

VERMILLION SCHOOL DISTRICT NO. 13-1

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

JUNE 30, 2019

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

VERMILLION SCHOOL DISTRICT NO. 13-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2019

School Board

Shannon Fairholm – President

Tim Schwasinger- Vice President

Rachel Olson

Doug Peterson

Jim Peterson

Business Manager

Sheila Beermann

Superintendent

Damon Alvey

VERMILLION SCHOOL DISTRICT NO. 13-1
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	21
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Net Position – Fiduciary Funds	25
Notes to the Financial Statements	26
Required Supplementary Information:	
Budgetary Comparison Schedules – Budgetary Basis:	
General Fund	46
Capital Outlay Fund	48
Special Education Fund	49
Pension Fund	50
Notes to the Required Supplementary Information	51
Schedule of Changes in Total OPEB Liability	52
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)	53
Schedule of the School District Contributions	54
Notes to the Required Supplementary Information	55
Supplementary Information:	
Schedule of Expenditures of Federal Awards	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	60
Schedule of Prior Audit Findings and Questioned Costs	62
Schedule of Current Audit Findings and Questioned Costs	63

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INDEPENDENT AUDITOR'S REPORT

School Board
Vermillion School District No. 13-1
Clay County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Vermillion School District No. 13-1, Clay County, South Dakota (School District), as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Vermillion School District No. 13-1 as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of the Vermillion 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 Vermillion School District's internal control over financial reporting and compliance.



Quam, Berglin & Post, P.C.
Elk Point, SD

November 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Vermillion School District #13-1's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's net position from governmental and business-type activities decreased approximately \$73,692 primarily due to a decrease in cash assets.
- During the year, the School's revenues generated from taxes and other revenues of the governmental funds were \$741,876 more than the \$12,550,021 governmental expenditures.
- In the General Fund, revenue exceeded expenditures by \$90,289. The General Fund's fund balance increased from \$2,017,870 to \$2,108,159.
- The total cost of the School's programs held fairly steady which was primarily due to controlling expenses and maintaining budget cuts previously implemented by the school board.
- The District reduced its General Obligation Bond indebtedness by a net of \$255,000 eliminating all G.O. Bond debt as of June 30, 2019.
- The District reduced its Capital Outlay Certificate indebtedness by \$500,463. Capital Outlay Certificates payable on June 30, 2019, was \$4,567,772.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services, e.g., regular and special education, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short-and long-term financial information about the activities that the school operates like a business and the activities that provide services for its other programs and activities, i.e., internal service activities. The District has business-type activities in the Food Service Fund and the Other Enterprise Fund.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g., student clubs (agency funds) and scholarships (trust funds).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

Required Components of Vermillion School's Annual Financial Report

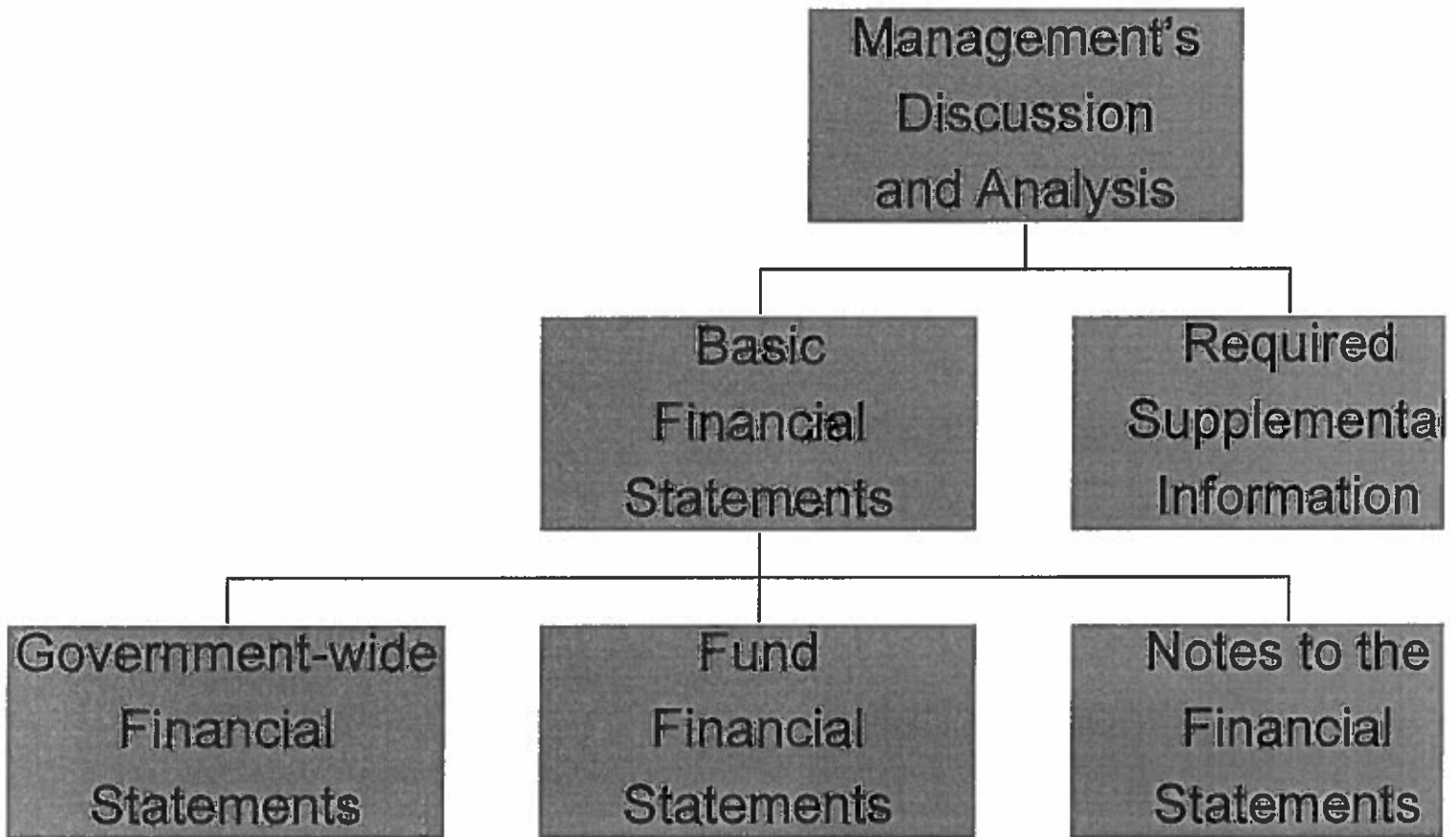


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

Major Features of Vermillion School's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Government Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation fund and other enterprise fund	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balance	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall financial health of the District, additional factors, e.g., changes in the District's property tax base and changes in the state school aid funding formula, also need to be considered.

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

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary, middle and high school educational programs, support services (guidance, executive administration, school board, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing services to all students. The district has the Food Service Fund and the Other Enterprise Fund (consisting of the after school program, preschool program, and drivers education program) which are all business-type activities of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some funds.
- The School District also establishes agency funds that are used to account for resources held by the school district in a purely custodial capacity. eg., various agency funds.

The School has three generic fund types:

- **Governmental Funds** - Most of the District's basic services are included in the governmental funds which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine if there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains relationship and reconciles the differences between the fund financial statements and the governmental-wide statements.
- **Proprietary Funds** - Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short-and long-term financial information. The District uses an enterprise fund (one type of proprietary fund) to report the activities of its Food Service Program and Other Enterprise Fund which includes the after school program, the preschool program, and the driver's education program, all business-type activities.
- **Fiduciary Funds** - The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position decreased as follows:

Table A-1						
VERMILLION SCHOOL DISTRICT 13-1						
Statement of Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Current and Other Assets	10,550,320	11,378,836	342,508	341,313	10,892,828	11,720,149
Net Pension Assets	27,789	6,882			27,789	6,882
Capital Assets	20,196,335	19,406,895	51,726	44,509	20,248,061	19,451,404
Total Assets	30,774,444	30,792,613	394,234	385,822	31,168,677	31,178,435
Pension Related Deferred Outflow s	2,988,370	2,448,308	-	-	2,988,370	2,448,308
Total Deferred Outflow s of Resources	2,988,370	2,448,308	-	-	2,988,370	2,448,308
Long-Term Debt Outstanding	6,987,866	6,418,551	-	-	6,987,866	6,418,551
Other Liabilities	1,016,388	1,029,827	51,534	49,338	1,067,922	1,079,165
Total Liabilities	8,004,254	7,448,378	51,534	49,338	8,055,788	7,497,716
Taxes Levied for Future Period	3,217,466	3,306,221	-	-	3,217,466	3,306,221
OPEB Related Deferred Inflow s	111,656	144,791	-	-	111,656	144,791
Pension Related Deferred Inflow s	555,997	535,566	-	-	555,997	535,566
Total Deferred Inflow s of Resources	3,885,119	3,986,578	-	-	3,885,119	3,986,578
Net Position:						
Net Investment in Capital Assets	16,457,989	14,839,123	51,726	44,509	16,509,715	14,883,632
Restricted	6,832,500	6,909,368	-	-	6,832,500	6,909,368
Unrestricted	(1,417,049)	57,474	290,974	291,975	(1,126,075)	349,449
Total Net Position	21,873,441	21,805,965	342,700	336,484	22,216,141	22,142,449
Beginning Net Position	20,867,703	21,873,441	343,529	342,700	21,211,232	22,216,141
Increase (Decrease) in Net Position	1,005,738	(67,476)	(830)	(6,216)	1,004,908	(73,692)
Percentage of Increase (Decrease) in Net Position for 2017-2018	4.82%	-0.31%	-0.24%	-1.81%	4.74%	-0.33%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of construction bond/capital outlay certificates indebtedness and capital acquisition lease payables, have been

reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

Changes in Net Position

The district had a decrease the Governmental Activities Net Position for the fiscal year end June 30, 2019 of \$67,476. The district came very close to maintaining by attempting to take advantage of opportunities to generate additional revenues as well as continuous review throughout the year of various options to reduce costs. The district was able to end the fiscal year in a financially sound position.

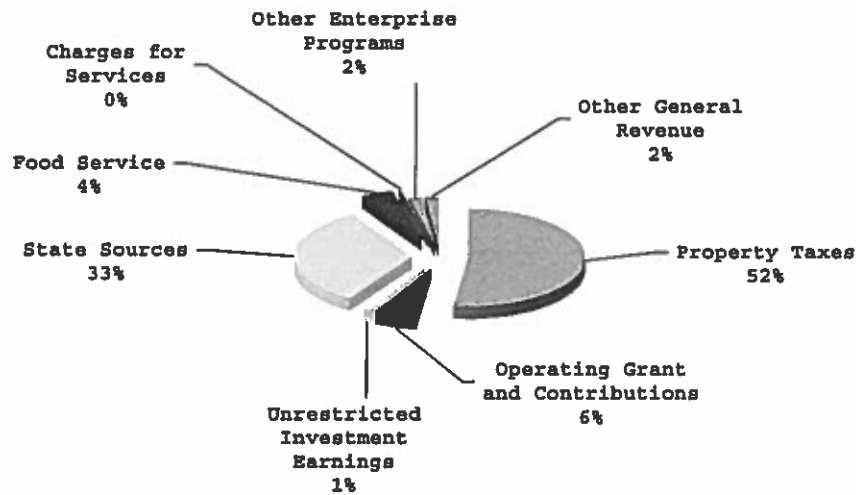
GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative above consider the operations of the government-wide activities.

Table A-2							
VERMILLION SCHOOL DISTRICT 13- 1							
Changes in Net Position							
	Governmental		Business- Type		Total		%
	Activities		Activities				
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	Change
Revenues							
Program Revenues							
Charges for Services	1,050,832	51,776	522,959	545,509	1,573,791	597,285	- 62.05%
Operating Grants & Contributions	816,753	818,584	318,348	318,274	1,135,101	1,136,838	0.15%
Capital Grants and Contributions	-	-	-	-	-	-	
General Revenues							
Property Taxes	7,386,178	7,304,988	-	-	7,386,178	7,304,988	- 1.10%
State Sources	4,064,561	4,600,287	-	-	4,064,561	4,600,287	13.18%
Federal Sources	-	-	-	-	-	-	
Unrestricted Investment Earnings	80,554	141,847	3,389	5,890	83,943	147,737	76.00%
Other General Revenues	403,802	282,338	-	10,000	403,802	272,338	-32.56%
Total Revenues	13,802,680	13,179,800	844,697	879,673	14,647,377	14,059,473	-4.01%
Expenses							
Instruction	6,424,102	6,715,390	-	-	6,424,102	6,715,390	4.53%
Support Services	5,335,239	5,883,034	-	-	5,335,239	5,883,034	10.27%
Community Services	12,130	11,370	-	-	12,130	11,370	-6.27%
Nonprogrammed Charges	104,696	61,614	-	-	104,696	61,614	-41.15%
Debt Service	134,369	122,945	-	-	134,369	122,945	-8.50%
Co- Curricular Activities	474,050	452,923	-	-	474,050	452,923	-4.46%
Food Service	-	-	618,858	643,653	618,858	643,653	4.01%
Other Enterprise Funds	-	-	226,667	242,236	226,667	242,236	6.87%
Total Expenses	12,484,587	13,247,276	845,526	885,889	13,330,112	14,133,165	6.02%
Increase (decrease) in Net Position	1,318,093	(67,476)	(829)	(6,216)	1,317,264	(73,692)	- 105.59%
Transfers							
Prior Period Adjustment	(312,355)				(312,355)	-	
Net Position- Ending	21,873,441	21,805,965	342,700	336,464	22,216,141	22,142,449	- 0.33%

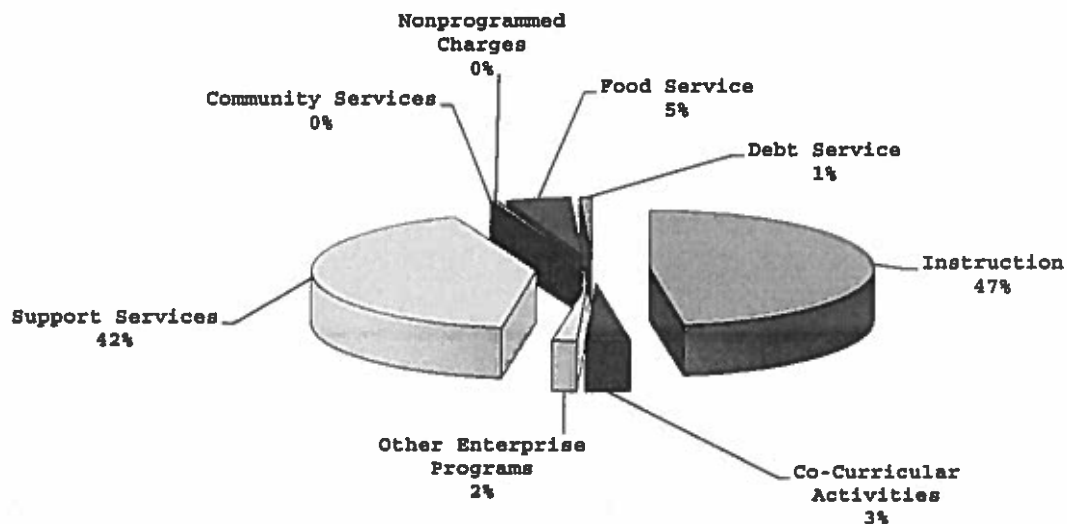
The District's total revenues totaled \$14,059,473 (See Table A-2). Roughly 52% of the district's revenue comes from property taxes, with approximately 33% coming from state aid. (See Figure A-3).

**Figure A-3 Vermillion School
Fiscal Year 2019 Revenues by Source**



The District's expenses totaled \$14,133,165 (See Table A-2) and covered a range of services, including instruction, support services, debt service, co-curricular activities and food services (See Figure A-4).

**Figure A-4 Vermillion School
Fiscal Year 2019 Expenses by Function**



BUSINESS-TYPE ACTIVITIES

Revenues and Expenditures of the District's business-type activities:

Food Service revenues increased by 3.83% from \$606,835 in FY2018 to \$630,049 in FY2019 and expenses increased about 4.01% from \$618,858 in FY2018 TO \$643,653 in FY2019.

Other Enterprise Fund revenue increased by .74% from \$237,860 in FY2018 to \$239,625 in FY2019 and expenses increased by 6.87% from \$226,667 in FY2018 to \$242,237 in FY2019.

The enterprise fund consists of the district preschool, the after school program, as well as driver's education.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Fund balances changed as follows: General Fund increased \$90,288 as a result of revenues exceeding expenditures. Capital Outlay Fund increased \$881,730 due to revenues exceeding expenditures. Special Education Fund decreased \$34,186 as a result of expenditures exceeding revenues. Pension Fund decreased \$61,000 due to expenditures exceeding revenue. Bond Redemption Fund decreased \$134,957 due to expenditures exceeding revenues.

BUDGETARY HIGHLIGHTS

During the course of the year, the School Board revised the District budget several times. These amendments fall into three categories:

- Supplemental appropriations approved to prevent budget overruns for unanticipated but necessary expenses.
- Changes in actual federal revenue receipts versus budgeted amounts.
- Increases in appropriations, primarily by supplemental transfer, to prevent budget overruns.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2019, the District had invested \$38,841,487 in a broad range of capital assets, including land, buildings, improvements, and equipment for the governmental activities (See Table A-3). This amount represents a net increase (including additions and deductions) of \$118,349, or .31%, from the previous year. This includes a portion of the summer of 2018 construction project: high school bleachers project. Primary capital asset additions include various equipment including library collection items and food service equipment. Total assets net of depreciation for business-type activities decreased \$7,217 or 13.95%. For more information, see Note 6 of the Notes to Financial Statements.

Table A-3						
VERMILLION SCHOOL DISTRICT 13-1						
Capital Assets (Net of Depreciation)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019
Capital Assets not being Depreciated						
Land	107,245	107,245			107,245	107,245
Construction in Progress	-	-			-	-
	107,245	107,245			107,245	107,245
Other Capital Assets, being Depreciated						
Buildings and Improvements	37,542,525	37,577,373			37,542,525	37,577,373
Equipment	1,073,369	1,156,869	240,175	240,175	1,313,544	1,397,044
	38,615,894	38,734,242	240,175	240,175	38,856,069	38,974,417
Accumulated Depreciation	(18,526,804)	(19,434,592)	(188,449)	(195,666)	(18,715,253)	(19,630,258)
Total Other Capital Assets (net of Depreciation)	20,089,090	19,299,650	51,726	44,509	20,140,816	19,344,159
Total All Capital Assets (net of Depreciation)	20,196,335	19,406,895	51,726	44,509	20,248,061	19,451,404

This year's capital asset purchases were primarily building improvements and equipment.

LONG-TERM DEBT

At year-end, the District had \$4,567,772 in Capital Outlay Certificates and \$28,592 in Capital Lease Debt. Other obligations include the vacation and sick leave of \$95,343 and other post-employment benefits of \$1,726,843. The net effect from the prior year is a decrease of 8.15% as shown on Table A-4 below. For more information, see Note 8 of the Notes to Financial Statements.

The District is liable for the accrued vacation leave payable to full time year-round staff. The district also has a sick leave reimbursement policy for retiring staff which meet certain qualifications.

The School currently maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive up to 70% of their 2015-2016 contract salary. This plan will eventually end as only those who qualify for the benefit by June 30, 2019 will be allowed to access the benefit in future years.

Table A-4						
VERMILLION SCHOOL DISTRICT 13-1						
Outstanding Debt and Obligations						
	Governmental		Business-Type		Total Change	
	Activities		Activities		Amount	Percentage
	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2019	6/30/2019
General Obligation Bonds	255,000	-			(255,000)	-100.00%
Capital Outlay Certificates/Leases	5,068,235	4,596,365			(471,870)	-9.31%
Compensated Absences	79,742	95,343			15,601	19.56%
Other Post Employment Benefits	1,584,889	1,726,843			141,954	8.96%
Total Outstanding Debt and Obligations	6,987,866	6,418,551	\$ -	\$ -	\$ (569,315)	-8.15%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Based on fund balances for governmental activities, the District's economic position increased by \$741,876 or 11.87%. The fund balance for the largest fund, the General Fund, increased by \$90,289 or 4.47%. The fund balance for the capital outlay fund increased by \$881,730 or 35.72%. The fund balance for the special education fund decreased by \$34,186 or 6.00%. The District did experience a \$25,526,821 or 3.46% increase in total property valuation in 2018 payable in 2019. While the growth in property valuation does increase the amount of revenue the District can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, growth in property valuation does not improve revenues for the General Fund or Special Education because major revenues for these funds are based on an annual allocation derived from a formula determined by the State. The allocation is based on a combination of local property tax revenue and state funds.

As noted above, one of the District's primary sources of revenue for the General Fund is the district allocation received from the State of South Dakota. Beginning in FY2018, the student allocation is based on a new state aid calculation that combines a formula certified instructional staff salary/benefit need with an overhead need to get to the state aid total need. The District's enrollment was 1,259 students for the fall of 2018 which was an increase of 40 students in comparison to the previous year. The District's enrollment was 1,219 students for the fall of 2017. The District reviewed the FY2020 General Fund budget very carefully resulting in a budget that anticipates using \$471,788 of the fund balance. With close monitoring of the budget and an additional \$880,000 dollars that can be generated due to passage of the Opt-Out Election, the District hopes to maintain a fund balance that accommodates the cash flow needs and is closely aligned with the limits allowed by the state.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Vermillion School District 13-1 Business Office, 17 Prospect, Vermillion, SD 57069.

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF NET POSITION
JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 6,507,075.25	\$ 314,587.18	\$ 6,821,662.43
Investments	1,000,000.00		1,000,000.00
Taxes Receivable	3,356,001.87		3,356,001.87
Accounts Receivable	6,295.74	5,197.93	11,493.67
Due from Other Governments	396,507.44	12,815.29	409,322.73
Deposits NPIP Reserve	112,956.00		112,956.00
Inventories		8,712.57	8,712.57
Net Pension Asset	6,881.93		6,881.93
Capital Assets:			
Land	107,245.00		107,245.00
Other Capital Assets, Net of Depreciation	19,299,650.44	44,508.53	19,344,158.97
TOTAL ASSETS	30,792,613.67	385,821.50	31,178,435.17
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	2,448,307.78		2,448,307.78
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,448,307.78		2,448,307.78
LIABILITIES :			
Accounts Payable	1,908.69	9,525.07	11,433.76
Other Current Liabilities	1,027,918.52	18,466.55	1,046,385.07
Unearned Revenues		21,346.30	21,346.30
Noncurrent Liabilities:			
Due Within One Year	398,540.15		398,540.15
Due in More than One Year	6,020,010.50		6,020,010.50
TOTAL LIABILITIES	7,448,377.86	49,337.92	7,497,715.78
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	3,306,221.33		3,306,221.33
OPEB Related Deferred Inflows	144,791.00		144,791.00
Pension Related Deferred Inflows	535,566.43		535,566.43
TOTAL DEFERRED INFLOWS OF RESOURCES	3,986,578.76		3,986,578.76
NET POSITION:			
Net Investment in Capital Assets	14,839,123.44	44,508.53	14,883,631.97
Restricted for:			
Insurance Purposes	112,956.00		112,956.00
Capital Outlay	3,333,991.53		3,333,991.53
Special Education	541,605.78		541,605.78
Debt Service	249,675.03		249,675.03
Pension	751,515.78		751,515.78
SDRS Pension Purposes	1,919,623.28		1,919,623.28
Unrestricted	57,473.99	291,975.05	349,449.04
TOTAL NET POSITION	\$ 21,805,964.83	\$ 336,483.58	\$ 22,142,448.41

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

**VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 6,715,389.64	\$ 20,730.00	\$ 809,087.36	\$ (5,906,302.28)	\$	\$ (5,906,302.28)
Support Services	5,883,034.34		9,476.89	(5,852,827.45)		(5,852,827.45)
Community Services	11,370.64			(11,370.64)		(11,370.64)
Nonprogrammed Charges	61,613.73			(61,613.73)		(61,613.73)
*Interest on Long-term Debt	122,945.36			(122,945.36)		(122,945.36)
Cocurricular Activities	452,922.59	31,046.10		(421,876.49)		(421,876.49)
Total Governmental Activities	13,247,276.30	51,776.10	818,564.25	(12,376,935.95)		(12,376,935.95)
Business-type Activities:						
Food Service	643,652.85	306,393.34	317,765.31		(19,494.20)	(19,494.20)
Preschool	125,622.37	117,020.00			(8,602.37)	(8,602.37)
Afterschool	101,979.30	108,345.92	509.16		6,875.78	6,875.78
Driver's Education	14,635.26	13,750.00			(885.26)	(885.26)
Total Business-type Activities	885,889.78	545,509.26	318,274.47		(22,106.05)	(22,106.05)
Total Primary Government	\$ 14,133,166.08	\$ 597,285.36	\$ 1,136,838.72	(12,376,935.95)	(22,106.05)	(12,399,042.00)
*The District does not have interest expense related to the functions pre- sented above. This amount includes indirect interest expense on general long-term debt.	General Revenues:					
	Taxes:					
	Property Taxes					
	Utility Tax					
	Revenue from State Sources:					
	State Aid					
	Other					
	Unrestricted Investment Earnings					
	Other General Revenues					
	Transfers					
	Total General Revenues and Transfers					
	Change in Net Position					
	Net Position - Beginning					
NET POSITION - ENDING						

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

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

VERMILLION SCHOOL DISTRICT NO. 13-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GOVERNMENTAL FUNDS				
	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund
ASSETS:					
Cash and Cash Equivalents	\$ 1,561,157.02	\$ 3,349,970.81	\$ 596,763.83	\$ 751,186.91	\$ 247,996.68
Investments	1,000,000.00				
Taxes Receivable-Current	1,749,937.18	1,005,417.34	550,866.81		
Taxes Receivable-Delinquent	29,247.97	12,613.24	5,912.11	328.87	1,678.35
Accounts Receivable	6,295.74				
Due from Other Governments	322,017.93		74,489.51		
Deposits NPIP Reserve	112,956.00				
TOTAL ASSETS	\$ 4,781,611.84	\$ 4,368,001.39	\$ 1,228,032.26	\$ 751,515.78	\$ 249,675.03
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 1,032.55	\$	\$ 876.14	\$	\$
Contracts Payable	672,607.29		87,420.05		
Payroll Deductions and Withholdings and Employer Matching Payable	220,627.70		47,263.48		
Total Liabilities	894,267.54		135,559.67		
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	1,749,937.18	1,005,417.34	550,866.81		
Unavailable Revenue-Property Taxes	29,247.97	12,613.24	5,912.11	328.87	1,678.35
Total Deferred Inflows of Resources	1,779,185.15	1,018,030.58	556,778.92	328.87	1,678.35
Fund Balances:					
Nonspendable	112,956.00				
Restricted		3,349,970.81	535,693.67	751,186.91	247,996.68
Assigned	501,787.18				
Unassigned	1,493,415.97				
Total Fund Balances	2,108,159.15	3,349,970.81	535,693.67	751,186.91	247,996.68
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,781,611.84	\$ 4,368,001.39	\$ 1,228,032.26	\$ 751,515.78	\$ 249,675.03
					\$ 11,378,836.30

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

VERMILLION SCHOOL DISTRICT NO. 13-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds	\$ 6,993,007.22
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds. The cost of the assets is:
and the accumulated depreciation is:

\$ 38,841,487.26	
<u>(19,434,591.82)</u>	19,406,895.44

Long-term liabilities are not due and payable in the
current period and therefore are not reported in the
funds. Long-term liabilities at year-end consist of:

Capital Outlay Certificates Payable	(4,265,000.00)	
Qualified School Construction Bonds Payable	(302,772.00)	
Accrued Vacation Payable	(58,381.92)	
Accrued Sick Leave Payable	(36,961.21)	
Capital Lease Payable	(28,592.52)	
Other Postemployment Benefits Payable	<u>(1,726,843.00)</u>	(6,418,550.65)

Net Pension Asset reported in governmental activities
is not an available financial resource and therefore is
not reported in the funds.

6,881.93

Pension and OPEB related deferred outflows are
components of non current assets and therefore are
not reported in the funds.

2,448,307.78

Pension and OPEB related deferred inflows are
components of non current liabilities and therefore are
not reported in the funds

(680,357.43)

Assets such as taxes receivable (delinquent)
are not available to pay for current period expenditures
and therefore are deferred in the funds.

49,780.54

Net Position - Governmental Activities

\$ 21,805,964.83

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

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Revenues:						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 3,688,288.44	\$ 2,150,944.38	\$ 1,076,052.17	\$	\$ 122,092.75	\$ 7,037,377.74
Prior Years' Ad Valorem Taxes	39,770.12	16,088.89	7,615.41	448.26	2,135.53	66,058.21
Utility Taxes	199,263.78					199,263.78
Penalties and Interest on Taxes	10,150.72	4,709.45	2,209.07	155.83	617.64	17,842.71
Tuition and Fees:						
Regular Day School Transportation Fees	20,730.00					20,730.00
Earnings on Investments and Deposits	69,203.25	61,543.85	11,099.90			141,847.00
Cocurricular Activities:						
Admissions	31,046.10					31,046.10
Other Revenue from Local Sources:						
Rentals	16,426.00					16,426.00
Contributions and Donations	6,829.87	12,599.98				19,429.85
Charges for Services	11,369.14		22,449.25			33,818.39
Other	63,077.73					63,077.73
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	192,154.62					192,154.62
Revenue in Lieu of Taxes	108.78					108.78
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	4,394,187.84					4,394,187.84
Restricted Grants-in-Aid	45,837.23		160,262.00			206,099.23
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received	9,476.89					9,476.89
Directly from Federal Government						
Restricted Grants-in-Aid Received						
from Federal Government Through State	479,687.91		329,399.45			809,087.36
Total Revenue	<u>9,277,608.42</u>	<u>2,245,886.55</u>	<u>1,609,087.25</u>	<u>604.09</u>	<u>124,845.92</u>	<u>13,258,032.23</u>

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	2,282,115.54	18,778.11				2,300,893.65
Middle/Junior High	1,242,694.97	14,425.67				1,257,120.64
High School	1,780,563.54	49,776.27				1,830,339.81
Special Programs:						
Programs for Special Education		800.95	959,484.17			960,285.12
Culturally Different	9,476.89					9,476.89
Educationally Deprived	352,878.88					352,878.88
Support Services:						
Pupils:						
Attendance and Social Work	1,412.41					1,412.41
Guidance	207,623.85		56,630.18			264,254.03
Health	51,406.66					51,406.66
Speech Pathology			201,396.40			201,396.40
Student Therapy Services			170,893.08			170,893.08
Support Services - Instructional Staff:						
Improvement of Instruction	22,075.17					22,075.17
Educational Media	212,597.07					212,597.07
Support Services - General Administration:						
Board of Education	81,068.46					81,068.46
Executive Administration	236,536.68	970.00				237,506.68
Support Services - School Administration:						
Office of the Principal	725,344.40					725,344.40
Other	2,675.35					2,675.35
Support Services - Business:						
Fiscal Services	233,291.56					233,291.56
Operation and Maintenance of Plant	1,000,750.85	423,047.23				1,423,798.08
Pupil Transportation	312,807.61					312,807.61

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
Internal Services	33,394.64	8,720.03				42,114.67
Support Services - Special Education:						
Administrative Costs			114,279.02			114,279.02
Transportation Costs			50,013.75			50,013.75
Other Special Education Costs			79,476.66			79,476.66
Community Services:						
Nonpublic School	11,370.64					11,370.64
Nonprogrammed Charges:						
Insurance Costs	9.73					9.73
Early Retirement Payments				61,604.00		61,604.00
Debt Services		633,878.34			259,802.50	893,680.84
Cocurricular Activities:						
Male Activities	93,720.33					93,720.33
Female Activities	69,187.36					69,187.36
Transportation - Cocurricular	67,024.84					67,024.84
Combined Activities	158,392.49	25,618.28				184,010.77
Capital Outlay		232,006.64				232,006.64
Total Expenditures	9,188,419.92	1,408,021.52	1,632,173.26	61,604.00	259,802.50	12,550,021.20
Excess of Revenue Over (Under)						
Expenditures						
Other Financing Sources (Uses)	89,188.50	837,865.03	(23,086.01)	(60,999.91)	(134,956.58)	708,011.03
Transfers In	11,099.90					11,099.90
Transfers (Out)	(10,000.00)		(11,099.90)			(21,099.90)
General Long-Term Debt Issued		43,865.00				43,865.00
Total Other Financing Sources (Uses)	1,099.90	43,865.00	(11,099.90)			33,865.00
Net Change in Fund Balance	90,288.40	881,730.03	(34,185.91)	(60,999.91)	(134,956.58)	741,876.03
Fund Balance - Beginning	2,017,870.75	2,468,240.78	569,879.58	812,186.82	382,953.26	6,251,131.19
FUND BALANCE - ENDING	\$ 2,108,159.15	\$ 3,349,970.81	\$ 535,693.67	\$ 751,186.91	\$ 247,996.68	\$ 6,993,007.22

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

VERMILLION SCHOOL DISTRICT NO. 13-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 741,876.03

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as capital outlay expense. This is the amount by which depreciation expense exceeds capital outlays expense in the period.

Capital Outlays	\$ 232,006.64	
Depreciation Expense	<u>(968,768.79)</u>	(736,762.15)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

General Obligation Bonds	255,000.00	
Capital Outlay Certificates	500,463.00	
Capital Lease Payments	<u>15,272.48</u>	770,735.48

In the statement of activities, certain operating expenses - compensated absences, early retirement benefits, and other post-employment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).

Accrued Vacation Payable	(16,790.59)	
Accrued Sick Leave Payable	<u>1,189.31</u>	(190,690.28)

In the statement of activities, 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 loss is recognized. The loss on disposal of capital assets is:

(52,677.60)

Changes in the pension and OPEB related deferred outflows/inflows are direct components of non current liability(asset) and are not reflected in the governmental funds.

(540,538.15)

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

(15,554.43)

Change in Net Position of Governmental Activities

\$ (67,476.10)

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

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 207,799.35	\$ 106,787.83	\$ 314,587.18
Accounts Receivable	5,197.93		5,197.93
Due from Other Governments	12,815.29		12,815.29
Inventories	8,712.57		8,712.57
Total Current Assets	<u>234,525.14</u>	<u>106,787.83</u>	<u>341,312.97</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment	240,174.77		240,174.77
Less: Accumulated Depreciation	<u>(195,666.24)</u>		<u>(195,666.24)</u>
Total Noncurrent Assets	<u>44,508.53</u>		<u>44,508.53</u>
TOTAL ASSETS	<u>279,033.67</u>	<u>106,787.83</u>	<u>385,821.50</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	9,245.07	280.00	9,525.07
Contracts Payable		13,979.93	13,979.93
Payroll Deductions and Withholdings and Employer Matching Payable		4,486.62	4,486.62
Unearned Revenue	<u>21,346.30</u>		<u>21,346.30</u>
Total Current Liabilities	<u>30,591.37</u>	<u>18,746.55</u>	<u>49,337.92</u>
NET POSITION:			
Net Investment in Capital Assets	44,508.53		44,508.53
Unrestricted Net Position	<u>203,933.77</u>	<u>88,041.28</u>	<u>291,975.05</u>
TOTAL NET POSITION	<u>\$ 248,442.30</u>	<u>\$ 88,041.28</u>	<u>\$ 336,483.58</u>

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

**VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
Operating Revenue:			
Food Sales:			
To Pupils	\$ 232,747.40	\$	\$ 232,747.40
To Adults	5,127.20		5,127.20
A la Carte	67,748.40		67,748.40
Charges for Service			
Preschool Tuition		109,295.00	109,295.00
Non-credit Tuition		13,750.00	13,750.00
Student Transportation Fees		7,725.00	7,725.00
Daycare		108,346.50	108,346.50
Other Charges and Income	770.34	(0.58)	769.76
Total Operating Revenue	<u>306,393.34</u>	<u>239,115.92</u>	<u>545,509.26</u>
Operating Expenses:			
Food Service:			
Salaries		171,149.61	171,149.61
Employee Benefits		39,342.55	39,342.55
Purchased Services	571,996.53	17,769.48	589,766.01
Supplies	9,532.79	12,501.29	22,034.08
Cost of Sales-Donated Food	54,906.26		54,906.26
Other Expenses		1,474.00	1,474.00
Depreciation-Local Funds	7,217.27		7,217.27
Total Operating Expenses	<u>643,652.85</u>	<u>242,236.93</u>	<u>885,889.78</u>
Operating Income (Loss)	(337,259.51)	(3,121.01)	(340,380.52)
Nonoperating Revenue:			
Local Sources:			
Investment Earnings	5,890.03		5,890.03
State Sources:			
Cash Reimbursements	2,338.06	509.16	2,847.22
Federal Sources:			
Cash Reimbursements	258,366.33		258,366.33
Donated Food	57,060.92		57,060.92
Total Nonoperating Revenue	<u>323,655.34</u>	<u>509.16</u>	<u>324,164.50</u>
Income(Loss) Before Contributions and Transfers	<u>(13,604.17)</u>	<u>(2,611.85)</u>	<u>(16,216.02)</u>
Transfers		10,000.00	10,000.00
Change in Net Position	(13,604.17)	7,388.15	(6,216.02)
Net Position - Beginning	<u>262,046.47</u>	<u>80,653.13</u>	<u>342,699.60</u>
NET POSITION - ENDING	<u>\$ 248,442.30</u>	<u>\$ 88,041.28</u>	<u>\$ 336,483.58</u>

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

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipts from Customers and Others	\$ 310,822.78	\$ 239,115.92	\$ 549,938.70
Payments to Suppliers	(585,930.50)	(32,020.80)	(617,951.30)
Payments to Employees		(210,492.16)	(210,492.16)
Net Cash Provided (Used) by Operating Activities	<u>(275,107.72)</u>	<u>(3,397.04)</u>	<u>(278,504.76)</u>
Cash Flows from Noncapital Financing Activities:			
Operating Subsidies	260,704.39	509.16	261,213.55
Transfers In		10,000.00	10,000.00
Net Cash Flows from Noncapital Financing Activities:	<u>260,704.39</u>	<u>10,509.16</u>	<u>271,213.55</u>
Cash Flows from Investing Activities:			
Investment Earnings	<u>5,890.03</u>		<u>5,890.03</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (8,513.30)</u>	<u>\$ 7,112.12</u>	<u>\$ (1,401.18)</u>
 Cash and Cash Equivalents at Beginning of Year	 \$ 216,312.65	 \$ 99,675.71	 \$ 315,988.36
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>207,799.35</u>	<u>106,787.83</u>	<u>314,587.18</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (8,513.30)</u>	<u>\$ 7,112.12</u>	<u>\$ (1,401.18)</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (337,259.51)	\$ (3,121.01)	\$ (340,380.52)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	7,217.27		7,217.27
Value of Commodities Used	54,906.26		54,906.26
Change in Assets and Liabilities:			
Accounts and Other Receivables	1,948.21		1,948.21
Accounts and Other Payables	(4,401.18)	(276.03)	(4,677.21)
Unearned Revenue	<u>2,481.23</u>		<u>2,481.23</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (275,107.72)</u>	<u>\$ (3,397.04)</u>	<u>\$ (278,504.76)</u>
 Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 57,060.92		

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

VERMILLION SCHOOL DISTRICT NO. 13-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 31,766.99
TOTAL ASSETS	<u>31,766.99</u>
LIABILITIES:	
Accounts Payable and Other Payables	26.58
Amount Held for Others	<u>31,740.41</u>
TOTAL LIABILITIES	<u>31,766.99</u>
NET POSITION:	
TOTAL NET POSITION	<u>\$ 0.00</u>

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

VERMILLION SCHOOL DISTRICT NO. 13-1
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Vermillion School District No.13 -1 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

Vermillion Public Schools Foundation is a legally separate related entity of the School District and is designed to benefit the students of the School District. One member of the Vermillion School District Board serves on the Vermillion Public School Foundation Board. The component unit had insignificant transactions and balances for the year and is therefore not presented.

b. Basis of Presentation

Government-wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital

requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

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

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

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest, on

general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

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.

Other Enterprise Fund - A fund used to record financial transactions related to preschool services, drivers’ education program and after school programs all conducted for the benefit of the children. The fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

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

Agency Funds - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds for the following purposes: Science Clubs, Student Council, Language Clubs, National Honor Society, Natural Helpers, Class Funds and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 10 days. The revenues that were accrued at June 30, 2019 are amounts due from other governments for grants, and other receivables.

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

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

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months.

f. Capital Assets

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

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

Government-Wide Financial Statements

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

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

The total June 30, 2019 balance of capital assets for governmental activities includes approximately 43 percent for which the costs were determined by estimates of the original costs. The total June 30, 2019 balance of capital assets for business-type activities includes approximately 4 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All Land	NA	NA
Buildings	\$ 50,000.00	Straight Line	10-50 yrs.
Building Improvements	25,000.00	Straight Line	10-50 yrs.
Improvements other than Buildings	15,000.00	Straight Line	10-50 yrs.
Machinery and Equipment	5,000.00	Straight Line	5-10 yrs.
Food Service Machinery and Equipment	5,000.00	Straight Line	2-12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, capital leases, capital outlay certificates payable, general obligation bonds payable and other post-employment benefits.

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications

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

j. Cash and Cash Equivalents

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

k. Equity Classifications

Government-wide Statements:

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

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

Fund Financial Statements:

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

l. Application of Net Position

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board, Superintendent, or Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The Government does not have a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

VERMILLION SCHOOL DISTRICT NO. 13-1
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Pension Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:						
Nonspendable:						
Prepaid Deposits	\$ 112,956.00	\$	\$	\$	\$	\$ 112,956.00
Restricted for:						
Capital Outlay Fund		3,349,970.81				3,349,970.81
Special Education Fund			535,693.67			535,693.67
Pension Fund				751,186.91		751,186.91
Debt Service Requirements					247,996.68	247,996.68
Assigned to:						
Unemployment	29,999.18					29,999.18
Subsequent Year's Budget	471,788.00					471,788.00
Unassigned	<u>1,493,415.97</u>					<u>1,493,415.97</u>
Total Fund Balances	<u>\$ 2,108,159.15</u>	<u>\$ 3,349,970.81</u>	<u>\$ 535,693.67</u>	<u>\$ 751,186.91</u>	<u>\$ 247,996.68</u>	<u>\$ 6,993,007.22</u>

o. Pensions

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

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

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

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

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

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

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

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

NOTE 3 – RECEIVABLES AND PAYABLES

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

Receivables June 30, 2019 were as follows:

	Due from Other Governments	Other Receivables	Total Other Assets
Governmental Activities:			
General Fund	\$ 322,017.93	\$ 6,295.74	\$ 328,313.67
Special Education Fund	74,489.51		74,489.51
Total - Governmental Activities	<u>\$ 396,507.44</u>	<u>\$ 6,295.74</u>	<u>\$ 402,803.18</u>
Business-Type Activities:			
Food Service	\$ 12,815.29	\$ 5,197.93	\$ 18,013.22
Total - Business - Type Activities	<u>\$ 12,815.29</u>	<u>\$ 5,197.93</u>	<u>\$ 18,013.22</u>

The School District expects all receivables to be collected within one year.

The School District does not aggregate the payables in these financial statements.

NOTE 4 – 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 the first in, first out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand as of June 30, 2019 in the governmental funds.

NOTE 5 – PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the

government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 6 – CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 107,245.00	\$	\$	\$ 107,245.00
Total not being depreciated	<u>107,245.00</u>			<u>107,245.00</u>
Capital Assets, being depreciated:				
Buildings and Improvements	37,542,525.03	144,593.00	(109,745.00)	37,577,373.03
Machinery and Equipment	689,556.13	68,081.65		757,637.78
Library Books	<u>383,812.75</u>	<u>19,331.99</u>	<u>(3,913.29)</u>	<u>399,231.45</u>
Total being depreciated	<u>38,615,893.91</u>	<u>232,006.64</u>	<u>(113,658.29)</u>	<u>38,734,242.26</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(17,779,865.90)	(889,404.32)	57,067.40	(18,612,202.82)
Machinery and Equipment	(467,052.95)	(52,335.16)		(519,388.11)
Library Books	<u>(279,884.87)</u>	<u>(27,029.31)</u>	<u>3,913.29</u>	<u>(303,000.89)</u>
Total Accumulated Depreciation	<u>(18,526,803.72)</u>	<u>(968,768.79)</u>	<u>60,980.69</u>	<u>(19,434,591.82)</u>
Total Capital Assets, being depreciated, net	<u>20,089,090.19</u>	<u>(736,762.15)</u>	<u>(52,677.60)</u>	<u>19,299,650.44</u>
Governmental activities capital assets, net	<u>\$ 20,196,335.19</u>	<u>\$ (736,762.15)</u>	<u>\$ (52,677.60)</u>	<u>\$ 19,406,895.44</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 4,394.65
Support Services	925,394.85
Cocurricular	<u>38,979.29</u>
Total Depreciation expense-governmental activities	<u>\$ 968,768.79</u>

	Balance 7/1/2018	Increases	Decreases	Balance 06/30/2019
Business-type activities:				
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 240,174.77	\$	\$	\$ 240,174.77
Less Accumulated Depreciation:				
Machinery and Equipment	<u>(188,448.97)</u>	<u>(7,217.27)</u>		<u>(195,666.24)</u>
Business-type activity capital assets, net	<u>\$ 51,725.80</u>	<u>\$ (7,217.27)</u>	<u>\$ 0.00</u>	<u>\$ 44,508.53</u>

**Depreciation expense was charged to functions as follows:

Business-type Activity

Total Depreciation expense-business-type activities	<u>\$ 7,217.27</u>
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NOTE 7 – OPERATING LEASES

The School District is obligated under certain leases accounted for as operating leases. The School District leases copy machines and buildings. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the district's long-term debt. Payments are made from the Capital Outlay Fund.

The following are the minimum payments on the existing operating leases:

<u>Year</u>	<u>Capital Outlay Amount</u>
2020	22,724.22
2021	18,506.88
2022	19,062.12

NOTE 8 – LONG -TERM LIABILITIES

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

<u>Governmental Activities</u>	<u>Capital Outlay Certificates</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Other Post Employment Benefits</u>	<u>Totals</u>
Liabilities Payable, July 1, 2018	\$ 5,068,235	\$ 255,000	\$	\$ 79,742	\$ 1,584,889	\$ 6,987,866
Additions			43,865	95,343	217,413	356,621
Retired Amounts	(500,463)	(255,000)	(15,272)	(79,742)	(75,459)	(925,936)
LIABILITIES PAYABLE, June 30, 2019	<u>\$ 4,567,772</u>	<u>\$</u>	<u>\$ 28,593</u>	<u>\$ 95,343</u>	<u>\$ 1,726,843</u>	<u>\$ 6,418,551</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirements Benefits payable for governmental activities typically have been liquidated from the Pension Fund. Other Post-Employment Benefits have been liquidated from the General Fund.

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

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

<u>Year Ending</u>	<u>Capital Outlay Certificates</u>		<u>Capital Lease Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 330,462	\$ 109,696	\$ 13,980	\$ 1,292	\$ 344,442	\$ 110,988
2021	330,462	104,793	14,612	660	345,074	105,453
2022	340,462	99,534			340,462	99,534
2023	340,462	93,792			340,462	93,792
2024	350,462	87,676			350,462	87,676
2025-2029	1,420,462	329,898			1,420,462	329,898
2030-2034	1,190,000	150,838			1,190,000	150,838
2035-2039	265,000	4,637			265,000	4,637
Totals	<u>\$ 4,567,772</u>	<u>\$ 980,864</u>	<u>\$ 28,592</u>	<u>\$ 1,952</u>	<u>\$ 4,596,364</u>	<u>\$ 982,816</u>

Governmental Activities:**Capital Outlay Certificates:****Series 2009**

Dated September 17, 2009 at 1.75% interest rate

Final maturity on July 15, 2024. Payments from the Capital Outlay Fund. \$ 302,772.00

Series 2015

Dated April 28, 2015 with varying interest rates

from .30 to 3.50%, depending on length to maturity; Final maturity on December 1, 2034. Payments from the Capital Outlay Fund. 3,400,000.00

Series 2016

Dated February 24, 2016 with varying interest rates

Final maturity on January 15, 2027. Payments from the Capital Outlay Fund. 865,000.00

Compensated Absences:

Represents annual vacation leave benefits earned by employees

as of June 30, 2015. These benefits are paid from the General Fund. 58,381.92

Represents annual sick leave benefits earned by employees

as of June 30, 2015. These benefits are paid from the General Fund. 36,961.21

Other Postemployment Benefits:

Obligation to individuals who are retired or will retire from the School District and will receive postemployment benefits. Payments are made from the General Fund.

1,726,843.00

Capital Financing Leases:

Lease of Apple Macbooks. Interest rate of 4.52%. Final Payment due June 31, 2021. Payments from the Capital Outlay Fund.

28,592.52

NOTE 9 – PENSION PLAN**Plan Information:**

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

Benefits Provided:

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

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018, and 2017 were \$374,618.69, \$368,065.23, and \$373,288.75, respectively, equal to the required contributions each year.

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

At June 30, 2018, SDRS is 100.02% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2018 and reported by the School District as of June 30, 2019 are as follows:

Proportionate share of pension liability	\$ 36,098,192.80
Less proportionate share of net pension restricted for pension benefits	<u>36,105,074.73</u>
Proportionate share of net pension liability	<u>\$ (6,881.93)</u>

At June 30, 2019, the School District reported an asset of \$6,881.93 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018 and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the School District's proportion was .29507930%, which is a decrease of .0111271% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$540,538.15. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 260,111.71	\$
Changes in assumption	1,747,202.05	
Net difference between projected and actual earnings on pension plan investments		520,113.61
Changes in proportion and difference between District contributions and proportionate share of contributions	66,375.33	15,452.82
District contributions subsequent to the measurement date	<u>374,618.69</u>	
TOTAL	<u>\$ 2,448,307.78</u>	<u>\$ 535,566.43</u>

\$374,618.69 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 asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2020	938,381.06
2021	698,075.42
2022	(91,559.85)
2023	<u>(57,696.48)</u>
TOTAL	<u>\$ 1,487,200.15</u>

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service

Discount Rate	6.50% net of plan investment expense
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Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.7%
Total	<u>100.0%</u>	

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 employee 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 asset to changes in the discount rate:

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
School District's proportionate share of the net pension benefit	\$ 5,197,788.60	\$ (6,881.93)	\$ (4,240,599.00)

Pension Plan Fiduciary Net Position:

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

NOTE 10 – EARLY RETIREMENT PLAN

The School District maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who meet the requirements of age and years of service. Under the plan, employees who meet these requirements are entitled to payments totaling 70% of their salary in their final year of service. This amount is payable in two to three years as determined by the parties. Payments totaling \$61,604.00 were made during the year ended June 30, 2019 from the Pension Fund.

NOTE 11 – RESTRICTED POSITION

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

<u>Major Purposes</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 3,333,991.53
Special Education Purposes	Law	541,605.78
Pension Purposes	Law	751,515.78
Debt Service Purposes	Debt Covenants	249,675.03
Insurance Purposes	Law	112,956.00
SDRS Pension Purposes	Law	1,919,623.28
Total Restricted Net Position		<u>\$ 6,909,367.40</u>

NOTE 12 – RISK MANAGEMENT

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

Employee Health Insurance

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

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

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

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The school has Assigned Fund Balances in the amount of \$29,999.18 in the General Fund for the payment of future unemployment benefits. There were no claims filed during the year ended June 30, 2019. There are no future expected claims at this time.

NOTE 13 – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description: Vermillion School District has a pooled defined benefit medical plan administered by either the Sanford Health Plan or DakotaCare. The Plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Vermillion School District, 17 Prospect, Vermillion, SD 57069, or by calling (605) 677-7000.

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

Employees covered by benefit terms: At June 30, 2017, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	8
Active employees	<u>143</u>
	<u>151</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2017 Actuarial Valuation Report. See Note 9 – Pension Note.

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 1,584,889
Service Cost	155,548
Interest	61,865
Effect of assumptions changes or inputs	(50,477)
Benefit payments	<u>(24,982)</u>
End of Year Balances	<u>\$ 1,726,843</u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.87%:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ 1,909,087.00	\$ 1,726,843.00	\$ 1,566,236.00

For the year ended June 30, 2019, the School District recognized OPEB expense of \$200,071. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Changes in assumption	<u>\$</u>	<u>\$ 144,791.00</u>

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

Year Ended June 30:

2019	\$ (17,342.00)
2020	(17,342.00)
2021	(17,342.00)
2022	(17,342.00)
2023	(17,342.00)
Thereafter	<u>(58,081.00)</u>
TOTAL	<u>\$ (144,791.00)</u>

NOTE 14 – INTERFUND TRANSFERS

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

<u>Transfer To:</u>	<u>Transfer From:</u>
General Fund	<u>Special Education</u>
	\$ 11,099.90
<u>Transfer To:</u>	<u>Transfer From:</u>
Enterprise Funds	<u>General Fund</u>
	\$ 10,000.00

Transfers of investment and deposit earnings are reported to the General Fund. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt.

NOTE 15 – SIGNIFICANT CONTINGENCIES – LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION
VERMILLION SCHOOL DISTRICT NO. 13-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary</u>	<u>Variance</u> <u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>Basis)</u>	<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 3,634,980.00	\$ 3,634,980.00	\$ 3,688,288.44	\$ 53,308.44
Prior Years' Ad Valorem Taxes	45,000.00	45,000.00	39,770.12	(5,229.88)
Utility Taxes	205,000.00	205,000.00	199,263.78	(5,736.22)
Penalties and Interest on Taxes	11,000.00	11,000.00	10,150.72	(849.28)
Tuition and Fees:				
Regular Day School Transportation	17,500.00	17,500.00	20,730.00	3,230.00
Earnings on Investments and Deposits	9,000.00	9,000.00	69,203.25	60,203.25
Cocurricular Activities:				
Admissions	34,500.00	34,500.00	31,046.10	(3,453.90)
Other Revenue from Local Sources:				
Rentals	12,500.00	12,500.00	16,426.00	3,926.00
Contributions and Donations	2,500.00	2,500.00	6,829.87	4,329.87
Charges for Services	12,000.00	12,000.00	11,369.14	(630.86)
Other	29,000.00	29,000.00	63,077.73	34,077.73
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	155,000.00	155,000.00	192,154.62	37,154.62
Revenue in Lieu of Taxes			108.78	108.78
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	4,205,360.00	4,205,360.00	4,394,187.84	188,827.84
Restricted Grants-in-Aid		52,894.00	45,837.23	(7,056.77)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-				
in-Aid Received Directly from				
Federal Government		11,337.00	9,476.89	(1,860.11)
Restricted Grants-				
in-Aid Received from				
Federal Government				
Through the State		510,785.00	479,687.91	(31,097.09)
Total Revenue	<u>8,373,340.00</u>	<u>8,948,356.00</u>	<u>9,277,608.42</u>	<u>329,252.42</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,987,730.00	2,294,043.00	2,282,115.54	11,927.46
Middle/Junior High	1,270,335.00	1,271,410.00	1,242,694.97	28,715.03
High School	1,716,660.00	1,788,098.00	1,780,563.54	7,534.46
Special Programs:				
Culturally Different		11,337.00	9,476.89	1,860.11
Educationally Deprived		357,671.00	352,878.88	4,792.12

REQUIRED SUPPLEMENTARY INFORMATION
VERMILLION SCHOOL DISTRICT NO. 13-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
Support Services:				
Pupils:				
Attendance and Social Work		1,500.00	1,412.41	87.59
Guidance	255,315.00	255,315.00	207,623.85	47,691.15
Health	60,680.00	60,680.00	51,406.66	9,273.34
Support Services - Instructional Staff:				
Improvement of Instruction	16,900.00	45,816.00	22,075.17	23,740.83
Educational Media	243,700.00	243,700.00	212,597.07	31,102.93
Support Services - General Administration:				
Board of Education	115,725.00	115,725.00	81,068.46	34,656.54
Executive Administration	244,975.00	244,975.00	236,536.68	8,438.32
Support Services - School Administration:				
Office of the Principal	770,078.00	770,078.00	725,344.40	44,733.60
Other	3,900.00	5,638.00	2,675.35	2,962.65
Support Services - Business:				
Fiscal Services	272,423.00	272,423.00	233,291.56	39,131.44
Operation and Maintenance of Plant	1,196,315.00	1,196,315.00	1,000,750.85	195,564.15
Pupil Transportation	178,960.00	318,960.00	312,807.61	6,152.39
Internal Services	26,000.00	34,000.00	33,394.64	605.36
Community Services:				
Nonpublic School		18,028.00	11,370.64	6,657.36
Nonprogrammed Charges:				
Insurance Costs		100.00	9.73	90.27
Cocurricular Activities:				
Male Activities	91,910.00	95,910.00	93,720.33	2,189.67
Female Activities	69,440.00	70,940.00	69,187.36	1,752.64
Transportation	62,740.00	67,740.00	67,024.84	715.16
Combined Activities	181,205.00	190,075.00	158,392.49	31,682.51
Total Expenditures	8,764,991.00	9,730,477.00	9,188,419.92	542,057.08
Excess of Revenue Over (Under)				
Expenditures	(391,651.00)	(782,121.00)	89,188.50	871,309.50
Other Financing Sources:				
Transfers In			11,099.90	11,099.90
Transfers (Out)	(9,915.00)	(9,915.00)	(10,000.00)	(85.00)
Total Other Financing Sources	(9,915.00)	(9,915.00)	1,099.90	11,014.90
Net Change in Fund Balance	(401,566.00)	(792,036.00)	90,288.40	882,324.40
Fund Balance - Beginning	2,017,870.75	2,017,870.75	2,017,870.75	
FUND BALANCE - ENDING	\$ 1,616,304.75	\$ 1,225,834.75	\$ 2,108,159.15	\$ 882,324.40

REQUIRED SUPPLEMENTARY INFORMATION
VERMILLION SCHOOL DISTRICT NO. 13-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,088,000.00	\$ 2,088,000.00	\$ 2,150,944.38	\$ 62,944.38
Prior Years' Ad Valorem Taxes			16,088.89	16,088.89
Penalties and Interest on Taxes	2,500.00	2,500.00	4,709.45	2,209.45
Investment Earnings	2,500.00	2,500.00	61,543.85	59,043.85
Revenue from Local Sources:				
Contributions and Donations	9,500.00	9,500.00	12,599.98	3,099.98
Total Revenue	2,102,500.00	2,102,500.00	2,245,886.55	143,386.55
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	141,500.00	141,500.00	18,778.11	122,721.89
Middle/Junior High	117,000.00	117,000.00	14,425.67	102,574.33
High School	187,725.00	187,725.00	49,776.27	137,948.73
Special Programs:				
Programs for Special Education	2,000.00	2,000.00	800.95	1,199.05
Support Services - Instructional Staff:				
Educational Media	20,000.00	20,000.00	19,331.99	668.01
Support Services - General Administration:				
Executive Administration	3,000.00	3,000.00	970	2,030.00
Support Services - Business:				
Fiscal Services	1,000.00	1,000.00		1,000.00
Facilities Acquisition and Construction	150,000.00	150,000.00	144,593.00	5,407.00
Operation and Maintenance of Plant	515,910.00	525,910.00	476,128.88	49,781.12
Pupil Transportation	412,000.00	412,000.00	15,000.00	397,000.00
Food Services	5,000.00	5,000.00		5,000.00
Internal Services	30,000.00	30,000.00	8,720.03	21,279.97
Debt Services	636,210.00	636,210.00	633,878.34	2,331.66
Cocurricular Activities:				
Combined Activities	30,500.00	30,500.00	25,618.28	4,881.72
Total Expenditures	2,251,845.00	2,261,845.00	1,408,021.52	853,823.48
Excess of Revenue Over (Under)				
Expenditures	(149,345.00)	(159,345.00)	837,865.03	997,210.03
Other Financing Sources (Uses):				
Proceeds of Long Term Debt			43,865.00	43,865.00
Net Change in Fund Balance	(149,345.00)	(159,345.00)	881,730.03	1,041,075.03
Fund Balance - Beginning	2,468,240.78	2,468,240.78	2,468,240.78	
FUND BALANCE - ENDING	\$ 2,318,895.78	\$ 2,308,895.78	\$ 3,349,970.81	\$ 1,041,075.03

REQUIRED SUPPLEMENTARY INFORMATION
VERMILLION SCHOOL DISTRICT NO. 13-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,050,000.00	\$ 1,050,000.00	\$ 1,076,052.17	\$ 26,052.17
Prior Years' Ad Valorem Taxes			7,615.41	7,615.41
Penalties and Interest on Taxes	1,200.00	1,200.00	2,209.07	1,009.07
Investment Earnings	1,000.00	1,000.00	11,099.90	10,099.90
Revenue From Local Sources:				
Charges for Services	21,500.00	21,500.00	22,449.25	949.25
Revenue from State Sources:				
Restricted Grant in Aid	225,000.00	225,000.00	160,262.00	(64,738.00)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government through State	150,370.00	150,370.00	329,399.45	179,029.45
Total Revenue	<u>1,449,070.00</u>	<u>1,449,070.00</u>	<u>1,609,087.25</u>	<u>160,017.25</u>
Expenditures:				
Special Programs				
Programs for Special Education	966,945.00	1,053,945.00	959,484.17	94,460.83
Support Services				
Pupils:				
Guidance	55,990.00	56,990.00	56,630.18	359.82
Speech Pathology	204,525.00	204,525.00	201,396.40	3,128.60
Audiology	200.00	200.00		200.00
Student Therapy Services	176,570.00	178,570.00	170,893.08	7,676.92
Support Services - Special Education:				
Administrative Costs	120,815.00	120,815.00	114,279.02	6,535.98
Transportation Costs	52,425.00	57,025.00	50,013.75	7,011.25
Other	14,600.00	109,600.00	79,476.66	30,123.34
Total Expenditures	<u>1,592,070.00</u>	<u>1,781,670.00</u>	<u>1,632,173.26</u>	<u>149,496.74</u>
Excess of Revenue Over (Under)				
Expenditures	(143,000.00)	(332,600.00)	(23,086.01)	309,513.99
Other Financing Sources/(Uses):				
Transfers (Out)			(11,099.90)	(11,099.90)
Net Change in Fund Balance	<u>(143,000.00)</u>	<u>(332,600.00)</u>	<u>(34,185.91)</u>	<u>298,414.09</u>
Fund Balance - Beginning	<u>569,879.58</u>	<u>569,879.58</u>	<u>569,879.58</u>	
FUND BALANCE - ENDING	<u>\$ 426,879.58</u>	<u>\$ 237,279.58</u>	<u>\$ 535,693.67</u>	<u>\$ 298,414.09</u>

REQUIRED SUPPLEMENTARY INFORMATION
VERMILLION SCHOOL DISTRICT NO. 13-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
PENSION FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	\$	\$	\$ 448.26	\$ 448.26
Penalties and Interest on Taxes			155.83	155.83
Total Revenue			604.09	604.09
Expenditures:				
Early Retirement Payments	150,270.00	150,270.00	61,604.00	88,666.00
Total Expenditures	150,270.00	150,270.00	61,604.00	88,666.00
Excess of Revenue Over (Under)				
Expenditures	(150,270.00)	(150,270.00)	(60,999.91)	89,270.09
Net Change in Fund Balance	(150,270.00)	(150,270.00)	(60,999.91)	89,270.09
Fund Balance - Beginning	812,186.82	812,186.82	812,186.82	
FUND BALANCE - ENDING	\$ 661,916.82	\$ 661,916.82	\$ 751,186.91	\$ 89,270.09

VERMILLION SCHOOL DISTRICT NO.13-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**REQUIRED SUPPLEMENTARY INFORMATION
VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
JUNE 30, 2019**

TOTAL OPEB LIABILITY

Service Cost	\$ 155,548
Interest on Total OPEB Liability	61,865
Effect of assumption changes or inputs	(50,477)
Benefit payments	<u>(24,982)</u>
Net change in total OPEB liability	141,954
Total OPEB liability, beginning	<u>1,584,889</u>
Total OPEB liability, ending	<u><u>\$ 1,726,843</u></u>

Schedule of Required Supplementary Information
VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
South Dakota Retirement System

	2014	2015	2016	2017	2018	2019
Contractually required contribution	<u>\$ 323,137</u>	<u>\$ 330,736</u>	<u>\$ 340,419</u>	<u>\$ 373,289</u>	<u>\$ 368,065</u>	<u>\$ 374,619</u>
Contributions in relation to the contractually required contribution	<u>\$ 323,137</u>	<u>\$ 330,736</u>	<u>\$ 340,419</u>	<u>\$ 373,289</u>	<u>\$ 368,065</u>	<u>\$ 374,619</u>
District's covered-employee payroll	\$5,385,402	\$5,511,875	\$5,671,029	\$6,214,824	\$6,134,412	\$6,243,626
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.01%	6.00%	6.00%

Schedule of Required Supplementary Information
VERMILLION SCHOOL DISTRICT NO. 13-1

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

South Dakota Retirement System

	2015	2016	2017	2018	2019
District's proportion of the net pension liability (asset)	0.3079737%	0.3019235%	0.2983776%	0.3062064%	0.2950793%
District's proportionate share of net pension liability (asset)	\$ (2,218,825)	\$ (1,280,544)	\$ 1,007,890	\$ (27,789)	\$ (6,882)
District's covered-employee payroll	\$ 5,385,402	\$ 5,511,875	\$ 5,671,029	\$ 6,214,824	\$ 6,134,412
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-23.23%	-17.77%	-0.45%	-0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.89%	100.10%	100.02%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year

VERMILLION SCHOOL DISTRICT NO. 13-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Contributions

CHANGES OF BENEFIT TERMS

No significant changes

CHANGES OF ASSUMPTIONS

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

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

VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2019</u>
U.S. Department of Agriculture:			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster: (Note 4)			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NSLP-19-316	\$ 54,906.26
Cash Assistance: (Note 3)			
National School Lunch Program	10.555	NSLP-19-316	194,336.15
School Breakfast Program	10.553	NSLP-19-316	36,649.21
Summer Food Service Lunch Program	10.559	NSLP-19-316	27,380.97
Total U.S. Department of Agriculture			<u>313,272.59</u>
U.S. Department of Education:			
Direct Federal Funding:			
Indian Education - Grants to Local Educational Agencies (Note 3)	84.060	N/A	9,476.89
Pass-Through the SD Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	TIA-13001-19	324,224.61
Special Education Cluster:			
Special Education - Grants to States	84.027	619-13001-19	306,885.34
Special Education - Grants to States	84.027	619-13001-19	11,007.94
Special Education - Preschool Grants	84.173	611-13001-19	11,507.00
Special Education - Grants to States (SSIP/PBIS)	84.027	611-13001-19	1,412.41
Total Special Education Cluster			<u>330,812.69</u>
Career and Technical Education - Basic Grants - Basic Grants to States	84.048	PRPI-13001-19	32,120.49
Improving Teacher Quality State Grants	84.367	TIIA-13001-19	82,942.25
Title IV-Student Support and Academic Enrichment Program (SSAE)	84.424	TIVA-13001-19	38,920.00
Federal Work-Study Program	84.033	N/A	66.38
Total U.S. Department of Education			<u>818,563.31</u>
Other Federal Assistance:			
Positive Behavior Intervention & Supports	84.32P	N/A	
Grand Total			<u>\$ 1,131,835.90</u>

VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
(continued)

Note 1: *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. 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 allowed or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: *Federal Reimbursement*

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

Note 4: *Major Federal Financial Assistance Program*

This represents a Major Federal Financial Assistance Program.

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

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

School Board
Vermillion School District No. 13-1
Clay County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Vermillion School District No. 13-1, Clay County, South Dakota (School District), as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vermillion 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 Vermillion 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vermillion 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*.

Purpose of this Report

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



Quam, Berglin & Post, P.C.
Elk Point, SD

November 14, 2019

QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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ELK POINT, SOUTH DAKOTA 57025

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

School Board
Vermillion School District No. 13-1
Clay County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Vermillion School District No. 13-1, 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 its major federal programs for the year ended June 30, 2019. The Vermillion 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 Vermillion School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Vermillion School District No. 13-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Vermillion 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 Vermillion 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 the School District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vermillion School District's internal control over compliance.

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

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

Purpose of this Report

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



Quam, Berglin & Post, P.C.
Elk Point, SD

November 14, 2019

**VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

PRIOR AUDIT FINDING:

Prior Other Audit Findings:

There are no prior other audit findings to report.

**VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. No material weaknesses or significant deficiencies were disclosed by our audit of the financial statements.
- b. Our audit did not disclose any noncompliance that was material to the financial statements.

Federal Awards

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

	<u>CFDA #</u>
Child Nutrition Cluster:	
Non-Cash Assistance (Commodities)	
National School Lunch Program	10.555
Cash Assistance:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Lunch Program	10.559

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.
- h. Vermillion School District did qualify as a low-risk auditee.

**VERMILLION SCHOOL DISTRICT NO. 13-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no current other audit findings to report.