION:	
Net Investment in Capital Assets	60,902.68
Unrestricted Net Position	<u>109,135.33</u>
TOTAL NET POSITION	<u>\$ 170,038.01</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Food Service Fund</u>
Operating Revenue:	
Food Sales:	
To Pupils	\$ 145,025.85
To Adults	3,297.30
A la Carte	<u>2,004.70</u>
Total Operating Revenue	<u>150,327.85</u>
Operating Expenses:	
Food Service:	
Salaries	13,685.00
Employee Benefits	1,868.00
Purchased Services	229,224.65
Supplies	410.85
Cost of Sales-Purchased Food	2,942.45
Cost of Sales-Donated Food	27,359.67
Depreciation	<u>8,952.77</u>
Total Operating Expenses	<u>284,443.39</u>
Operating Income (Loss)	<u>(134,115.54)</u>
Nonoperating Revenue (Expense):	
State Sources:	
Other Cash Payments	1,282.60
Federal Sources:	
Cash Reimbursements	102,869.01
Donated Food	<u>31,027.76</u>
Total Nonoperating Revenue (Expense)	<u>135,179.37</u>
Change in Net Position	1,063.83
Net Position- Beginning	<u>168,974.18</u>
NET POSITION - ENDING	<u>\$ 170,038.01</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Food Service Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 157,495.15
Payments to Employees	(15,553.00)
Payments to Suppliers	<u>(229,635.50)</u>
Net Cash Provided (Used) by Operating Activities	<u>(87,693.35)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	<u>104,151.61</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(27,117.25)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (10,658.99)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 133,055.59
Cash and Cash Equivalents at End of Year	<u>122,396.60</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (10,658.99)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (134,115.54)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	8,952.77
Value of Commodities Used	27,359.67
Change in Assets and Liabilities:	
Accounts Payable	2,942.45
Accounts Receivable	(1,278.52)
Revenue Received in Advance	<u>8,445.82</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (87,693.35)</u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	\$ 31,027.76

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

**CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 151,532.92
Accounts Receivable	<u>900.00</u>
TOTAL ASSETS	<u>152,432.92</u>
LIABILITIES:	
Amounts Held for Others	<u>\$ 152,432.92</u>

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

**CANTON SCHOOL DISTRICT NO. 41-1
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 Canton School District No. 41-1 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation

Government-wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by 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 of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

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

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

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

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

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

Capital Projects Fund - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other

than those financed by proprietary funds and trust funds). The major project funded by the Capital Projects Fund is the Performing Arts Center.

The Capital Projects Fund is the only capital projects fund maintained by the School District. This is a major fund and is being closed out during FY20.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

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

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 fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Canton School District No. 41-1, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2020 are 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 fund and fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
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.

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

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, 2020 balance of capital assets for governmental activities includes approximately 0.93% for which the costs were determined by estimates of original costs. The total June 30, 2020 balance of capital assets for business-type activities are valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	ALL	NA	NA
Improvements	\$ 10,000.00	Straight Line	15-25 yrs
Buildings	20,000.00	Straight Line	50 yrs
Equipment and Vehicles	2,500.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	5-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 early retirement benefits payable, capital (financing) leases, other post-employment benefits, compensated absences, and capital outlay certificates payable.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the

purpose of the Statement of Cash Flows.

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 (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

l. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position 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.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The 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.

A schedule of fund balances is provided as follows:

CANTON SCHOOL DISTRICT NO. 41-1
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>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
<i>Restricted for:</i>					
Capital Outlay	\$	\$ 2,191,373.15	\$	\$	\$ 2,191,373.15
Special Education			147,222.75		147,222.75
Bond Redemption				153,157.19	153,157.19
<i>Assigned to:</i>					
Unemployment	127,226.63				127,226.63
Subsequent Budget	253,893.00				253,893.00
<i>Unassigned</i>	1,425,430.80				1,425,430.80
Total Fund Balance:	<u>\$ 1,806,550.43</u>	<u>\$ 2,191,373.15</u>	<u>\$ 147,222.75</u>	<u>\$ 153,157.19</u>	<u>\$ 4,298,303.52</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 FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment, except the Special Education Fund whose income is credited to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

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 has been made for estimated uncollectible amounts.

NOTE 4 - INVENTORY

Inventory for resale is stated at the lower of cost or market. The cost valuation method is the first

in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the Government-wide and the enterprise 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, 2020 in the governmental funds.

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 were as follows:

<u>Transfers From</u>	<u>Transfer To</u>		<u>Total</u>
	<u>Capital Projects Fund</u>	<u>General Fund</u>	
Pension Fund	\$	\$ 273,685.87	\$ 273,685.87
Capital Outlay	63,933.00		63,933.00
Total	<u>\$ 63,933.00</u>	<u>\$ 273,685.87</u>	<u>\$ 337,618.87</u>

Transfer from the Capital Outlay Fund to the Capital Projects Fund was made for a new performing arts center as allowed by SDCL, while the transfer from the Pension Fund was to close out the fund to the General Fund.

NOTE 7 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

<i>Primary Government</i>	Balance 06/30/19	Increases	Decreases	Balance 06/30/20
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 328,488.04		\$	\$ 328,488.04
Construction in Progress	12,332,709.91	100,160.50	(12,396,642.91)	36,227.50
Totals	12,661,197.95	100,160.50	(12,396,642.91)	364,715.54
Capital Assets, depreciated:				
Library Books	388,408.40	1,678.63		390,087.03
Improvements	2,486,931.38	234,690.21		2,721,621.59
Buildings	13,663,315.25	12,396,642.91		26,059,958.16
Machinery and Equipment	1,585,959.78	136,574.49		1,722,534.27
Totals	18,124,614.81	12,769,586.24		30,894,201.05
Less Accumulated Depreciation:				
Library Books	375,185.60	3,269.02		378,454.62
Improvements	1,601,549.90	66,280.51		1,667,830.41
Buildings	5,798,391.04	515,598.24		6,313,989.28
Machinery and Equipment	996,435.21	91,994.29		1,088,429.50
Total Accumulated Depreciation	8,771,561.75	677,142.06		9,448,703.81
Total Capital Assets, being depreciated, net	9,353,053.06	12,092,444.18		21,445,497.24
Governmental Activities Capital Assets, net	<u>\$ 22,014,251.01</u>	<u>\$ 12,192,604.68</u>	<u>\$ (12,396,642.91)</u>	<u>\$ 21,810,212.78</u>

**Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 460,456.60
Support Services	216,685.46
Total Depreciation expense-governmental activities	<u>\$ 677,142.06</u>

Business Type Activities:	Balance 6/30/19	Increases	Decreases	Balance 06/30/20
Capital Assets, depreciated:				
Machinery and Equipment	\$ 179,619.02	\$ 27,117.25	\$	\$ 206,736.27
Less Accumulated Depreciation:				
Machinery and Equipment	136,880.82	8,952.77		145,833.59
Business-type activity capital assets, net	<u>\$ 42,738.20</u>	<u>\$ 18,164.48</u>	<u>\$ 0.00</u>	<u>\$ 60,902.68</u>

Depreciation expense was charged to functions as follows:

Business-type Activity	
Total Depreciation expense-business-type activities	<u>\$ 8,952.77</u>

Construction Work in Progress at June 30, 2020 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/2020</u>	<u>Committed</u>
Performing Arts Center	\$ 72,455.00	\$ 36,227.50	\$ 36,227.50

NOTE 8 - LONG -TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2020 is as follows:

Primary Government

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 6,580,000.00		\$ 330,000.00	\$ 6,250,000.00	\$ 335,000.00
Capital Outlay Certificates	5,100,000.00		375,000.00	4,725,000.00	380,000.00
Premium on Bonds Issued	407,257.41		23,956.32	383,301.09	23,956.32
Accrued Compensated Absences	25,243.70	26,156.27	22,877.20	28,522.77	8,556.83
Capital (Financing) Lease	<u>8,984.94</u>		<u>8,984.94</u>		
Total Governmental Activities	<u>\$ 12,121,486.05</u>	<u>\$ 26,156.27</u>	<u>\$ 760,818.46</u>	<u>\$ 11,386,823.86</u>	<u>\$ 747,513.15</u>

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

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

	<u>Copier Lease</u>
Principal	\$ 44,924.70
Interest	<u>0.00</u>
Total	<u>\$ 44,924.70</u>

Liabilities payable at June 30, 2020, not including premiums on debt, are comprised of the following:

Primary Government

Limited Tax General Obligation Payable:

Series 2010A Limited Tax General Obligation Certificates dated June 15, 2010
Interest rates of 2.000% to 4.000%, depending on length to maturity; interest payable semi-annually. Final maturity is June 2025. Payments to be made from Capital Outlay Fund \$ 1,060,000.00

Series 2017A Limited Tax General Obligation Certificates dated January 5, 2017
Interest rates of 2.000% to 3.500%, depending on length to maturity; interest payable semi-annually. Final maturity is December 2036. Payments to be made from Capital Outlay Fund. 3,665,000.00

General Obligation Bonds Payable:

Series 2016A General Obligation Bonds dated September 15, 2016, Interest rates of 0.650% to 3.000%, depending on length to maturity; interest payable semi-annually. Final maturity is December 2035. Payments to be made from Bond Redemption Fund. 6,250,000.00

Compensated Absences:

Vested annual leave. Payments are made from the General Fund. 28,522.77

The annual debt service requirements to maturity for all debt outstanding, other than compensated absences, as of June 30, 2020 are as follows:

Year Ending June 30,	2010A Limited Tax G. O. Certificates		Premium on Debt Issued
	Principal	Interest	Principal
2021	\$ 200,000.00	\$ 40,652.50	\$ 23,956.32
2022	205,000.00	33,450.50	23,956.32
2023	215,000.00	25,765.00	23,956.32
2024	225,000.00	17,487.50	23,956.32
2025	215,000.00	4,300.00	23,956.32
2026-2030			119,781.60
2031-2035			119,781.60
2036-2040			23,956.29
Totals	<u>\$ 1,060,000.00</u>	<u>\$ 121,655.50</u>	<u>\$ 383,301.09</u>

Ending June 30,	2016A G. O. Bonds		2017A C. O. Certificates		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 335,000.00	\$ 150,696.25	\$ 180,000.00	\$ 99,262.50	\$ 738,956.32	\$ 290,611.2
2022	335,000.00	147,011.25	185,000.00	96,980.00	748,956.32	277,441.7
2023	340,000.00	139,985.00	185,000.00	94,436.25	763,956.32	260,186.2
2024	350,000.00	129,635.00	190,000.00	91,622.50	788,956.32	238,745.0
2025	360,000.00	121,505.00	190,000.00	88,250.00	788,956.32	214,055.0
2026-2030	1,900,000.00	506,052.50	1,025,000.00	364,262.50	3,044,781.60	870,315.0
2031-2035	2,160,000.00	236,550.00	1,185,000.00	195,550.00	3,464,781.60	432,100.0
2036-2040	470,000.00	7,050.00	525,000.00	18,462.50	1,018,956.29	25,512.5
Totals	<u>\$ 6,250,000.00</u>	<u>\$ 1,438,485.00</u>	<u>\$ 3,665,000.00</u>	<u>\$ 1,048,826.25</u>	<u>\$ 11,358,301.09</u>	<u>\$ 2,608,966.7</u>

NOTE 9 – 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	\$ 2,206,012.96
Special Education Purposes	Law	155,261.43
Debt Services Purposes	Debt Covenants	157,437.84
SDRS Pension Purposes	Law	712,061.22
Total Restricted Net Position		<u>\$ 3,230,773.45</u>

NOTE 10 – PENSION PLAN

Plan Information:

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and

credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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, 2020, 2019, and 2018 were \$273,831.57, \$260,232.94, and \$255,182.00, 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, 2019, SDRS is 100.09% 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, 2019 and are reported by the School District as of June 30, 2020 are as follows:

Proportionate share of pension liability	\$ 25,425,435.18
Less proportionate share of net pension restricted for pension benefits	<u>25,447,055.75</u>
Proportionate share of net pension liability (asset)	<u>\$ (21,620.57)</u>

At June 30, 2020, the School reported a liability (asset) of (21,620.57) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30,

2019 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019 the School District's proportion was 0.20402040% which is an increase (decrease) of (0.0006194%) from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense (reduction of pension expense) of \$619,687.39. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,809.08	\$ 9,785.86
Changes in assumption	746,718.29	306,118.27
Net difference between projected and actual earnings on pension plan investments		124,552.21
Changes in proportion and difference between School District contributions and proportionate share of contributions	30,618.35	5,080.30
School District contributions subsequent to the measurement date	273,831.57	
TOTAL	\$ 1,135,977.29	\$ 445,536.64

\$273,831.57 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 (asset) in the year ending June 30, 2021. 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:

2021	\$ 472,702.05
2022	(73,258.66)
2023	(49,845.24)
2024	41,472.88
TOTAL	\$ 391,071.03

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.88%

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

The actuarial assumptions used in the June 30, 2019 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 portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.7%
Fixed Income	30.0%	1.7%
Real Estate	10.0%	4.3%
Cash	<u>2.0%</u>	0.9%
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 plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 3,588,592.40	\$ (21,620.57)	\$ (2,963,291.80)

Pension Plan Fiduciary Net Position:

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

NOTE 11 - JOINT VENTURES

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

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

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

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and for setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net position of the co-op but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Southeast Area Cooperative.

At June 30, 2020, this joint venture had total assets of \$792,119.45, deferred outflows of \$304,816.18, total liabilities of \$204,199.27, deferred inflows of \$124,613.02, and total fund equity of \$768,123.34.

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, 2020, the school district managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School Districts Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its members.

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

Liability Insurance

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

Worker's Compensation

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

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

Unemployment Benefits

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

The School District has an assigned fund balance in the General Fund in the amount of \$127,226.63 for the payment of future unemployment benefits.

During the year ended June 30, 2020, no claims were filed for unemployment benefits. As of June 30, 2020, there were no outstanding claims for unemployment benefits. It is not anticipated that no additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 13 – SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the school's financial condition and liquidity. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the school is not able to estimate the effects of the COVID-19 outbreak on its financial condition or liquidity for fiscal year 2021 and future years.

NOTE 14 - SIGNIFICANT CONTINGENCIES - LITIGATION

At June 30, 2020, the School District was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,051,728.00	2,051,728.00	\$ 2,067,038.04	\$ 15,310.04
Prior Years' Ad Valorem Taxes	18,000.00	18,000.00	13,343.61	(4,656.39)
Utility Taxes	155,000.00	155,000.00	160,375.09	5,375.09
Penalties and Interest on Taxes	7,000.00	7,000.00	6,701.91	(298.09)
Tuition and Fees:				
Regular Day School Tuition	22,000.00	22,000.00	17,261.82	(4,738.18)
Earnings on Investments/ Deposits	24,000.00	24,000.00	64,807.47	40,807.47
Cocurricular Activities:				
Admissions	39,500.00	39,500.00	34,825.96	(4,674.04)
Rentals, Cocurricular Activities	1,000.00	1,000.00	704.00	(296.00)
Other Revenue from Local Sources:				
Rentals	17,500.00	17,500.00	3,706.00	(13,794.00)
Contributions			27,690.52	27,690.52
Charges for Services	5,000.00	5,000.00	6,288.61	1,288.61
Other	18,000.00	18,000.00	13,425.78	(4,574.22)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	30,000.00	30,000.00	25,037.04	(4,962.96)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,150,165.00	3,150,165.00	3,269,667.38	119,502.38
Other State Revenue			3,534.38	3,534.38
Revenue from Federal Sources:				
From Federal Government Through the State				
	<u>171,192.00</u>	<u>171,192.00</u>	<u>197,871.00</u>	<u>26,679.00</u>
Total Revenue	<u>5,710,085.00</u>	<u>5,710,085.00</u>	<u>5,912,278.61</u>	<u>202,193.61</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	1,455,229.00	1,455,229.00	1,449,203.87	6,025.13
Middle/Junior High	697,045.00	697,045.00	710,182.27	(13,137.27)
High School	984,571.00	984,571.00	973,220.07	11,350.93

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Special Programs:				
Educationally Deprived	160,940.00	160,940.00	159,820.35	1,119.65
Other Special Programs	55,293.00	55,293.00	58,333.03	(3,040.03)
Support Services:				
Pupils:				
Attendance and Social Work	66,630.00	66,630.00	64,596.67	2,033.33
Guidance	179,630.00	179,630.00	164,830.72	14,799.28
Health	52,939.00	52,939.00	51,445.52	1,493.48
Support Services - Instructional Staff:				
Improvement of Instruction	8,860.00	8,860.00	33,777.82	(24,917.82)
Educational Media	162,822.00	162,822.00	163,476.54	(654.54)
Support Services - General Administration:				
Board of Education	122,016.00	122,016.00	112,692.16	9,323.84
Executive Administration	192,215.00	192,215.00	193,857.64	(1,642.64)
Support Services - School Administration:				
Office of the Principal	325,913.00	325,913.00	374,706.65	(48,793.65)
Other	650.00	650.00	745.49	(95.49)
Support Services - Business:				
Fiscal Services	175,433.00	175,433.00	171,559.92	3,873.08
Operation and Maintenance of Pla	711,290.00	711,290.00	688,618.47	22,671.53
Pupil Transportation	386,700.00	386,700.00	355,692.86	31,007.14
Internal Services	9,800.00	9,800.00	10,576.44	(776.44)
Community Services				
Other Costs	2,000.00	2,000.00		2,000.00
Cocurricular Activities:				
Male Activities	86,692.00	86,692.00	91,086.89	(4,394.89)
Female Activities	46,425.00	46,425.00	44,908.06	1,516.94
Combined Activities	199,942.00	199,942.00	152,333.89	47,608.11
Total Expenditures	<u>6,083,035.00</u>	<u>6,083,035.00</u>	<u>6,025,665.33</u>	<u>57,369.67</u>
Excess of Revenue Over (Under)				
Expenditures	(372,950.00)	(372,950.00)	(113,386.72)	259,563.28
Other Financing Sources:				
Transfers In	<u>352,500.00</u>	<u>352,500.00</u>	<u>273,685.87</u>	<u>(78,814.13)</u>
Total Other Financing Sources	<u>352,500.00</u>	<u>352,500.00</u>	<u>273,685.87</u>	<u>(78,814.13)</u>
Net Change in Fund Balances	(20,450.00)	(20,450.00)	160,299.15	180,749.15
Fund Balance - July 1, 2019	<u>1,646,251.28</u>	<u>1,646,251.28</u>	<u>1,646,251.28</u>	
FUND BALANCE - JUNE 30, 2020	<u>\$ 1,625,801.28</u>	<u>\$ 1,625,801.28</u>	<u>\$ 1,806,550.43</u>	<u>\$ 180,749.15</u>

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,812,838.00	\$ 1,812,838.00	\$ 1,796,337.98	\$ (16,500.02)
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	8,363.50	4,363.50
Penalties and Interest on Taxes			2,684.84	2,684.84
Other Revenue from Local Sources:				
Contributions and Donations	10,000.00	10,000.00	15,827.35	5,827.35
Total Revenue	1,826,838.00	1,826,838.00	1,823,213.67	(3,624.33)
Expenditures:				
Instruction				
Regular programs:				
Elementary	59,293.00	59,293.00	36,175.24	23,117.76
Middle/Junior High	18,500.00	18,500.00	19,501.56	(1,001.56)
High School	218,975.00	218,975.00	135,014.79	83,960.21
Special Programs:				
Programs for Special Education	10,165.00	10,165.00	2,952.02	7,212.98
Other Special Programs	12,000.00	12,000.00	12,000.00	
Support Services-Pupils:				
Guidance			46.81	(46.81)
Health	550.00	550.00	535.26	14.74
Support Services-Instructional Staff:				
Educational Media	38,850.00	38,850.00	3,781.54	35,068.46
Support Services - General Administration:				
Executive Administration			59.77	(59.77)
Support Services- School Administration:				
Office of Principal	300.00	300.00	131.19	168.81
Support Services - Business:				
Fiscal Services			1,103.99	(1,103.99)
Facilities Acquisition and Construction	25,500.00	25,500.00	38,443.50	(12,943.50)
Operation and Maintenance of Plant	599,505.00	599,505.00	434,099.64	165,405.36
Pupil Transportation	77,561.00	77,561.00	56,165.62	21,395.38
Internal Services	9,400.00	9,400.00	8,984.92	415.08
Debt Services	525,661.00	525,661.00	524,905.00	756.00
Cocurricular Activities:				
Male Activities	40,280.00	40,280.00	38,112.98	2,167.02
Female Activities	4,280.00	4,280.00	2,390.80	1,889.20
Combined Activities	7,600.00	7,600.00	47,128.92	(39,528.92)
Total Expenditures	1,648,420.00	1,648,420.00	1,361,533.55	286,886.45
Excess of Revenue Over (Under)				
Expenditures	178,418.00	178,418.00	461,680.12	283,262.12
Other Financing Sources:				
Transfers (Out)	(287,355.00)	(287,355.00)	(63,933.00)	223,422.00
Net Change in Fund Balances	(108,937.00)	(108,937.00)	397,747.12	506,684.12
Fund Balance - July 1, 2019	1,793,626.03	1,793,626.03	1,793,626.03	
FUND BALANCE - JUNE 30, 2020	\$ 1,684,689.03	\$ 1,684,689.03	\$ 2,191,373.15	\$ 506,684.12

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,054,751.00	\$ 1,054,751.00	\$ 1,055,002.02	\$ 251.02
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	4,484.82	(515.18)
Penalties and Interest on Taxes	1,200.00	1,200.00	1,488.75	288.75
Other Revenue from Local Sources:				
Charges for Services	7,000.00	7,000.00	25,013.86	18,013.86
Revenue from State Sources:				
Restricted Grants-in-Aid	<u>195,365.00</u>	<u>195,365.00</u>	<u>461,959.00</u>	<u>266,594.00</u>
Total Revenue	<u>1,263,316.00</u>	<u>1,263,316.00</u>	<u>1,547,948.45</u>	<u>284,632.45</u>
Expenditures:				
Special Programs:				
Programs for Special Education	1,347,861.00	1,347,861.00	1,189,197.03	158,663.97
Support Services				
Pupils:				
Health			12,848.92	(12,848.92)
Psychological	8,000.00	8,000.00	7,504.75	495.25
Speech Pathology	28,000.00	28,000.00	29,601.95	(1,601.95)
Student Therapy Services	63,500.00	63,500.00	64,185.65	(685.65)
Support Services - Special Education				
Administrative Costs	111,720.00	111,720.00	111,789.73	(69.73)
Transportation Costs	56,500.00	56,500.00	59,949.78	(3,449.78)
Other Special Education Costs	<u>1,500.00</u>	<u>1,500.00</u>	<u>1,230.00</u>	<u>270.00</u>
Total Expenditures	<u>1,617,081.00</u>	<u>1,617,081.00</u>	<u>1,476,307.81</u>	<u>140,773.19</u>
Net Change in Fund Balances	(353,765.00)	(353,765.00)	71,640.64	425,405.64
Fund Balance - July 1, 2019	<u>75,582.11</u>	<u>75,582.11</u>	<u>75,582.11</u>	
FUND BALANCE - JUNE 30, 2020	<u>\$ (278,182.89)</u>	<u>\$ (278,182.89)</u>	<u>\$ 147,222.75</u>	<u>\$ 425,405.64</u>

CANTON SCHOOL DISTRICT NO. 41-1
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 financial statements:

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

Schedule of Required Supplementary Information

CANTON SCHOOL DISTRICT NO. 41-1

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

South Dakota Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension liability (asset)	0.2138941%	0.2093070%	0.2077615%	0.2120982%	0.2046398%	0.2040204%
District's proportionate share of net pension liability (asset)	\$ (1,541,020)	\$ (889,527)	\$ 701,798	\$ (19,248)	\$ (4,773)	\$ (21,621)
District's covered-employee payroll	\$ 3,741,393	\$ 3,829,077	\$ 3,949,417	\$ 4,307,171	\$ 4,253,030	\$ 4,337,218
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.19%	-23.23%	17.77%	-0.45%	-0.11%	-0.50%
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%

* 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

Schedule of Required Supplementary Information

CANTON SCHOOL DISTRICT NO. 41-1

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ <u>224,163</u>	\$ <u>229,745</u>	\$ <u>237,035</u>	\$ <u>258,430</u>	\$ <u>255,182</u>	\$ <u>260,233</u>	\$ <u>273,832</u>
Contributions in relation to the contractually required contribution	\$ <u>224,163</u>	\$ <u>229,745</u>	\$ <u>237,035</u>	\$ <u>258,430</u>	\$ <u>255,182</u>	\$ <u>260,233</u>	\$ <u>273,832</u>
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
District's covered-employee payroll	\$ 3,741,393	\$ 3,829,077	\$ 3,949,417	\$ 4,307,171	\$ 4,253,030	\$ 4,337,218	\$ 4,562,703
Contributions as a percentage of covered-employee payroll	5.99%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

CANTON SCHOOL DISTRICT NO. 41-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES OF BENEFIT TERMS

No significant changes

CHANGES OF ASSUMPTIONS

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

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

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
110 WEST MAIN – P.O. BOX 426
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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
Canton School District No. 41-1
Lincoln 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 Canton School District No. 41-1, Lincoln County, South Dakota, as of June 30, 2020 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 January 14, 2021.

Internal Control Over Financial Reporting

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Current Audit Findings that we consider to be a significant deficiency.

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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported as Finding 2020-002 in the Schedule of Current Audit Findings.

School District's Response to Findings

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

Purpose of this Report

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

Quam, Berglin & Post P.C.

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

January 14, 2021

**CANTON SCHOOL DISTRICT NO. 41-1
SCHEDULE OF AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

PRIOR AUDIT FINDINGS:

Prior Finding Number 2019-001:

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated as a significant deficiency under current audit finding number 2020-001.

CURRENT AUDIT FINDING:

Internal Control-Related Findings - Significant Deficiency:

Audit Finding Number 2020-001:

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

Criteria:

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

Condition, Cause and Effect:

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

Recommendation:

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

Corrective Action Plan:

Nancy Thompson, Business Manager for Canton School District is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on the following page.

Compliance Related Finding:

Audit Finding Number 2020-002:

Criteria:

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund.

Condition, Cause and Effect:

SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district adopted a budget that did not reflect the means of finance. As a result, this transaction resulted in the use of fund balance in excess of available fund balance,

creating a negative fund balance budget for the special education fund.

Recommendation:

We recommend that Canton School District officials be aware of and adhere to the budgetary requirements and supplement budgets when necessary in the future.

Corrective Action Plan:

Nancy Thompson, Business Manager for Canton School District is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on the following page.



Canton School District 41-1

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CORRECTIVE PLAN OF ACTION


JUNE 30, 2020

Canton School District No. 41-1 has considered the lack of segregation of duties for the revenues function. At this time, it is not cost effective for Canton School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Canton School District to decrease the likelihood that financial data is adversely affected.

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

The Canton School District's Board will continue to monitor the budgets, and, if the expenditures are anticipated to exceed the annual appropriation, and/or the fund balance the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to the maximum allowable.


Business Manager


Superintendent