

**GREGORY SCHOOL DISTRICT NO. 26-4
OF GREGORY COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2020, TO JUNE 30, 2021

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

GREGORY SCHOOL DISTRICT NO. 26-4

GREGORY SCHOOL DISTRICT NO. 26-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

BOARD MEMBERS:

Karen Timanus – President
Cara Hull – Vice-President
Jason Frasch
David Shoemaker
Todd Schweigert

SUPERINTENDENT:

Sara Anderson

BUSINESS MANAGER:

Kevin Myrmoe

Schoenfish & Co., Inc.

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Schoenfish & Co., Inc.

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

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

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

School Board
Gregory School District No. 26-4
Gregory, 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 Gregory School District No. 26-4, South Dakota (School District), as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 15, 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2021-001 to be a material weakness.

Compliance and Other Matters

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

School District's Responses to Findings

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

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
November 15, 2021

Schoenfish & Co., Inc.

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P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-8241
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

School Board
Gregory School District No. 26-4
Gregory County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Gregory School District No. 26-4, South Dakota (School District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Gregory School District No. 26-4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2021-001 to be a material weakness.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
November 15, 2021

Schoenfish & Co., Inc.

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control Over Revenues:

Finding Number 2020-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2021-001.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2021-001.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the reporting compliance requirement category as discussed in finding number 2021-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that are required to be disclosed in accordance with the 2 CFR 200.516(a) except for a material weakness resulting from the lack of segregation of duties for revenues as discussed in finding number 2021-001.
- g. The federal awards tested as major programs were:

1. Coronavirus Relief Fund	CFDA No. 21.019
2. Child Nutrition Cluster:	
a. School Breakfast Program	CFDA No. 10.553
b. National School Lunch Program	CFDA No. 10.555
c. Summer Food Service Program for Children	CFDA No. 10.559
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. Gregory School District No. 26-4 did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues which affect the reporting compliance requirement category.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)

Major Federal Program:

The major federal programs affected are Coronavirus Relief Fund, CFDA No. 21.019; School Breakfast Program, CFDA No. 10.553; and National School Lunch Program, CFDA No. 10.555; and Summer Food Service Program for Children 10.559.

Criteria:

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

Condition:

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

Effect:

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

Identification as a Repeat Finding:

This is a repeat audit finding since fiscal year 1999.

RECOMMENDATION:

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

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to report except for the lack of segregation of duties for revenues as stated in finding number 2021-001.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with one Board member, the Superintendent, and the Business Manager on October 8, 2021.



Gregory School District 26-4

SARA ANDERSON
Superintendent
(605) 835-8651 - Ext. 218

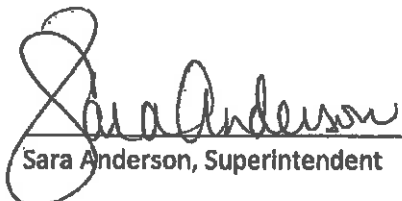
JEFF DETERMAN
PK-12 Principal
(605) 835-8771 - Ext. 241

KEVIN MYRMOE
Business Manager
(605) 835-9672 - Ext. 215

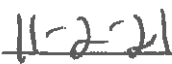
Finding Number 2021-001: Material weakness in internal controls due to a lack of segregation of duties.

Views of Responsible Officials and Planned Corrective Action Plan:

Kevin Myrmoe, Business Manager for the Gregory School District, is the contact person responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the district's business office. The size of the school district and the monetary resources available prevents the staffing of the business office at the proper levels for internal controls. The Gregory School District will look to adopt an Internal Controls and Procedures policy. We are aware of the weakness in internal controls and will follow the policies and procedures that will be adopted to reduce any risk. This will be an ongoing process.




Sara Anderson, Superintendent



Date



Kevin Myrmoe, Business Manager



Date

INDEPENDENT AUDITOR'S REPORT

School Board
Gregory School District No. 26-4
Gregory 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 Gregory School District No. 26-4, South Dakota, (School District) as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The 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.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Gregory School District No. 26-4 as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 and 13 to the financial statements, in 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions on pages 46 through 50, 52, and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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 grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
Certified Public Accountants
November 15, 2021

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF NET POSITION
As of June 30, 2021

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Cash and Cash Equivalents	4,913,853.85	165,037.60	5,078,891.45
Taxes Receivable	1,155,574.08		1,155,574.08
Other Assets	316,182.91	13,755.21	329,938.12
Inventories		8,499.95	8,499.95
Restricted Assets:			
Cash and Cash Equivalents	227,200.00		227,200.00
Net Pension Asset	4,512.73		4,512.73
Capital Assets:			
Land	13,500.00		13,500.00
Other Capital Assets, Net of Depreciation	4,927,551.48	12,104.78	4,939,656.26
TOTAL ASSETS	11,558,375.05	199,397.54	11,757,772.59
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	734,879.56		734,879.56
TOTAL DEFERRED OUTFLOWS OF RESOURCES	734,879.56	0.00	734,879.56
LIABILITIES :			
Accounts Payable	31,999.23	2,560.10	34,559.33
Other Current Liabilities	369,079.82	3,285.51	372,365.33
Unearned Revenue		9,596.25	9,596.25
Noncurrent Liabilities:			
Due Within One Year	110,000.00		110,000.00
Due in More than One Year	893,299.26		893,299.26
TOTAL LIABILITIES	1,404,378.31	15,441.86	1,419,820.17
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	1,155,574.08		1,155,574.08
Pension Related Deferred Inflows	591,130.72		591,130.72
TOTAL DEFERRED INFLOWS OF RESOURCES	1,746,704.80	0.00	1,746,704.80
NET POSITION:			
Net Investment in Capital Assets	3,985,051.48	12,104.78	3,997,156.26
Restricted for:			
Capital Outlay Purposes	3,313,660.38		3,313,660.38
Special Education Purposes	630,959.43		630,959.43
Debt Service Purposes	227,200.00		227,200.00
SDRS Pension Purposes	148,261.57		148,261.57
Unrestricted (Deficit)	837,038.64	171,850.90	1,008,889.54
TOTAL NET POSITION	9,142,171.50	183,955.68	9,326,127.18

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating		Governmental Activities	Primary Government Business-Type		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Governmental Activities	
Primary Government:							
Governmental Activities:							
Instruction	2,713,520.73	3,540.07	320,072.84	2,412.00	(2,387,495.82)		(2,387,495.82)
Support Services	1,435,570.01	21,559.23	3,783.35	100,359.00	(1,309,868.43)		(1,309,868.43)
Community Services		5,400.00			5,400.00		5,400.00
Nonprogrammed Charges	1,000.00				(1,000.00)		(1,000.00)
*Interest on Long-Term Debt	14,902.50				(14,902.50)		(14,902.50)
Cocurricular Activities	303,285.65	26,061.25			(277,224.40)		(277,224.40)
Total Governmental Activities	4,468,278.89	56,560.55	323,856.19	102,771.00	(3,985,091.15)		(3,985,091.15)
Business-type Activities:							
Food Service	230,341.22	33,108.25	263,265.50		66,032.53		66,032.53
Driver's Education	8,633.81	9,453.00			819.19		819.19
Preschool		3,375.00			3,375.00		3,375.00
After School		465.00			465.00		465.00
Total Business-type Activities	238,975.03	46,401.25	263,265.50	0.00	70,691.72		70,691.72
Total Primary Government	4,707,253.92	102,961.80	587,121.69	102,771.00	(3,985,091.15)		(3,914,399.43)
General Revenues:							
Taxes:							
Property Taxes					2,570,187.07		2,570,187.07
Utility Taxes					142,111.56		142,111.56
Revenue from State Sources:							
State Aid					1,738,549.23		1,738,549.23
Revenue from Federal Sources					188,505.52		188,505.52
Grants and Contributions not Restricted to Specific Programs					50,000.00		50,000.00
Unrestricted Investment Earnings					29,860.50		29,860.50
Other General Revenues					429,766.85		429,766.85
Total General Revenues					5,148,980.73	0.00	5,148,980.73
Change in Net Position					1,163,889.58	70,691.72	1,234,581.30
Net Position - Beginning					7,962,878.55	100,733.85	8,063,612.40
Restatements:							
Restatement for Prior Year Payroll Error					6,832.80		6,832.80
Restatement for GASB 84 (See Note 13)					15,403.37	5,697.31	21,100.68
Restated Net Position - Beginning					7,978,281.92	113,263.96	8,091,545.88
NET POSITION - ENDING					9,142,171.50	183,955.68	9,326,127.18

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

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

GREGORY SCHOOL DISTRICT NO. 26-4
BALANCE SHEET
GOVERNMENTAL FUNDS
 As of June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB # 4 Debt Service Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	975,791.43	3,329,040.19	604,022.23		4,908,853.85
Advanced Payments	5,000.00				5,000.00
Taxes Receivable--Current	435,426.39	395,856.20	266,000.75		1,097,283.34
Taxes Receivable--Delinquent	29,004.97	18,049.11	11,236.66		58,290.74
Due from Other Governments	250,047.91		66,135.00		316,182.91
Restricted Cash and Cash Equivalents				227,200.00	227,200.00
TOTAL ASSETS	1,695,270.70	3,742,945.50	947,394.64	227,200.00	6,612,810.84
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	14,489.71	15,379.81	2,129.71		31,999.23
Contracts Payable	265,095.80		24,258.40		289,354.20
Payroll Deductions and Withholdings and Employer Matching Payable	66,915.93		12,809.69		79,725.62
Total Liabilities	346,501.44	15,379.81	39,197.80	0.00	401,079.05
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	29,004.97	18,049.11	11,236.66		58,290.74
Taxes Levied for a Future Period	435,426.39	395,856.20	266,000.75		1,097,283.34
Deferred Inflows of Resources	464,431.36	413,905.31	277,237.41	0.00	1,155,574.08
Fund Balances:					
Restricted:					
Capital Outlay		3,313,660.38			3,313,660.38
Special Education			630,959.43		630,959.43
Debt Service				227,200.00	227,200.00
Assigned for Unemployment	15,038.31				15,038.31
Assigned for Next Year's Budget	17,320.00				17,320.00
Unassigned	851,979.59				851,979.59
Total Fund Balances	884,337.90	3,313,660.38	630,959.43	227,200.00	5,056,157.71
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,695,270.70	3,742,945.50	947,394.64	227,200.00	6,612,810.84

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

GREGORY SCHOOL DISTRICT NO. 26-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds	<u>5,056,157.71</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not due and payable in the current period and therefore is not reported in the funds.	<u>4,512.73</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>4,941,051.48</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>734,879.56</u>
Long-term liabilities, including QZAB bonds payable, capital outlay certificates payable, and accrued leave are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,003,299.26)</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(591,130.72)</u>
Net Position - Governmental Activities	<u><u>9,142,171.50</u></u>

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

**GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB # 3 Debt Service Fund	QZAB # 4 Debt Service Fund	Total Governmental Funds
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	1,008,468.28	900,165.93	606,944.88			2,515,579.09
Prior Years' Ad Valorem Taxes	18,406.65	14,760.74	8,885.23			42,052.62
Utility Taxes	142,111.56					142,111.56
Penalties and Interest on Taxes	5,640.94	4,250.78	2,663.64			12,555.36
Earnings on Investments and Deposits	6,394.64	18,080.14	3,324.70	2,061.02		29,860.50
Cocurricular Activities:						
Admissions	20,130.30					20,130.30
Other Revenue from Local Sources:						
Rentals	1,590.00					1,590.00
Contributions and Donations	51,500.00					51,500.00
Charges for Services	9,052.91		6,881.32			15,934.23
Day Care Services	5,400.00					5,400.00
Other	25,844.44		326.72			26,171.16
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	14,162.98					14,162.98
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	1,738,549.23					1,738,549.23
Restricted Grants-in-Aid	3,783.35					3,783.35
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid Received from Federal Government Through the State	48,284.30	128,672.07	11,549.15			188,505.52
Restricted Grants-in-Aid Received Directly Through an Intermediate Source		2,412.00				2,412.00
Restricted Grants-in-Aid Received Directly from Federal Government	22,795.00					22,795.00
Restricted Grants-in-Aid Received from Federal Government Through the State	193,164.32	100,359.00	102,303.52			395,826.84
Total Revenue	3,315,278.90	1,168,700.66	742,879.16	2,061.02	0.00	5,228,919.74

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB # 3 Debt Service Fund	QZAB # 4 Debt Service Fund	Total Governmental Funds
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	801,017.50	41,851.30				842,868.80
Middle/Junior High	297,296.18					297,296.18
High School	718,000.73	65,554.66				783,555.39
Special Programs:						
Programs for Special Education			431,602.89			431,602.89
Educationally Deprived	183,871.00					183,871.00
Support Services:						
Students:						
Guidance	65,068.47		7,068.36			72,136.83
Health		28,080.00				28,080.00
Psychological			35,853.00			35,853.00
Speech Pathology			75,543.60			75,543.60
Student Therapy Services			28,942.08			28,942.08
Instructional Staff:						
Improvement of Instruction	20,481.88	35,568.00				56,049.88
Educational Media	76,629.14	7,349.86				83,979.00
General Administration:						
Board of Education	28,923.23					28,923.23
Executive Administration	129,933.11					129,933.11
School Administration:						
Office of the Principal	138,597.03					138,597.03
Other	677.05					677.05
Business:						
Fiscal Services	92,046.40	600.00				92,646.40
Facilities Acquisition and Construction		4,995.05				4,995.05
Operation and Maintenance of Plant	330,668.71	23,668.35				354,337.06
Student Transportation	97,914.07	24,228.89				122,142.96
Food Services	13,839.32					13,839.32
Special Education:						
Administrative Costs			39,445.92			39,445.92
Transportation Costs			200.00			200.00

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB # 3 Debt Service Fund	QZAB # 4 Debt Service Fund	Total Governmental Funds
Expenditures (Cont.):						
Nonprogrammed Charges:						
Other Nonprogrammed Costs	1,000.00					1,000.00
Debt Services		114,902.50		250,000.00		364,902.50
Co-curricular Activities:						
Male Activities	76,219.58					76,219.58
Female Activities	56,950.23					56,950.23
Transportation	6,292.17					6,292.17
Combined Activities	121,110.71	12,333.74				133,444.45
Capital Outlay		142,871.76				142,871.76
Total Expenditures	3,256,536.51	502,004.11	618,655.85	250,000.00	0.00	4,627,196.47
Excess of Revenue Over (Under) Expenditures	58,742.39	666,696.55	124,223.31	(247,938.98)	0.00	601,723.27
Other Financing Sources (Uses):						
Transfers In				13,818.52	28,400.00	42,218.52
Transfers Out		(42,218.52)				(42,218.52)
Sale of Surplus Property	550.00	800.00				1,350.00
Compensation for Loss of General Capital Assets	550.00	401,898.73				401,898.73
Total Other Financing Sources (Uses)		360,480.21	0.00	13,818.52	28,400.00	403,248.73
Net Change in Fund Balances	59,292.39	1,027,176.76	124,223.31	(234,120.46)	28,400.00	1,004,972.00
Fund Balance - Beginning	809,642.14	2,286,483.62	506,736.12	234,120.46	198,800.00	4,035,782.34
Restatement:						
Implementation of GASB 84 (See Note 13)	15,403.37					15,403.37
Restated Fund Balance - Beginning	825,045.51	2,286,483.62	506,736.12	234,120.46	198,800.00	4,051,185.71
FUND BALANCE - ENDING	884,337.90	3,313,660.38	630,959.43	0.00	227,200.00	5,056,157.71

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

GREGORY SCHOOL DISTRICT NO. 26-4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	<u>1,004,972.00</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>142,871.76</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(150,760.43)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected regardless of whether a gain or loss is realized.	<u>(18,551.80)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>350,000.00</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>419.29</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (pension expense) (SDSDBF Insurance Deficit)	<u>49,847.74</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(214,908.98)</u>
Change in Net Position of Governmental Activities	<u><u>1,163,889.58</u></u>

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

GREGORY SCHOOL DISTRICT 26-4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2021

	Enterprise Funds		Totals
	Food Service Fund	Driver's Education/ Preschool/ After School Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	128,518.25	36,519.35	165,037.60
Accounts Receivable	3,945.85		3,945.85
Due from State Government	9,809.36		9,809.36
Inventories--Materials and Supplies	905.23		905.23
Inventories--Stores for Resale	2,124.36		2,124.36
Inventory of Donated Food	5,470.36		5,470.36
Total Current Assets	150,773.41	36,519.35	187,292.76
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	84,263.50		84,263.50
Less: Accumulated Depreciation	(72,158.72)		(72,158.72)
Total Noncurrent Assets	12,104.78	0.00	12,104.78
TOTAL ASSETS	162,878.19	36,519.35	199,397.54
LIABILITIES:			
Current Liabilities:			
Accounts Payable	2,299.16	260.94	2,560.10
Payroll Deductions and Withholdings and Employer Matching Payable	3,285.51		3,285.51
Unearned Revenue	9,596.25		9,596.25
TOTAL LIABILITIES	15,180.92	260.94	15,441.86
NET POSITION:			
Net Investment in Capital Assets	12,104.78		12,104.78
Unrestricted Net Position	135,592.49	36,258.41	171,850.90
TOTAL NET POSITION	147,697.27	36,258.41	183,955.68

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Enterprise Service		Totals
	Food Service Fund	Driver's Education/Preschool/After School Fund	
Operating Revenue:			
Food Sales:			
Students	16,519.30		16,519.30
Adults	16,481.25		16,481.25
Other Charges for Goods and Services:			
Food Service	107.70		107.70
After School		465.00	465.00
Driver's Education		9,453.00	9,453.00
Preschool Fees		3,375.00	3,375.00
Total Operating Revenue	33,108.25	13,293.00	46,401.25
Operating Expenses:			
Food Service:			
Salaries	68,623.61		68,623.61
Employee Benefits	24,433.06		24,433.06
Supplies	11,296.83		11,296.83
Cost of Sales - Purchased	97,851.54		97,851.54
Cost of Sales - Donated	23,879.88		23,879.88
Depreciation	4,256.30		4,256.30
Driver's Education		8,633.81	8,633.81
Total Operating Expenses	230,341.22	8,633.81	238,975.03
Operating Income (Loss)	(197,232.97)	4,659.19	(192,573.78)
Nonoperating Revenue (Expense):			
State Grants	824.03		824.03
Federal Grants	240,534.29		240,534.29
Donated Food	21,907.18		21,907.18
Total Nonoperating Revenue (Expense)	263,265.50	0.00	263,265.50
Change in Net Position	66,032.53	4,659.19	70,691.72
Net Position - Beginning	74,831.94	25,901.91	100,733.85
Adjustments and Restatements:			
Payroll Error - See Note 13	6,832.80		6,832.80
Custodial Adjustment GASB 84 - See Note 13		5,697.31	5,697.31
Adjusted Net Position	81,664.74	31,599.22	113,263.96
NET POSITION - ENDING	147,697.27	36,258.41	183,955.68

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

	Enterprise Fund		Totals
	Food Service Fund	Driver's Education/ Preschool/ After School Fund	
Cash Flows from Operating Activities:			
Cash Receipts from Customers	44,798.80	13,293.00	58,091.80
Cash Payments to Employees for Services	(98,289.79)	(8,273.75)	(106,563.54)
Cash Payments to Suppliers for Goods or Services	(112,535.86)	(425.08)	(112,960.94)
Net Cash Provided (Used) by Operating Activities	<u>(166,026.85)</u>	<u>4,594.17</u>	<u>(161,432.68)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Grants	238,512.70		238,512.70
Net Cash Provided (Used) from Noncapital Financing Activities	<u>238,512.70</u>	<u>0.00</u>	<u>238,512.70</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>72,485.85</u>	<u>4,594.17</u>	<u>77,080.02</u>
Cash and Cash Equivalents at Beginning of Year	49,199.60	26,227.87	75,427.47
Adjustments:			
Prior Period Adjustment for Payroll Error	6,832.80		6,832.80
Implementation of GASB 84 (See Note 13)		5,697.31	5,697.31
Cash and Cash Equivalents at Beginning of Year	56,032.40	31,925.18	87,957.58
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>128,518.25</u>	<u>36,519.35</u>	<u>165,037.60</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(197,232.97)	4,659.19	(192,573.78)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	4,256.30		4,256.30
Value of Donated Commodities Used	23,879.88		23,879.88
(Increase) decrease in Accounts Receivable	2,094.30		2,094.30
(Increase) decrease in Inventories	2,791.19		2,791.19
(Decrease) increase in Accounts and Other Payables	(6,178.68)	(65.02)	(6,243.70)
(Decrease) increase in Accrued Wages Payable	(5,233.12)		(5,233.12)
(Decrease) increase in Unearned Revenue	9,596.25		9,596.25
Net Cash Provided (Used) by Operating Activities	<u>(166,026.85)</u>	<u>4,594.17</u>	<u>(161,432.68)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	21,907.18		21,907.18

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2021

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and Cash Equivalents	<u>136,931.57</u>	<u>68,569.11</u>
TOTAL ASSETS	<u><u>136,931.57</u></u>	<u><u>68,569.11</u></u>
NET POSITION:		
Restricted for:		
Organizations		<u>68,569.11</u>
Held in Trust for Scholarships	<u>136,931.57</u>	
TOTAL NET POSITION	<u><u>136,931.57</u></u>	<u><u>68,569.11</u></u>

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

GREGORY SCHOOL DISTRICT NO. 26-4
STATEMENT OF CHANGES IN NET POSITON
FIDUCIARY FUNDS
For the Year Ended June 30, 2021

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Contributions and Donations	6,200.00	
Net Investment Earnings	1,403.46	28.91
Collections for Student Activities		40,978.47
Other Additions	125.00	9,642.91
Total Additions	7,728.46	50,650.29
DEDUCTIONS:		
Trust Deductions for Scholarships	3,160.13	
Payments for Student Activities		47,528.27
Other Deductions		10,569.00
Total Deductions	3,160.13	58,097.27
 Change in Net Position	 4,568.33	 (7,446.98)
 Net Position - Beginning	 132,363.24	 0.00
 Restatement:		
Implementation of GASB 84 (See Note 13)		76,016.09
 Net Position - Beginning, as Restated	 132,363.24	 76,016.09
 NET POSITON - ENDING	 136,931.57	 68,569.11

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Gregory School District No. 26-4 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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

The QZAB Bond # 3 Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the payment of principal on Qualified Zone Academy Bonds. This is a major fund. This fund was closed in Fiscal Year 2021.

The QZAB Bond # 4 Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the payment of principal on Qualified Zone Academy Bonds. This is a major fund.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

Driver's Education/Preschool Fund/After School – A fund used to record financial transactions related to driver's education, preschool, and afterschool. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The School District maintains the following private-purpose trust funds:

Scholarship trusts – trusts established by donors to provide for college scholarships to graduating students.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:**Government-wide Financial Statements:**

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Gregory School District No. 26-4, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2021 are grants from the State of South Dakota and utility taxes.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Deposits and Investments:

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

Investments classified in the financial statements consists 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.

e. Capital Assets:

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

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

Government-Wide Statements

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

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

The total June 30, 2021 balance of capital assets for governmental activities and business-type activities are all valued at original 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	\$ 0.00	----N/A-----	-----N/A-----
Improvements	\$ 5,000.00	Straight-line	10-25 yrs.
Buildings	\$ 5,000.00	Straight-line	50-100 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	10-15 yrs.
Food Service Equipment	\$ 1,000.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, limited tax general obligation certificates payable and QZAB loans.

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

g. Program Revenues:

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

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

h. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

i. 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

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

1. Net Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on 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 does not meet the definition of "restricted" or "net investment in capital assets".

Fund Financial Statements:

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

k. Application of Net Position:

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

l. Fund Balance Classification Policies and Procedures:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

- 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 School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

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

m. 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 position liability (asset) are recognized on an accrual basis of accounting.

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2021, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and the financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds in 2021.

3. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

As of June 30, 2021, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

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 deposits and investments to the fund making the investment.

4. RESTRICTED CASH AND INVESTMENTS:

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

Amount:	Purpose:
\$227,200.00	For Debt Service, by debt covenants

5. 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.

6. INVENTORY

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

In the fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased in the general and special revenue funds. The cost is recorded as an expenditure at the time individual inventory items are consumed in the proprietary funds. Reported inventories are equally offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material supply inventories exist at June 30, 2021 in the General and special revenue funds.

7. PROPERTY TAXES

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

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

8. CHANGES IN CAPITAL ASSETS

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

Primary Government: Governmental Activities:	Balance 07/01/2020	Increases	Decreases	Balance 06/30/2021
Capital Assets, not being depreciated:				
Land	13,500.00			13,500.00
Total, not being depreciated	<u>13,500.00</u>	<u>0.00</u>	<u>0.00</u>	<u>13,500.00</u>
Capital Assets, being depreciated:				
Improvements	816,079.29			816,079.29
Buildings	4,743,602.39	49,263.96		4,792,866.35
Machinery & Equipment	887,202.24	93,607.80	(45,432.64)	935,377.40
Total, being depreciated	<u>6,446,883.92</u>	<u>142,871.76</u>	<u>(45,432.64)</u>	<u>6,544,323.04</u>
Less Accumulated Depreciation for:				
Improvements	(173,002.88)	(24,849.86)		(197,852.74)
Buildings	(901,851.68)	(58,978.37)		(960,830.05)
Machinery & Equipment	(418,037.41)	(66,932.20)	26,880.84	(458,088.77)
Total Accumulated Depreciation	<u>(1,492,891.97)</u>	<u>(150,760.43)</u>	<u>26,880.84</u>	<u>(1,616,771.56)</u>
Total Capital Assets, being depreciated, net	<u>4,953,991.95</u>	<u>(7,888.67)</u>	<u>(18,551.80)</u>	<u>4,927,551.48</u>
Governmental Activity Capital Assets, Net	<u>4,967,491.95</u>	<u>(7,888.67)</u>	<u>(18,551.80)</u>	<u>4,941,051.48</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	55,722.97
Support Services	78,849.10
Co-curricular Activities	<u>16,188.36</u>
Total Depreciation Expense - Governmental Activities	<u><u>150,760.43</u></u>

	Balance 07/01/2020	Increases	Decreases	Balance 06/30/2021
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	84,263.50			84,263.50
Less Accumulated Depreciation for:				
Machinery & Equipment	(67,902.42)	(4,256.30)		(72,158.72)
Total Capital Assets, being depreciated, net	16,361.08	(4,256.30)	0.00	12,104.78
Business-Type Activity Capital Assets, Net	16,361.08	(4,256.30)	0.00	12,104.78

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Services	4,256.30
Total Depreciation Expense - Business-Type Activities	<u><u>4,256.30</u></u>

9. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Qualified Zone Academy Bond (QZAB) #3	250,000.00		250,000.00	0.00	0.00
Qualified Zone Academy Bond (QZAB) #4	426,000.00			426,000.00	0.00
South Dakota School District Benefit Fund	41,470.00		41,470.00	0.00	0.00
Limited Tax General Obligation Refunding Certificates - Series 2015	630,000.00		100,000.00	530,000.00	100,000.00
Total Debt	1,347,470.00	0.00	391,470.00	956,000.00	100,000.00
Accrued Compensated Absences - Governmental Funds	47,718.55	8,504.35	8,923.64	47,299.26	10,000.00
Total Governmental Activities	1,395,188.55	8,504.35	400,393.64	1,003,299.26	110,000.00
TOTAL PRIMARY GOVERNMENT	1,395,188.55	8,504.35	400,393.64	1,003,299.26	110,000.00

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Liabilities Payable at June 30, 2021, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:
expenditures are charged to.

Qualified Zone Academy Bonds #4:

QZAB Bonds for School Renovation;
Maturity Date October 18, 2027; Non-Interest Bearing Note; \$ 426,000.00
Payable from QZAB Debt Service # 4 Fund

Limited Tax General Obligation Refunding Certificates – Series 2015:

Certificates for Constructing 6th through 12th Grade Facilities;
Maturity Date February 15, 2026; \$ 530,000.00
Fixed Interest Rate at 0.5% to 2.6%;
Payable from Capital Outlay Fund

Compensated Absences:

Accrued Sick Leave Payable
Payment to be made by the fund that the payroll \$ 47,299.26
expenditures are charged to.

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

Annual Requirements to Maturity for Long-Term Debt June 30, 2021						
Year Ending June 30,	Qualified Zone Academy Bonds (QZAB) #4		Limited Tax General Obligation Refunding Bonds Payable - Series 2015		TOTALS	
	Principal	Interest	Principal	Interest	Principal	Interest
2022			100,000.00	12,402.50	100,000.00	12,402.50
2023			100,000.00	10,402.50	100,000.00	10,402.50
2024			105,000.00	8,152.50	105,000.00	8,152.50
2025			110,000.00	5,685.00	110,000.00	5,685.00
2026			115,000.00	2,990.00	115,000.00	2,990.00
2027-2028	426,000.00				426,000.00	0.00
Totals	<u>426,000.00</u>	<u>0.00</u>	<u>530,000.00</u>	<u>39,632.50</u>	<u>956,000.00</u>	<u>39,632.50</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. RESTRICTED NET POSITION

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

<u>Purpose</u>	<u>Restricted By:</u>	<u>Amount</u>
Major Funds:		
Capital Outlay	Law	\$ 3,313,660.38
Special Education	Law	630,959.43
SDRS Pension	Governmental Auditing Standard	148,261.57
QZAB Debt Service	Debt Covenants	227,200.00
Total Restricted Net Position		<u>\$ 4,320,081.38</u>

11. INTERFUND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>		<u>Totals</u>
	<u>QZAB Bond # 3 Fund</u>	<u>QZAB Bond # 4 Fund</u>	
Major Funds:			
Capital Outlay Fund	13,818.52	28,400.00	42,218.52
Totals	<u>13,818.52</u>	<u>28,400.00</u>	<u>42,218.52</u>

The School District typically budgets transfers to the QZAB Funds from the Capital Outlay Fund for future debt service payments.

12. 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.

13. PRIOR PERIOD ADJUSTMENT AND RESTATEMENTS

As of June 30, 2021, the School District Implemented GASB Statement No. 84, *Fiduciary Activities* (GASB 84). Certain funds previously accounted for as agency activities are not considered fiduciary in nature and are now reported in the General and Driver’s Education/Preschool/After School Funds. The School District restated the net position and fund balance of the fund indicated below to appropriately reflect the balances as of July 1, 2020 as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Additionally, a restatement was made to correct a prior year payroll error in the Food Service Fund. As a result, beginning net position has been restated to reflect the adjustments to the payroll expenditures as of July 1, 2020 as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position July 1, 2020, as previously reported	\$ 7,962,878.55	\$ 100,733.85
Restatements:		
To Correct Prior Year Payroll Error		6,832.80
Implementation of GASB 84	15,403.37	5,697.31
Net Position July 1, 2020, as restated	<u>\$ 7,978,281.92</u>	<u>\$ 113,263.96</u>

	<u>Food Service Food</u>	<u>Driver's Ed/ Preschool/ After School Fund</u>	<u>Custodial Funds</u>
Net Position July 1, 2020, as previously reported	\$ 74,831.94	\$ 25,901.91	\$ -
Restatements:			
To Correct Prior Year Payroll Error	6,832.80		
Implementation of GASB 84		5,697.31	76,016.09
Net Position July 1, 2020, as restated	<u>\$ 81,664.74</u>	<u>\$ 31,599.22</u>	<u>\$ 76,016.09</u>

	<u>General Fund</u>
Fund Balance July 1, 2020, as previously reported	809,642.14
Restatements:	
Implementation of GASB 84	15,403.37
Fund Balance July 1, 2020, as restated	<u>825,045.51</u>

14. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

obtained at <http://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$144,086.51, \$135,708.77, and \$134,213.37, respectively, equal to the required contributions each year.

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

At June 30, 2020, SDRS is 100.04% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2020 and reported by the School District as of June 30, 2021 are as follows:

Proportionate share of pension liability	\$ 12,773,491.55
Less proportionate share of net pension restricted for pension benefits	<u>\$ 12,778,004.28</u>
Proportionate share of net pension liability (asset)	<u>\$ (4,512.73)</u>

At June 30, 2021, the School District reported a liability (asset) of \$(4,512.73) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District's proportion was 0.10390870%, which is an increase (decrease) of (0.0013083%) from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense (reduction of pension expense) of \$206,531.24. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 17,263.67	\$ 3,535.16
Changes in assumption.	\$ 145,357.74	\$ 586,239.98
Net Difference between projected and actual earnings on pension plan investments.	\$ 419,436.58	
Changes in proportion and difference between School district contributions and proportionate share of contributions.	\$ 8,735.06	\$ 1,355.58
School District contributions subsequent to the measurement date.	<u>\$ 144,086.51</u>	
TOTAL	<u>\$ 734,879.56</u>	<u>\$ 591,130.72</u>

\$144,086.51 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30:	
2022	\$ (48,044.02)
2023	\$ (37,812.85)
2024	\$ 7,117.57
2025	<u>\$ 78,401.63</u>
TOTAL	<u>\$ (337.67)</u>

Actuarial Assumptions:

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50 percent as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,750,641.89	\$(4,512.73)	\$(1,440,194.65)

Pension Plan Fiduciary Net Position:

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

15. JOINT VENTURES

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

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

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

The co-op's governing board is composed of two representatives from each member school district, who are one administrator of the school on the advisory board and one school board member on the governing board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Armour School District No. 21-1	5.86%
Burke School District No. 26-2	7.73%
Colome Consolidated School District No. 59-3	7.11%
Corsica-Stickney School District No. 21-3	6.48%
Gregory School District No. 26-4	10.39%
Kimball School District No. 7-2	8.36%
Mt. Vernon School District No. 17-3	8.20%
Plankinton School District No. 1-1	10.86%
Platte-Geddes School District No. 11-5	10.86%
Wessington Springs School District No. 32-6	8.05%
White Lake School District No. 1-3	4.14%
Wolsey-Wessington School District No. 2-6	11.96%

The co-op's governing board is composed of two representatives from each member school district, who are one administrator of the school on the advisory board and one school board member on the governing board. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Core Educational Cooperative.

At June 30, 2021, this joint venture had total assets and deferred outflows of resources of \$1,614,482.14, total liabilities and deferred inflows of resources of \$491,046.81, and net position of \$1,123,435.33.

16. RISK MANAGEMENT

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

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as common risk management and insurance program for 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 the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Liability Insurance:

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

Worker's Compensation:

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

Unemployment Benefits:

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

The School District has Assigned Fund Balance in the General Fund in the amount of \$15,038.31 for the payment of future unemployment benefits.

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

17. SIGNIFICANT CONTINGENCIES – LITIGATION

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

18. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through November 15, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
GREGORY SCHOOL DISTRICT NO. 26-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	950,374.00	950,374.00	1,008,468.28	58,094.28
Prior Years' Ad Valorem Taxes	8,000.00	8,000.00	18,406.65	10,406.65
Utility Taxes	135,000.00	135,000.00	142,111.56	7,111.56
Penalties and Interest on Taxes	3,000.00	3,000.00	5,640.94	2,640.94
Earnings on Investments and Deposits	4,500.00	4,500.00	6,394.64	1,894.64
Cocurricular Activities:				
Admissions	20,000.00	20,000.00	20,130.30	130.30
Other Revenue from Local Sources:				
Rentals	2,000.00	2,000.00	1,590.00	(410.00)
Contributions and Donations	0.00	0.00	51,500.00	51,500.00
Charges for Services	10,000.00	10,000.00	9,052.91	(947.09)
Day Care Services	7,200.00	7,200.00	5,400.00	(1,800.00)
Other	20,000.00	20,000.00	25,844.44	5,844.44
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	15,000.00	15,000.00	14,162.98	(837.02)
Revenue in Lieu of Taxes	500.00	500.00	0.00	(500.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,687,308.00	1,687,308.00	1,738,549.23	51,241.23
Restricted Grants-in-Aid	2,400.00	2,400.00	3,783.35	1,383.35
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through the State	0.00	9,450.00	48,284.30	38,834.30
Restricted Grants-in-Aid Received Directly from Federal Government	0.00	0.00	22,795.00	22,795.00
Restricted Grants-in-Aid Received from Federal Government Through the State	169,763.00	169,763.00	193,164.32	23,401.32
Total Revenue	3,035,045.00	3,044,495.00	3,315,278.90	270,783.90
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	805,989.00	805,989.00	801,017.50	4,971.50
Middle/Junior High	293,719.00	297,719.00	297,296.18	422.82
High School	728,994.00	728,994.00	718,000.73	10,993.27
Special Programs:				
Educationally Deprived	195,723.00	195,723.00	183,871.00	11,852.00

REQUIRED SUPPLEMENTARY INFORMATION
GREGORY SCHOOL DISTRICT NO. 26-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original	Final		Final Budget - Positive (Negative)
Expenditures (continued):				
Support Services:				
Students:				
Guidance	64,680.00	65,080.00	65,068.47	11.53
Health	1,500.00	1,500.00	0.00	1,500.00
Instructional Staff:				
Improvement of Instruction	29,083.00	29,083.00	20,481.88	8,601.12
Educational Media	77,452.00	77,452.00	76,629.14	822.86
General Administration:				
Board of Education	40,883.00	40,883.00	28,923.23	11,959.77
Executive Administration	129,164.00	129,964.00	129,933.11	30.89
School Administration:				
Office of the Principal	163,474.00	163,474.00	138,597.03	24,876.97
Other	1,200.00	1,200.00	677.05	522.95
Business:				
Fiscal Services	98,778.00	98,778.00	92,046.40	6,731.60
Operation and Maintenance of Plant	388,363.00	388,363.00	330,668.71	57,694.29
Student Transportation Services	128,132.00	128,132.00	97,914.07	30,217.93
Food Services	10,730.00	13,930.00	13,839.32	90.68
Nonprogrammed Charges				
Other Nonprogrammed Costs	0.00	1,000.00	1,000.00	0.00
Cocurricular Activities:				
Male Activities	82,734.00	82,734.00	76,219.58	6,514.42
Female Activities	69,920.00	69,920.00	56,950.23	12,969.77
Transportation	11,365.00	11,365.00	6,292.17	5,072.83
Combined Activities	146,398.00	146,448.00	121,110.71	25,337.29
Total Expenditures	3,468,281.00	3,477,731.00	3,256,536.51	221,194.49
Excess of Revenue Over (Under)				
Expenditures	(433,236.00)	(433,236.00)	58,742.39	491,978.39
Other Financing Sources (Uses):				
Transfers In	433,236.00	433,236.00	0.00	(433,236.00)
Sale of Surplus Property	0.00	0.00	550.00	550.00
Total Other Financing Sources (Uses)	433,236.00	433,236.00	550.00	(432,686.00)
Net Change in Fund Balances	0.00	0.00	59,292.39	59,292.39
Fund Balance - Beginning	809,642.14	809,642.14	809,642.14	0.00
Restatement:				
Implementation fo GASB 84 See Note 13	0.00	0.00	15,403.37	15,403.37
Restated Fund Balance - Beginning	809,642.14	809,642.14	825,045.51	15,403.37
FUND BALANCE - ENDING	809,642.14	809,642.14	884,337.90	74,695.76

REQUIRED SUPPLEMENTARY INFORMATION
GREGORY SCHOOL DISTRICT NO. 26-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	900,000.00	900,000.00	900,165.93	165.93
Prior Years' Ad Valorem Taxes	5,000.00	5,000.00	14,760.74	9,760.74
Penalties and Interest on Taxes	2,500.00	2,500.00	4,250.78	1,750.78
Earnings on Investments and Deposits	11,000.00	11,000.00	18,080.14	7,080.14
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government Through the State	0.00	70,180.00	128,672.07	58,492.07
Restricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	0.00	0.00	2,412.00	2,412.00
Restricted Grants-in-Aid Received from Federal Government Through the State	0.00	0.00	100,359.00	100,359.00
Total Revenue	918,500.00	988,680.00	1,168,700.66	180,020.66
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	115,000.00	115,000.00	41,851.30	73,148.70
High School	67,114.00	67,114.00	65,554.66	1,559.34
Support Services:				
Students:				
Guidance	0.00	28,080.00	28,080.00	0.00
Support Services:				
Instructional Staff:				
Improvement of Instruction	0.00	35,600.00	35,568.00	32.00
Educational Media	5,000.00	11,500.00	11,257.66	242.34
Business:				
Fiscal Services	600.00	600.00	600.00	0.00
Facilities Acquisition and Construction	20,000.00	20,000.00	4,995.05	15,004.95
Operation and Maintenance of Plant	110,000.00	110,000.00	78,232.31	31,767.69
Student Transportation Services	110,000.00	110,000.00	108,628.89	1,371.11
Debt Services	165,250.00	165,250.00	114,902.50	50,347.50
Cocurricular Activities:				
Combined Activities	40,000.00	40,000.00	12,333.74	27,666.26
Total Expenditures	632,964.00	703,144.00	502,004.11	201,139.89
Excess of Revenue Over (Under) Expenditures	285,536.00	285,536.00	666,696.55	381,160.55

REQUIRED SUPPLEMENTARY INFORMATION
GREGORY SCHOOL DISTRICT NO. 26-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses):				
Transfers In	125,600.00	125,600.00	0.00	(125,600.00)
Transfers Out	(411,136.00)	(411,136.00)	(42,218.52)	368,917.48
Sale of Surplus Property	0.00	0.00	800.00	800.00
Compensation for Loss of General Capital Assets	0.00	0.00	401,898.73	401,898.73
Total Other Financing Sources(Uses)	(285,536.00)	(285,536.00)	360,480.21	646,016.21
Net Change in Fund Balances	0.00	0.00	1,027,176.76	1,027,176.76
Fund Balance - Beginning	2,286,483.62	2,286,483.62	2,286,483.62	0.00
FUND BALANCE - ENDING	2,286,483.62	2,286,483.62	3,313,660.38	1,027,176.76

REQUIRED SUPPLEMENTARY INFORMATION
GREGORY SCHOOL DISTRICT NO. 26-4
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	525,000.00	525,000.00	606,944.88	81,944.88
Prior Years' Ad Valorem Taxes	3,500.00	3,500.00	8,885.23	5,385.23
Penalties and Interest on Taxes	1,500.00	1,500.00	2,663.64	1,163.64
Earnings on Investments and Deposits	2,500.00	2,500.00	3,324.70	824.70
Other Revenue from Local Sources:				
Charges for Services	1,200.00	1,200.00	6,881.32	5,681.32
Other	0.00	0.00	326.72	326.72
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through the State	0.00	14,060.00	11,549.15	(2,510.85)
Restricted Grants-in-Aid Received from Federal Government Through the State	102,229.00	102,229.00	102,303.52	74.52
Total Revenue	635,929.00	649,989.00	742,879.16	92,890.16
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	471,891.00	485,951.00	431,602.89	54,348.11
Support Services:				
Students:				
Guidance	7,069.00	7,069.00	7,068.36	0.64
Psychological	35,853.00	35,853.00	35,853.00	0.00
Speech Pathology	75,544.00	75,544.00	75,543.60	0.40
Student Therapy Services	28,943.00	28,943.00	28,942.08	0.92
Special Education:				
Administrative Costs	39,447.00	39,447.00	39,445.92	1.08
Transportation Costs	1,000.00	1,000.00	200.00	800.00
Total Expenditures	659,747.00	673,807.00	618,655.85	55,151.15
Excess of Revenue Over (Under) Expenditures	(23,818.00)	(23,818.00)	124,223.31	148,041.31
Other Financing Sources (Uses):				
Transfers In	26,818.00	26,818.00	0.00	(26,818.00)
Total Other Financing Sources (Uses)	26,818.00	26,818.00	0.00	(26,818.00)
Net Change in Fund Balances	3,000.00	3,000.00	124,223.31	121,223.31
Fund Balance - Beginning	506,736.12	506,736.12	506,736.12	0.00
FUND BALANCE - ENDING	509,736.12	509,736.12	630,959.43	121,223.31

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONJune 30, 2021

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

Note 1. Budgets and Budgetary Accounting

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last 7 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability/asset	0.1039087%	0.1052170%	0.1055436%	0.1083254%	0.1046527%	0.1024109%	0.1059619%
District's proportionate share of net pension liability (asset)	\$ (4,513)	\$ (11,150)	\$ (2,462)	\$ (9,831)	\$ 353,507	\$ (434,354)	\$ (763,412)
District's covered-employee payroll	\$ 2,261,803	\$ 2,237,127	\$ 2,196,165	\$ 2,200,947	\$ 1,954,157	\$ 1,869,732	\$ 1,852,979
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.20%	0.50%	0.11%	0.45%	18.09%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of the previous fiscal year.

**Notes to Required Supplementary Information
for the Year Ended June 30, 2021**
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

GREGORY SCHOOL DISTRICT NO. 26-4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures FY 2021
Child Nutrition Cluster:			
US Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	10.555	20213SD310N1099	<u>23,879.88</u>
Cash Assistance:			
COVID-19 School Breakfast Program (Note 3) (Note 4)	10.553	20213SD310N1099	<u>2,988.86</u>
COVID-19 National School Lunch Program (Note 3) (Note 4)	10.555	20213SD310N1099	<u>17,490.72</u>
Summer Food Service Program for Children (Note 3) (Note 4)	10.559	20213SD310N1102	<u>216,560.23</u>
Total for Child Nutrition Cluster			<u>260,919.69</u>
US Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Fresh Fruit and Vegetable Program	10.582		<u>13,839.32</u>
Subtotal US Department of Agriculture - Pass-Through Programs			<u>13,839.32</u>
Total US Department of Agriculture			<u>274,759.01</u>
US Department of Treasury - Pass-Through Programs From:			
SD Bureau of Finance and Management,			
COVID-19 Coronavirus Relief Fund (Note 4)	21.019		<u>192,000.00</u>
Total US Department of Treasury			<u>192,000.00</u>
US General Services Administration - Pass-Through Programs From:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003		<u>5.06</u>
Total US General Services Administration			<u>5.06</u>
Special Education Cluster:			
US Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Special Education - Grants to States (IDEA, Part B)	84.027	H027A200091	<u>98,244.52</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A200091	<u>4,059.00</u>
Total for Special Education Cluster			<u>102,303.52</u>
US Department of Education - Direct Programs:			
Rural Education	84.358		<u>22,795.00</u>
Subtotal for US Department of Education - Direct Programs			<u>22,795.00</u>
US Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A200041	<u>138,151.00</u>
Career and Technical Education - Basic Grants to States	84.048	V048A2080041	<u>2,412.00</u>
Supporting Effective Instruction State Grants	84.367	S367A200039	<u>26,994.00</u>
School Support and Academic Enrichment Grants	84.424	S424A200043	<u>14,180.00</u>
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D		<u>100,359.00</u>
Subtotal US Department of Education - Pass-Through Programs			<u>282,096.00</u>
Total US Department of Education			<u>304,891.00</u>
GRAND TOTAL			<u>\$873,958.59</u>

GREGORY SCHOOL DISTRICT NO. 26-4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

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

Note 3: Federal Reimbursement

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

Note 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

Note 5: Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the School District.