

**BRANDON VALLEY  
SCHOOL DISTRICT NO. 49-2**

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

**JUNE 30, 2019**

**QUAM, BERGLIN & POST, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2019**

**School Board**

Dan Klumper

Gregg Ode

Cary Schroeder

Renee Ullom

Ellie Saxer

**Business Manager**

Paul J. Lundberg

**Superintendent**

Jarod Larson

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# QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

## INDEPENDENT AUDITOR'S REPORT

School Board  
Brandon Valley School District No. 49-2  
Minnehaha 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 Brandon Valley School District No. 49-2, Minnehaha 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Brandon Valley School District No. 49-2 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 Change in 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 Brandon Valley 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 January 21, 2020, on our consideration of the Brandon Valley 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 Brandon Valley School District's internal control over financial reporting and compliance.

*Quam, Berglin & Post P.C.*

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

January 21, 2020

**BRANDON VALLEY SCHOOL DISTRICT 49-2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2019**

As management of Brandon Valley School District 49-2 (District), we offer readers of the District's financial statement this narrative overview and analysis of the District's financial performance for the fiscal year ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements immediately following this section.

**FINANCIAL HIGHLIGHTS**

- The District's net position from Governmental activities increased by \$1,115,430 (2.4%).
- The District continues to maintain an adequate financial position in all major operating funds. The beginning fund balance of the General Fund was 20.2% and the ending fund balance is at 20.9%. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. The ending cash position of the General Fund on June 30, 2019 was \$7,288,202, which reflects a 5.7% increase (\$394,102).
- The Capital Outlay Fund saw expenditures exceed revenues by \$687,469. The ending cash position of the Capital Outlay Fund on June 30, 2019 was \$2,327,529, which reflects an increase of \$419,622 (22%).
- The Special Education Fund saw its revenues exceed expenditures by \$341,627. The ending fund balance was \$526,104 which is 8.9% of expenses. The ending cash position of the Special Education Fund on June 30, 2019 was \$926,783, which reflects an increase from the previous year of \$339,533 (57.8%).
- The Pension Fund is used for early retirement payments. The fund's expenses exceeded revenues by \$289,437 leaving the fund balance on June 30, 2019 at \$53,116. The current fund balance will be transferred into the general fund next year (2019-20).
- The Bond Redemption Fund is used to pay the debt service of General Obligation bonds of the District. Taxes are levied to adequately fund all debt service. The fund balance of this fund at June 30, 2019 was \$805,384.
- Business-type activities had an increase in net position of \$147,039 during the 2018-19 school year due to revenues exceeding expenses.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District'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-term 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 two business-type activities, i.e., Food Service and 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

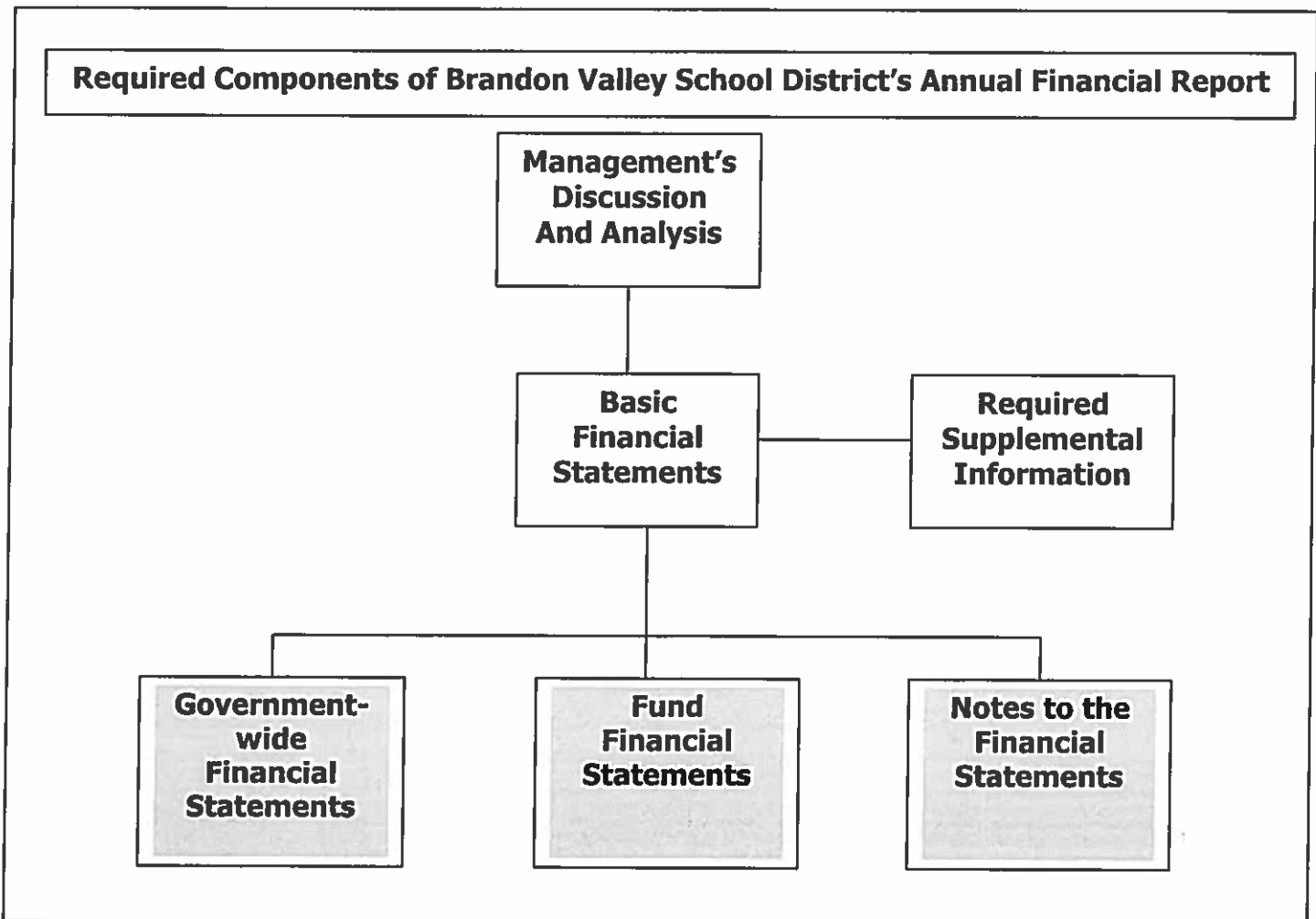




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents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

## Major Functions of the Government-wide and Fund Financial Statements

	<u>Government-Wide Statements</u>	<u>Fund Financial Statements</u>		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and secondary education programs.	Activities the District operates similar to private businesses, e.g., food services.	Instances in which the District administers resources on behalf of someone else, e.g., scholarship programs and student activities monies.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures, and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses, and Changes in Fund Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, short term and long-term; 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 the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless 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, music, etc.) and capital equipment purchases. Property taxes, state grants and federal grants finance most of these activities.
- **Business-type Activities** – This category includes services where a fee to students is charged to help cover the costs of providing these services to all students. The Food Service Fund and an enterprise fund for Driver's Education are the only 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 District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

The District 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 the relationship and reconciles the differences between the fund financial statements and the government-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 enterprise funds (one type of proprietary fund) to report the activities of its Food Service and Driver's Education programs.
- **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 Position and a Statement of Changes in Fiduciary Net Position. 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 BRANDON VALLEY SCHOOL DISTRICT 49-2 AS A WHOLE

The District's combined net position changed as follows:

**Table A-1  
Brandon Valley School District 49-2  
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total		% Change
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018-19
Current and Other Assets	\$19,855,395	\$21,370,299	\$623,934	\$800,956	\$20,479,329	\$22,171,255	8.26%
Cash with Fiscal Agent	9,774,878	0	0	0	9,774,878	0	-100.00%
Net Pension Assets	82,694	21,579	0	0	82,694	21,579	
Capital Assets	57,044,781	56,148,292	285,060	255,144	57,329,841	56,403,436	-1.62%
<b>Total Assets</b>	<b>\$86,757,748</b>	<b>\$77,540,170</b>	<b>\$908,994</b>	<b>\$1,056,100</b>	<b>\$87,666,742</b>	<b>\$78,596,270</b>	<b>-10.35%</b>
Pension Related Deferred Outflows	\$8,899,779	\$7,503,006	\$0	\$0	8,899,779	7,503,006	-15.69%
OPEB Related Deferred Outflows	0	215,220	0	0	0	215,220	
<b>Total Deferred Outflows of Resources</b>	<b>\$8,899,779</b>	<b>\$7,718,226</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,899,779</b>	<b>\$7,718,226</b>	<b>-13.28%</b>
Long-Term Debt Outstanding	\$34,089,068	\$27,016,429	\$0	\$0	\$34,089,068	\$27,016,429	-20.75%
Other Liabilities	11,605,473	6,455,525	63,845	69,635	11,669,318	6,525,160	-44.08%
<b>Total Liabilities</b>	<b>\$45,694,541</b>	<b>\$33,471,954</b>	<b>\$63,845</b>	<b>\$69,635</b>	<b>\$45,758,386</b>	<b>\$33,541,589</b>	<b>-26.70%</b>
Premium on Refunding Bonds	\$2,058,840	\$1,998,617	\$0	\$0	\$2,058,840	\$1,998,617	-2.93%
OPEB Related Deferred Inflows	76,851	793,399	0	0	76,851	793,399	932.39%
Pension Related Deferred Inflows	1,744,787	1,796,488	0	0	1,744,787	1,796,488	2.96%
<b>Total Deferred Inflows of Resources</b>	<b>\$3,880,478</b>	<b>\$4,588,504</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,880,478</b>	<b>\$4,588,504</b>	<b>18.25%</b>
<b>Net Position:</b>							
Invested in Capital Assets							
Net of Related Debt	\$25,219,334	\$27,099,626	\$285,060	\$255,144	\$25,504,394	\$27,354,770	7.26%
Restricted	14,706,890	14,553,925	0	0	14,706,890	14,553,925	-1.04%
Unrestricted	6,156,284	5,544,387	560,089	731,321	6,716,373	6,275,708	-6.56%
<b>Total Net Assets</b>	<b>\$46,082,508</b>	<b>\$47,197,938</b>	<b>\$845,149</b>	<b>\$986,465</b>	<b>\$46,927,657</b>	<b>\$48,184,403</b>	<b>2.68%</b>
Beginning Net Position	\$42,393,677	\$46,082,508	\$735,386	\$845,149	\$43,129,063	\$46,927,657	
Prior Period Adjustment	0	0	0	0	0	0	
<b>Adjusted Beginning Net Position</b>	<b>\$42,393,677</b>	<b>\$46,082,508</b>	<b>\$735,386</b>	<b>\$845,149</b>	<b>\$43,129,063</b>	<b>\$46,927,657</b>	
Increase(Decrease) in Net Assets	\$3,688,831	\$1,115,430	\$109,763	\$141,316	\$3,798,594	\$1,256,746	
Percentage of Increase (Decrease) in Net Assets	8.70%	2.42%	14.93%	16.72%	8.81%	2.68%	

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 and capital outlay certificate indebtedness, 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.

The total assets of the School District decreased \$9,070,472. Equity in the School District's pooled cash and cash equivalents increased \$1,033,395. Property tax receivables increased \$584,154, other assets increased \$74,377, and cash with a fiscal agent decreased \$9,774,879. Net Pension assets decreased \$61,115. Capital assets decreased \$926,405 and are discussed in detail later in this report.

Total Liabilities of the School District decreased \$12,216,797.

The total net position of the School District increased \$1,256,746, which included an increase of \$1,697,411 in capital asset investment and restricted net position and a decrease of \$440,665 in unrestricted net position which involve the general operations of the School District.

## GOVERNMENTAL ACTIVITIES

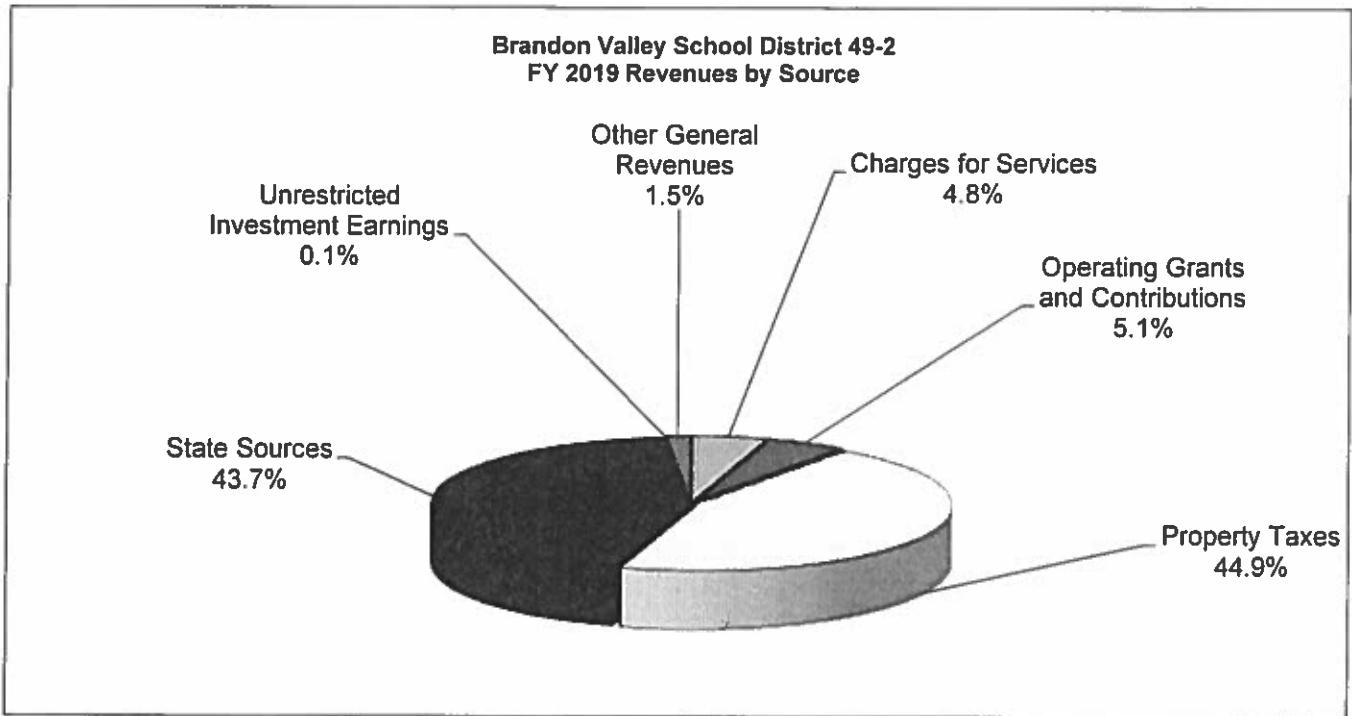
Table A-2 and the narrative that follow consider the operations of the government-wide activities.

**Table A-2**  
**Brandon Valley School District 49-2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2018-19
	2018	2019	2018	2019	2018	2019	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$3,289,844	\$278,410	\$1,717,777	\$1,851,498	\$5,007,621	\$2,129,908	-57.47%
Operating Grants and Contributions	1,360,300	1,373,655	829,326	913,123	2,189,626	2,286,778	4.44%
Capital Grants and Contributions	0	0	0	0	0	0	
General Revenues							
Property Taxes	\$18,780,528	\$20,121,472			\$18,780,528	\$20,121,472	7.14%
State Sources	18,037,487	19,583,218			18,037,487	19,583,218	8.57%
Unrestricted Investment Earnings	45,424	34,784			45,424	34,784	-23.42%
Other General Revenues	669,890	652,674			669,890	652,674	-2.57%
<b>Total Revenues</b>	<b>42,183,473</b>	<b>42,044,213</b>	<b>2,547,103</b>	<b>2,764,621</b>	<b>\$44,730,576</b>	<b>\$44,808,834</b>	<b>0.17%</b>
<b>Expenses</b>							
Instruction	\$22,568,013	\$24,674,417			\$22,568,013	\$24,674,417	9.33%
Support Services	13,429,848	13,483,569			13,429,848	13,483,569	0.40%
Non-programmed Charges	372,443	292,866			372,443	292,866	-21.37%
Debt Service	1,291,029	998,956			1,291,029	998,956	-22.62%
Co-Curricular Activities	842,310	900,795			842,310	900,795	6.94%
Food Service	0	0	2,387,223	2,555,273	2,387,223	2,555,273	7.04%
Driver's Education/ACT Prep	0	0	64,937	68,032	64,937	68,032	4.77%
<b>Total Expenses</b>	<b>\$38,503,643</b>	<b>\$40,350,603</b>	<b>\$2,452,160</b>	<b>\$2,623,305</b>	<b>\$40,955,803</b>	<b>\$42,973,908</b>	<b>4.93%</b>
Excess of Revenue Over (Under) Expenses	\$3,679,830	\$1,693,610	\$94,943	\$141,316	\$3,774,773	\$1,834,926	-51.39%
<b>Increase (Decrease) in Net Assets</b>	<b>3,679,830</b>	<b>1,693,610</b>	<b>94,943</b>	<b>141,316</b>	<b>\$3,774,773</b>	<b>\$1,834,926</b>	<b>-51.39%</b>

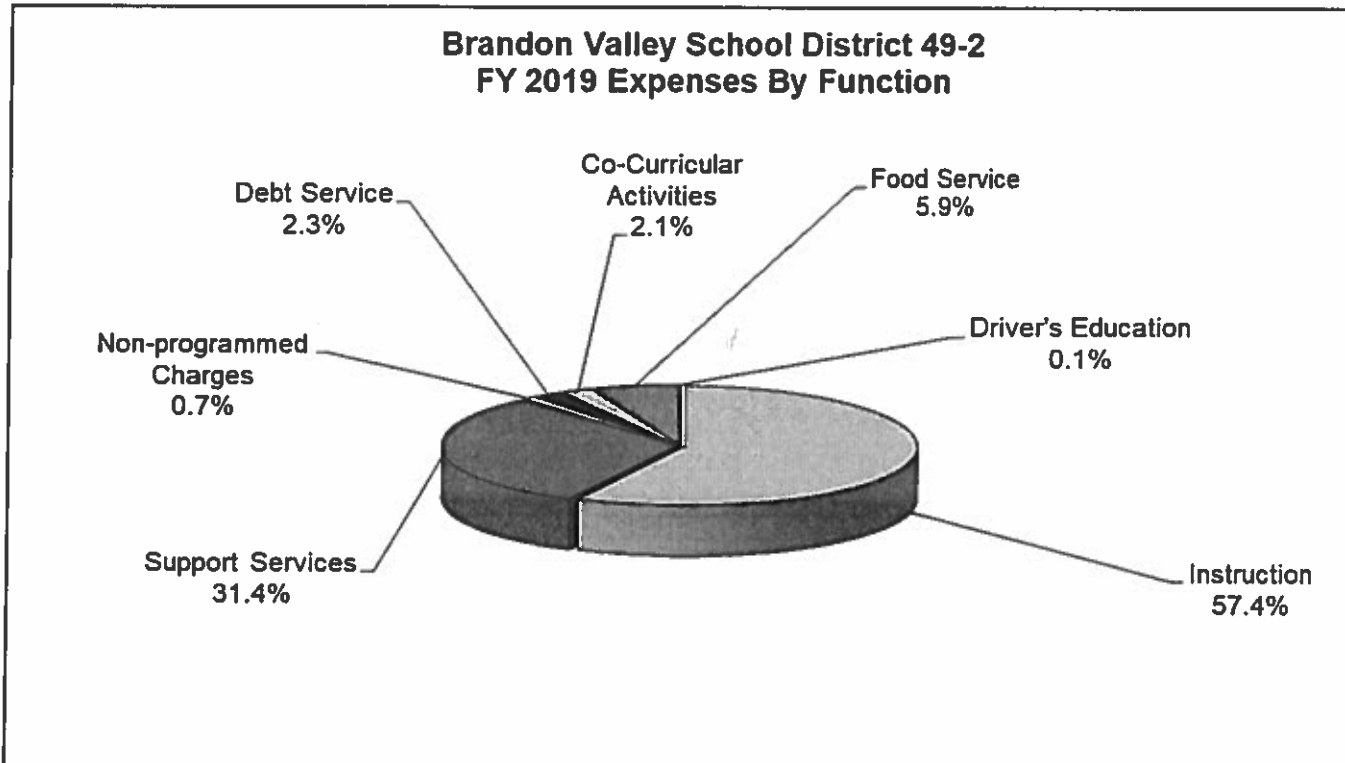
The District's revenues totaled \$44,808,834 (See Table A-2). Almost half (45%) of the District's revenue came from property taxes, with over a third (44%) coming from state aid (See Figure A-3).

**Figure A-3**



The District's expenditures totaled \$42,973,908 (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**



## **BUSINESS-TYPE ACTIVITIES**

Revenues of the District's business-type activities, i.e., food services, driver's education increased by 8.5% from \$2,547,103 in FY2018 to \$2,764,621 in FY2019 and expenses increased by 7.0% from \$2,452,160 in FY2018 to \$2,623,305 in FY2019.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Fund Balances changed as follows: General Fund increased \$416,475, resulting primarily from revenues exceeding expenditures. Capital Outlay Fund increased \$687,469 because of revenues exceeding expenditures. Special Education Fund increased \$341,627 as a result of revenues exceeding expenditures. Pension Fund decreased \$289,437 as a result of expenditures exceeding revenues which was planned/budgeted. Bond Redemption Fund decreased \$9,767,544 as a result of expenditures exceeding revenues.

## **BUDGETARY HIGHLIGHTS**

The Board of Education was presented with a preliminary budget for their review and consideration on May 13, 2018 as prescribed by state statute. Following their review, the 2018-19 budget was adopted by the Board of Education on July 15, 2018 with only minor modifications.

## **CAPITAL ASSET ADMINISTRATION**

At the end of FY2019, the District had invested \$92,488,895 in a broad range of capital assets, including land, buildings, improvements other than buildings, and equipment for governmental activities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$1,755,731 or 1.9%, over the previous year.

**Table A-3**  
**Brandon Valley School District 49-2**  
**Capital Assets**  
**(Net of Depreciation)**

	<b>Governmental Activities</b>		<b>Business Activities</b>	
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2019</b>
Land	\$2,144,224	\$2,144,224		
Buildings	72,166,614	72,166,614		
Improvements other than Buildings	4,046,020	5,166,444		
Equipment	11,210,185	12,013,587	\$968,945	\$983,331
Construction Work in Progress	197,176	14,695		
<b>Total Capital Assets</b>	<b>89,764,219</b>	<b>91,505,564</b>	<b>968,945</b>	<b>983,331</b>
Accumulated Depreciation	(32,719,438)	(35,357,272)	(683,885)	(728,187)
<b>Total All Capital Assets</b>	<b>\$57,044,781</b>	<b>\$56,148,292</b>	<b>\$285,060</b>	<b>\$255,144</b>

**LONG-TERM DEBT**

At year-end, the District had \$30,364,544 in general obligation bonds, capital outlay certificates, and other long-term obligations. This is a decrease of \$12,016,428 as shown on table A-4.

**Table A-4**  
**Brandon Valley School District 49-2**  
**Outstanding Debt and Obligations**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total Dollar Change</b>	<b>Total Percentage Change</b>
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2018-19</b>	<b>FY2018-19</b>
Capital Outlay Certificates	\$11,405,000	\$6,510,000			(\$4,895,000)	-42.92%
General Obligation Bonds	27,470,000	20,205,000			(\$7,265,000)	-26.45%
Early Retirement, Accrued Leave Payable, Accrued Interest, & Lease Payable	1,203,174	889,337			(\$313,837)	-26.08%
SDRS Pension Liability						
Other Post Employment Benefits	2,302,798	2,760,207			\$457,409	19.86%
<b>Total Outstanding Debt and Obligations</b>	<b>\$42,380,972</b>	<b>\$30,364,544</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,016,428)</b>	<b>-28.35%</b>

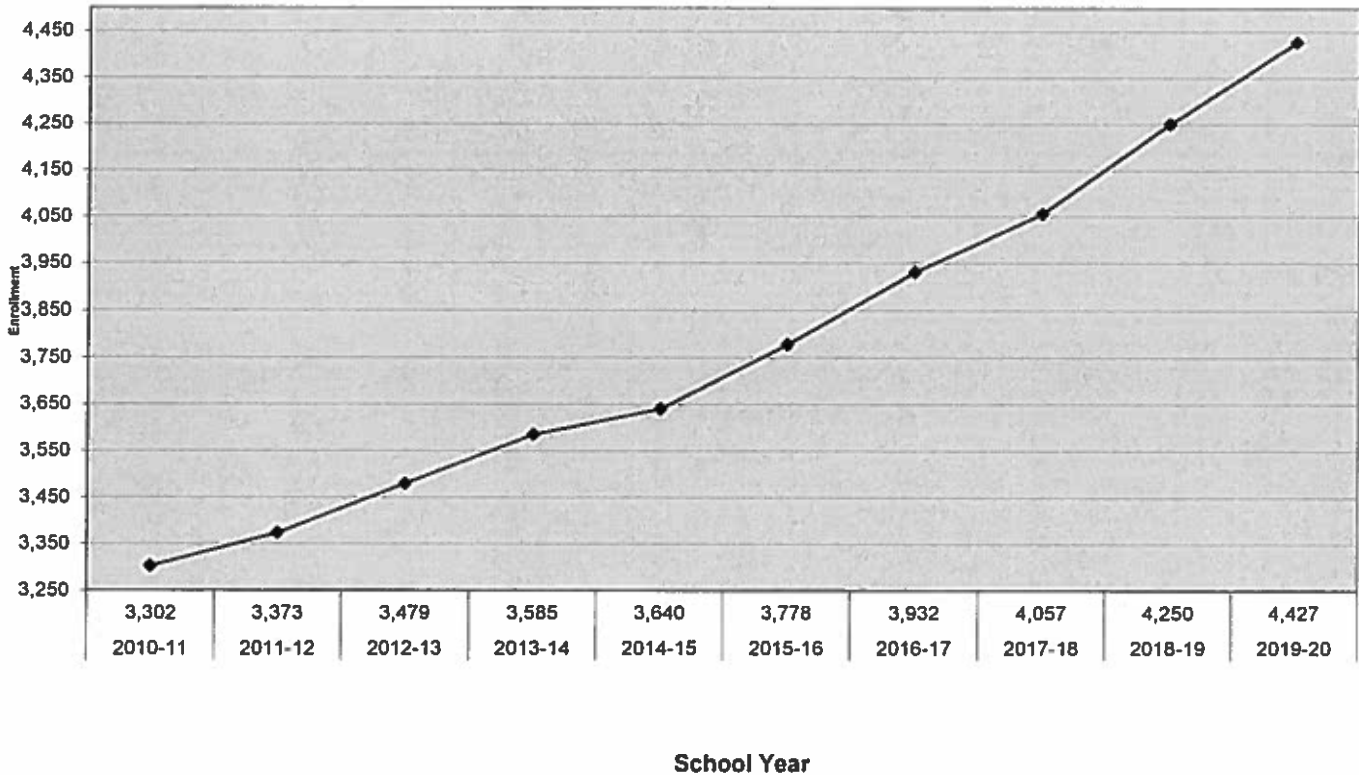
## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial condition in the future:

- On September 10, 2019, the District passed a Bond Issue for \$15,750,000 with overwhelming support (89.4%). The proceeds will be used to construct the Districts' 6<sup>th</sup> Elementary School.
- The District experienced an increase in the 2020 assessed value of the District in the amount of \$164M or 8%. We believe that the increase is reflecting a rebound in the home building environment which should equate to additional funding for the District. The Funds that receive financial support from property taxes except for the General fund and the Special Education fund will benefit proportionately from this increase in value. The manner in which the state aid formulas for the General fund and the Special Education fund are calculated eliminate the benefit of increased value for these funds. The state legislature annually sets the maximum dollars per 1,000 of assessed value a district can request in all taxing funds except the Debt Service fund which is established by an approved resolution voted upon by district patrons.
- The State Aid formula for the General and Special Education funds are based on the District's fall enrollment and the number of special needs students being served in various need categories respectively. The 2018-19 general state aid is calculated on \$5,565/student based upon the September child count and increases annually by the lesser of the rate of inflation or three percent (3%). The state aid formula insures that the state aid and the amount the district can generate through property taxes will equal the per total student allocation. The per pupil allocation increased in 2018-19 (1.7%) and 2019-20 (2.5%). The special education aid is calculated very similar with the use of six (6) different student categories, each having a varying value assigned to the category. Once again, the calculated student need of the Special Education fund is accommodated by the amount that can be generated locally through property taxes and state support. With the basic formula being calculated on the student need amount less the amount raised locally through property taxes equaling the amount of state support, you can see that the District does not receive the financial advantage of increased assessed value in the General Fund or Special Education Fund.
- The enrollment of the District has increased over the past ten years and 2018-19 was not an exception. Total number of students increased 193 in 2018-19 and 177 in 2019-20. These enrollment increases have allowed the District financial successes that have not been experienced by other school districts in the state of South Dakota in the past years. With a major portion of the District's state funding based on enrollment numbers, the financial impact of increasing enrollment is an important factor in the financial stability of the District. Enrollment increases are a significant source of new revenue for the District. The following graph illustrates prior enrollment and potential trends.



**Figure A-5  
Enrollment During the Last Ten Years**



We believe that our local economy has been thriving and will continue into the foreseeable future. The financial condition of the State of South Dakota will have a significant impact on how revenues will flow to the local School Districts. We predict revenue streams to increase at the statutory inflationary level at the least and combined with our “new” revenue sources coming from increased enrollments should put us in a solid financial position.

- Inflation rates will have a significant impact on the School District along with State of South Dakota revenues. It is projected that rates of inflation will be very low in the next five years causing an effect on the additional income that is received by the School District. General and Special Education Fund per student increases are based on the rate of inflation or 3%, whichever is less.
- Annually the District negotiates the salary and benefits package of District employees. With approximately 86% of the General fund expenditures being salary and benefit costs, the outcome of negotiations has a major impact on the future financial status of the District.

**CONTACTING THE SCHOOL’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 regarding this report or need additional information, please contact the Brandon Valley School District 49-2 Business Office, 300 S. Splitrock Boulevard, Brandon, SD 57005.

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**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 10,413,513.54	\$ 719,531.92	\$ 11,133,045.46
Investments-Certificates of Deposit	1,000,000.00		1,000,000.00
Taxes Receivable	9,044,392.18		9,044,392.18
Due from Other Governments	912,393.16	32,518.08	944,911.24
Inventories		48,906.42	48,906.42
Net Pension Asset	21,578.80		21,578.80
Capital Assets:			
Land and Construction in Progress	2,158,919.00		2,158,919.00
Other Capital Assets, Net of Depreciation	<u>53,989,373.00</u>	<u>255,143.77</u>	<u>54,244,516.77</u>
<b>TOTAL ASSETS</b>	<u>77,540,169.68</u>	<u>1,056,100.19</u>	<u>78,596,269.87</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
OPEB Related Deferred Outflows	215,220.00		215,220.00
Pension Related Deferred Outflows	<u>7,503,005.93</u>		<u>7,503,005.93</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>7,718,225.93</u>		<u>7,718,225.93</u>
<b>LIABILITIES :</b>			
Accounts Payable	211,192.93	2,282.50	213,475.43
Accrued Wages and Benefits Payable	2,745,383.75	7,128.69	2,752,512.44
Accrued Interest Payable	150,833.34		150,833.34
Unearned Revenue		60,223.99	60,223.99
Noncurrent Liabilities:			
Due Within One Year	3,348,114.62		3,348,114.62
Due in More than One Year	<u>27,016,429.00</u>		<u>27,016,429.00</u>
<b>TOTAL LIABILITIES</b>	<u>33,471,953.64</u>	<u>69,635.18</u>	<u>33,541,588.82</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Premium on Refunding Bonds	1,998,616.70		1,998,616.70
OPEB Related Deferred Inflows	793,399.00		793,399.00
Pension Related Deferred Inflows	<u>1,796,487.90</u>		<u>1,796,487.90</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>4,588,503.60</u>		<u>4,588,503.60</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	27,099,626.38	255,143.77	27,354,770.15
Restricted for:			
Capital Outlay	4,799,728.54		4,799,728.54
Special Education	1,954,879.78		1,954,879.78
Debt Service	2,071,219.39		2,071,219.39
SDRS Pension Purposes	5,728,096.83		5,728,096.83
Unrestricted	<u>5,544,387.45</u>	<u>731,321.24</u>	<u>6,275,708.69</u>
<b>TOTAL NET POSITION</b>	<u>\$ 47,197,938.37</u>	<u>\$ 986,465.01</u>	<u>\$ 48,184,403.38</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**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
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 24,674,416.89	\$ 152,184.86	\$ 1,373,654.89	\$ (23,148,577.14)	\$ (23,148,577.14)
Support Services	14,061,747.94			(14,061,747.94)	(14,061,747.94)
Nonprogrammed Charges	292,866.00			(292,866.00)	(292,866.00)
*Interest on Long-term Debt	998,956.55			(998,956.55)	(998,956.55)
Cocurricular Activities	900,794.72	126,225.03		(774,569.69)	(774,569.69)
<b>Total Governmental Activities</b>	<u>40,928,782.10</u>	<u>278,409.89</u>	<u>1,373,654.89</u>	<u>(39,276,717.32)</u>	<u>(39,276,717.32)</u>
<b>Business-type Activities:</b>					
Food Service	2,555,272.56	1,789,188.10	913,122.97	147,038.51	147,038.51
Drivers Education Program	68,032.31	53,600.00		(14,432.31)	(14,432.31)
ACT Prep Program		8,710.00		8,710.00	8,710.00
<b>Total Business-type Activities</b>	<u>2,623,304.87</u>	<u>1,851,498.10</u>	<u>913,122.97</u>	<u>141,316.20</u>	<u>141,316.20</u>
<b>Total Primary Government</b>	<u>\$ 43,552,086.97</u>	<u>\$ 2,129,907.99</u>	<u>\$ 2,286,777.86</u>	<u>(39,276,717.32)</u>	<u>(39,135,401.12)</u>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property Taxes				19,352,807.12	19,352,807.12
Utility Taxes				768,665.35	768,665.35
<b>Revenue from State Sources:</b>					
State Aid				19,583,217.90	19,583,217.90
Unrestricted Investment Earnings				34,784.04	34,784.04
Other General Revenues				652,673.57	652,673.57
<b>Total General Revenues</b>				<u>40,392,147.98</u>	<u>40,392,147.98</u>
<b>Change in Net Position</b>				<u>1,115,430.66</u>	<u>1,256,746.86</u>
<b>Net Position - Beginning</b>				<u>46,082,507.71</u>	<u>46,927,656.52</u>
<b>NET POSITION - ENDING</b>				<u>\$ 47,197,938.37</u>	<u>\$ 48,184,403.38</u>

\*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.

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Capital Outlay Fund	Special Education Fund	Pension Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS</b>						
Assets:						
Cash and Cash Equivalents	\$ 6,300,701.78	\$ 2,327,529.32	\$ 926,782.76	\$ 53,115.59	\$ 805,384.09	\$ 10,413,513.54
Investments-Certificates of Deposit	1,000,000.00					1,000,000.00
Taxes Receivable - Current	3,630,464.19	2,531,137.30	1,410,154.07		1,327,151.33	8,898,906.89
Taxes Receivable - Delinquent	67,484.09	37,729.65	18,621.71	670.03	20,979.81	145,485.29
Due from Other Governments	864,122.16		48,271.00			912,393.16
<b>TOTAL ASSETS</b>	<b>11,862,772.22</b>	<b>4,896,396.27</b>	<b>2,403,829.54</b>	<b>53,785.62</b>	<b>2,153,515.23</b>	<b>21,370,298.88</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	137,074.09	28,130.23	45,988.61			211,192.93
Contracts Payable	2,061,464.49		354,971.31			2,416,435.80
Payroll Deductions and Withholdings and Employer Matching Payable	280,958.11		47,989.84			328,947.95
Total Liabilities	2,479,496.69	28,130.23	448,949.76			2,956,576.68
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	3,697,948.28	2,568,866.95	1,428,775.78	670.03	1,348,131.14	9,044,392.18
Total Deferred Inflows of Resources	3,697,948.28	2,568,866.95	1,428,775.78	670.03	1,348,131.14	9,044,392.18
Fund Balances:						
Restricted:						
Capital Outlay		2,299,399.09				2,299,399.09
Special Education			526,104.00			526,104.00
Pension				53,115.59		53,115.59
Debt Service					805,384.09	805,384.09
Assigned:						
Subsequent Year's Budget	273,000.00					273,000.00
Unassigned	5,412,327.25					5,412,327.25
Total Fund Balances	5,685,327.25	2,299,399.09	526,104.00	53,115.59	805,384.09	9,369,330.02
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 11,862,772.22</b>	<b>\$ 4,896,396.27</b>	<b>\$ 2,403,829.54</b>	<b>\$ 53,785.62</b>	<b>\$ 2,153,515.23</b>	<b>\$ 21,370,298.88</b>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total Fund Balances - Governmental Funds		\$ 9,369,330.02
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:	\$ 91,505,564.00	
and the accumulated depreciation is:	<u>(35,357,272.00)</u>	56,148,292.00
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
General Obligation Bonds	(20,205,000.00)	
Capital Outlay Certificates	(6,510,000.00)	
Capital (Financing) Leases	(335,048.92)	
Early Retirement and Compensated Absences Payable	(554,287.70)	
Other Postemployment Benefits	<u>(2,760,207.00)</u>	(30,364,543.62)
Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		21,578.80
Pension & OPEB related deferred outflows are components of related assets and therefore are not reported in the funds.		7,503,005.93
Pension & OPEB related deferred inflows are components of related liabilities and therefore are not reported in the funds.		(2,374,666.90)
Property taxes will be collected in the future but are not available soon enough to pay the current period's expenditures, and therefore are deferred in the funds.		9,044,392.18
Accrued interest payable is accounted for in the Statement of Net Position but is not accounted for in the modified accrual basis of accounting.		(150,833.34)
Bond premiums, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position.		<u>(1,998,616.70)</u>
Net Position - Governmental Funds		<u>\$ 47,197,938.37</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**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
<b>Revenues:</b>						
Revenue from Local Sources:						
Taxes:						
Ad Valorem Taxes	\$ 7,585,824.90	\$ 5,260,676.23	\$ 2,818,888.12	\$	\$ 2,824,642.06	\$ 18,490,031.31
Prior Years' Ad Valorem Taxes	99,864.32	56,934.60	27,861.62	1,839.86	32,200.58	218,700.98
Tax Deed Revenue	2,547.45	1,327.55	722.87		701.31	5,299.18
Utility Taxes	768,665.35					768,665.35
Mobile Home Taxes	3,523.04	2,181.91	1,945.93		1,114.65	8,765.53
Penalties and Interest on Taxes	25,450.30	9,725.80	4,672.48	472.27	5,535.11	45,855.96
Tuition and Fees:						
Regular Day School Tuition	2,782.50					2,782.50
Earnings on Investments and Deposits	34,784.04					34,784.04
Cocurricular Activities:						
Admissions	92,996.00					92,996.00
Other Pupil Activity Income	33,229.03					33,229.03
Other Revenue from Local Sources:						
Rentals	242,383.87					242,383.87
Contributions and Donations	43,429.79	28,118.71				71,548.50
Insurance and Judgments	19,957.05					19,957.05
Charges for Services	19,925.16					149,402.36
Other	135,218.47	8,660.00	129,477.20			143,878.47
Revenue from Intermediate Sources:						
County Sources:						
County Apportionment	139,186.93					139,186.93
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted Grants-in-Aid	17,045,407.90					17,045,407.90
Restricted Grants-in-Aid			2,537,810.00			2,537,810.00
Other State Revenue						
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through the State	616,469.89	757,185.00				1,373,654.89
Total Revenues	<u>26,911,645.99</u>	<u>5,367,624.80</u>	<u>6,278,563.22</u>	<u>2,312.13</u>	<u>2,864,193.71</u>	<u>41,424,339.85</u>

Expenditures:					
Instruction:					
Regular Programs:					
Elementary	9,714,948.79	85,480.09			9,800,428.88
Middle/Junior High	2,190,276.49	81,702.00			2,271,978.49
High School	4,169,595.67	121,620.37			4,291,216.04
Special Programs:					
Gifted & Talented	69,308.63				69,308.63
Programs for Special Education		4,643.05	4,236,345.03		4,240,988.08
Culturally Different	193,957.15				193,957.15
Educationally Deprived	391,462.39				391,462.39
Support Services:					
Pupils:					
Guidance	654,457.79		2,112.00		656,569.79
Health	240,684.43	899.00	62,369.00		303,952.43
Psychological			237,395.00		237,395.00
Speech Pathology			519,083.00		519,083.00
Audiology			329.00		329.00
Student Therapy Services			369,110.00		369,110.00
Support Services - Instructional Staff:					
Improvement of Instruction	703,575.97				703,575.97
Educational Media	280,654.88	102,269.97			382,924.85
Support Services - General Administration:					
Board of Education	76,060.32				76,060.32
Executive Administration	461,093.51	430.26			461,523.77
Support Services - School Administration:					
Office of the Principal	1,696,980.31	10,548.95			1,707,529.26
Support Services - Business:					
Fiscal Services	326,929.61				326,929.61
Facilities Acquisition and Construction		232,550.19			232,550.19
Operation and Maintenance of Plant	4,074,781.82	319,352.91			4,394,134.73
Pupil Transportation	1,142,137.63	4,485.99			1,146,623.62
Support Services - Special Education:					
Administrative Costs			186,391.52		186,391.52
Transportation Costs			160,301.00		160,301.00
Speech Transportation Costs			152,789.00		152,789.00



BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
**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
Nonprogrammed Charges:						
Early Retirement Payments				291,749.00		291,749.00
Debt Services		892,318.45			2,911,737.31	3,804,055.76
Cocurricular Activities:						
Male Activities	244,905.68					244,905.68
Female Activities	217,724.11					217,724.11
Transportation	95,486.55					95,486.55
Combined Activities	260,868.08	25,325.30				286,193.38
Capital Outlay		<u>2,123,529.64</u>	<u>10,712.00</u>			<u>2,134,241.64</u>
Total Expenditures	<u>27,205,889.81</u>	<u>4,005,156.17</u>	<u>5,936,936.55</u>	<u>291,749.00</u>	<u>2,911,737.31</u>	<u>40,351,468.84</u>
Excess of Revenue Over (Under) Expenditures	<u>(294,243.82)</u>	<u>1,362,468.63</u>	<u>341,626.67</u>	<u>(289,436.87)</u>	<u>(47,543.60)</u>	<u>1,072,871.01</u>
Other Financing Sources:						
Transfer In	675,000.00					675,000.00
Transfer (Out)		(675,000.00)				(675,000.00)
Payment on Long Term Maturing Debt					(9,720,000.00)	(9,720,000.00)
Sale of Surplus Property	<u>35,718.75</u>					<u>35,718.75</u>
Total Other Financing Sources (Uses)	<u>710,718.75</u>	<u>(675,000.00)</u>			<u>(9,720,000.00)</u>	<u>(9,684,281.25)</u>
Net Change in Fund Balances	416,474.93	687,468.63	341,626.67	(289,436.87)	(9,767,543.60)	(8,611,410.24)
FUND BALANCE - JULY 1, 2018	<u>5,268,852.32</u>	<u>1,611,930.46</u>	<u>184,477.33</u>	<u>342,552.46</u>	<u>10,572,927.69</u>	<u>17,980,740.26</u>
FUND BALANCE - JUNE 30, 2019	<u>\$5,685,327.25</u>	<u>\$2,299,399.09</u>	<u>\$ 526,104.00</u>	<u>\$ 53,115.59</u>	<u>\$ 805,384.09</u>	<u>\$ 9,369,330.02</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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 \$ (8,611,410.24)

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

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

Unavailable Revenue - Property Taxes	\$ 9,044,392.18	
Adjust Prior Year Taxes	<u>(8,460,238.02)</u>	584,154.16

Governmental funds report capital outlays as expenditures, but in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. The amount by which depreciation expenses exceeds capital outlay expenses in the period is:

Cost of Capital Assets	2,134,241.00	
Depreciation Expense	<u>(3,030,730.00)</u>	(896,489.00)

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	7,265,000.00	
Capital (Financing) Leases	331,436.26	
Capital Outlay Certificates	<u>4,895,000.00</u>	12,491,436.26

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

Early Retirement, Compensated Absences and Other Postemployment Benefits exceeded the amount paid out by:	(976,335.24)
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Changes in the pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	(1,509,588.23)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Accrued interest increased during the year by:	(26,560.40)
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When bonds are issued there is usually a premium or a discount involved. This premium or discount is amortized over the life of the bonds issued.	<u>60,223.35</u>
---	------------------

Change in Net Position of Governmental Activities	<u>\$ 1,115,430.66</u>
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The notes to the financial statements are an integral part of this statement.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	<u>Enterprise Funds</u>		
	<u>Food Service Fund</u>	<u>Other Enterprise Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 665,474.76	\$ 54,057.16	\$ 719,531.92
Due from Federal Government	32,518.08		32,518.08
Inventory of Supplies	12,134.78		12,134.78
Inventory of Stores Purchased for Resale	15,384.73		15,384.73
Inventory of Donated Food	21,386.91		21,386.91
<b>Total Current Assets</b>	<u>746,899.26</u>	<u>54,057.16</u>	<u>800,956.42</u>
Capital Assets:			
Machinery and Equipment	983,330.78		983,330.78
Less: Accumulated Depreciation (Credit)	<u>(728,187.01)</u>		<u>(728,187.01)</u>
<b>Total Noncurrent Assets</b>	<u>255,143.77</u>		<u>255,143.77</u>
<b>TOTAL ASSETS</b>	<u>1,002,043.03</u>	<u>54,057.16</u>	<u>1,056,100.19</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	2,282.50		2,282.50
Contracts Payable	3,999.41	2,500.00	6,499.41
Payroll Deductions and Withholdings and Employer Matching Payable	438.03	191.25	629.28
Unearned Revenue	60,223.99		60,223.99
<b>Total Current Liabilities</b>	<u>66,943.93</u>	<u>2,691.25</u>	<u>69,635.18</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	255,143.77		255,143.77
Unrestricted Net Position	<u>679,955.33</u>	<u>51,365.91</u>	<u>731,321.24</u>
<b>Total Net Position</b>	<u>\$ 935,099.10</u>	<u>\$ 51,365.91</u>	<u>\$ 986,465.01</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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>Total</u>
<b>Operating Revenue:</b>			
Food Sales:			
To Pupils	\$ 1,235,301.55	\$	\$ 1,235,301.55
To Adults	29,776.85		29,776.85
A la Carte	491,270.10		491,270.10
Other Charges for Goods and Services	32,839.60	62,310.00	95,149.60
<b>Total Operating Revenue</b>	<u>1,789,188.10</u>	<u>62,310.00</u>	<u>1,851,498.10</u>
<b>Operating Expenses:</b>			
Salaries	856,627.98	52,557.50	909,185.48
Employee Benefits	363,538.05	4,421.10	367,959.15
Purchased Services	45,345.36		45,345.36
Supplies	76,791.76	11,053.71	87,845.47
Cost of Sales-Purchased Food	911,618.34		911,618.34
Cost of Sales-Donated Food	246,088.53		246,088.53
Miscellaneous	2,183.00		2,183.00
Depreciation-Local Funds	53,079.54		53,079.54
<b>Total Operating Expenses</b>	<u>2,555,272.56</u>	<u>68,032.31</u>	<u>2,623,304.87</u>
<b>Operating Income (Loss)</b>	<u>(766,084.46)</u>	<u>(5,722.31)</u>	<u>(771,806.77)</u>
<b>Nonoperating Revenue (Expense):</b>			
State Sources:			
Cash Reimbursements	9,309.89		9,309.89
Federal Sources:			
Cash Reimbursements	649,161.68		649,161.68
Donated Food	254,651.40		254,651.40
<b>Total Nonoperating Revenue (Expense)</b>	<u>913,122.97</u>		<u>913,122.97</u>
<b>Change in Net Position</b>	147,038.51	(5,722.31)	141,316.20
<b>Net Position - Beginning</b>	<u>788,060.59</u>	<u>57,088.22</u>	<u>845,148.81</u>
<b>NET POSITION - ENDING</b>	<u>\$ 935,099.10</u>	<u>\$ 51,365.91</u>	<u>\$ 986,465.01</u>

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 1,764,349.24	\$ 62,310.00	\$ 1,826,659.24
Other Operating Cash Receipts (Payments)	32,839.60		32,839.60
Payments to Suppliers for Goods and Services	(1,038,774.63)	(11,053.71)	(1,049,828.34)
Payments to Employees	<u>(1,220,989.88)</u>	<u>(61,748.29)</u>	<u>(1,282,738.17)</u>
Net Cash Provided (Used) by Operating Activities	<u>(462,575.67)</u>	<u>(10,492.00)</u>	<u>(473,067.67)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Subsidies	<u>658,471.57</u>		<u>658,471.57</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	<u>(23,163.30)</u>		<u>(23,163.30)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 172,732.60</u>	<u>\$ (10,492.00)</u>	<u>\$ 162,240.60</u>
Cash and Cash Equivalents at Beginning of Year	\$ 492,742.16	\$ 64,549.16	\$ 557,291.32
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>665,474.76</u>	<u>54,057.16</u>	<u>719,531.92</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 172,732.60</u>	<u>\$ (10,492.00)</u>	<u>\$ 162,240.60</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>			
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss)	\$ (766,084.46)	\$ (5,722.31)	\$ (771,806.77)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	53,079.54		53,079.54
Value of Commodities Used	246,088.53		246,088.53
Change in Assets and Liabilities:			
Receivables	(2,777.68)		(2,777.68)
Inventories	(3,441.26)		(3,441.26)
Accounts and Other Payables	605.09		605.09
Accrued Wages Payable	(823.85)	(4,769.69)	(5,593.54)
Unearned Revenue	<u>10,778.42</u>		<u>10,778.42</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (462,575.67)</u>	<u>\$ (10,492.00)</u>	<u>\$ (473,067.67)</u>
<b>Noncash Investing, Capital and Financing Activities:</b>			
Value of Commodities Received	\$ 254,651.40		

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ <u>159,742.24</u>
<b>TOTAL ASSETS</b>	<u>159,742.24</u>
<b>LIABILITIES:</b>	
Amounts Held for Others	<u>159,742.24</u>
<b>TOTAL LIABILITIES</b>	<u>159,742.24</u>
<b>NET POSITION:</b>	
<b>TOTAL NET POSITION</b>	<u>\$ 0.00</u>

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a. **Financial Reporting Entity**

The reporting entity of Brandon Valley School District No. 49-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. **Basis of Presentation**

*Government-wide Financial Statements:*

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

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

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

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental,

proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

#### **Governmental Funds:**

*General Fund - A fund established by South Dakota Codified 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 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 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.*

*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 drivers education conducted for the benefit of the children. The fund is financed by user charges. This is a major fund.

### **Fiduciary Funds:**

Fiduciary funds consist of the following subcategories 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, Drama Club, Special Olympics, Orchestra, Choir, Language Clubs, FFA, Peer Helpers, Class Funds, Charitable Needs Funds, ESD +6 Lobby Funds, FBLA 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 does not exceed one bill-paying cycle, and for the Brandon Valley School District No. 49-2, the length of that cycle is 60 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 collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflows of resources 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 fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

#### **d. Interfund Eliminations and Reclassifications**

##### *Government-wide Financial Statements:*

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

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

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

e. Deposits and Investments:

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

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

f. Capital Assets

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

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

*Government-Wide 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 1.84 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by estimated historical costs. The total June 30, 2019 balance for capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 100.00	NA	NA
Buildings	10,000.00	Straight Line	5-50 yrs.
Building Improvements	10,000.00	Straight Line	5-40 yrs.
Improvements other than Buildings	10,000.00	Straight Line	5-40 yrs.
Machinery and Equipment	1,000.00	Straight Line	5-15 yrs.
Electronics, Computers, Cameras etc	500.00	Straight Line	4 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated.

## *Fund Financial Statements*

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

### **g. Long-Term Liabilities**

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

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

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

### **h. Program Revenues**

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

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

### **i. Proprietary Funds Revenue and Expense Classifications**

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

### **j. Cash and Cash Equivalents**

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

k. Equity Classifications

*Government-wide Statements:*

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

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

*Fund Financial Statements:*

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

l. Application of Net Position

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures

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

1. Nonspendable – includes fund balance amounts that cannot be spent either because it is in nonspendable form or because of legal and contractual constraints.
2. 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.
3. 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.

4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.
5. Unassigned – includes positive fund balance with the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	<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>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Capital Outlay Fund	\$	\$ 2,299,399.09	\$	\$	\$	\$ 2,299,399.09
Special Education Fund			526,104.00			526,104.00
Pension Fund				53,115.59		53,115.59
Debt Service Requirements					805,384.09	805,384.09
<b>Assigned to:</b>						
Subsequent Years' Budget	273,000.00					273,000.00
Unassigned	<u>5,412,327.25</u>					<u>5,412,327.25</u>
<b>Total Fund Balances</b>	<u>\$ 5,685,327.25</u>	<u>\$ 2,299,399.09</u>	<u>\$ 526,104.00</u>	<u>\$ 53,115.59</u>	<u>\$ 805,384.09</u>	<u>\$ 9,369,330.02</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 and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging

eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall 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 investments except the Special Revenue funds. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Since pooling was done to maximize cash management, the interest income from the various special revenue funds was directly recognized in the General Fund. Such amounts were not material to the individual funds.

### NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

### NOTE 4 – INVENTORY

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

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2019 in the governmental funds.

**NOTE 5 – PROPERTY TAXES**

Property taxes are levied on or before each October 1, attached 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 intended to be used to finance the current year's appropriations, but which will not be collected during the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

**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 <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 2,144,224	\$	\$	\$ 2,144,224
Construction Work in Progress	197,176	14,695	197,176	14,695
<b>Total Assets not being depreciated</b>	<u>2,341,400</u>	<u>14,695</u>	<u>197,176</u>	<u>2,158,919</u>
<b>Capital Assets, being depreciated:</b>				
Buildings	72,166,614			72,166,614
Improvements Other than Buildings	4,046,020	1,120,424		5,166,444
Machinery and Equipment	10,185,027	1,160,418	372,071	10,973,374
Library Books	1,025,158	35,880	20,825	1,040,213
<b>Total Assets being depreciated</b>	<u>87,422,819</u>	<u>2,316,722</u>	<u>392,896</u>	<u>89,346,645</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	21,925,266	1,564,825		23,490,091
Improvements Other than Buildings	2,434,181	317,987		2,752,168
Machinery and Equipment	7,552,260	1,096,151	372,071	8,276,340
Library Books	807,731	51,767	20,825	838,673
<b>Total Accumulated Depreciation</b>	<u>32,719,438</u>	<u>3,030,730</u>	<u>392,896</u>	<u>35,357,272</u>
<b>Total Capital Assets, being depreciated, net</b>	<u>54,703,381</u>	<u>(714,008)</u>		<u>53,989,373</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 57,044,781</u>	<u>\$ (699,313)</u>	<u>\$ 197,176</u>	<u>\$ 56,148,292</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 1,905,489
Support Services	1,068,756
Co-Curricular	56,485
<b>Total Depreciation expense-governmental activities</b>	<u>\$ 3,030,730</u>



**Business - Type Activity:**

	<u>Balance</u> <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital Assets, being depreciated:				
Machinery and Equipment	\$ 968,944.61	\$ 23,163.30	\$ 8,777.13	\$ 983,330.78
Less Accumulated Depreciation:				
Machinery and Equipment	\$ 683,884.60	\$ 53,079.54	\$ 8,777.13	\$ 728,187.01
<b>Business-type activity capital assets, net</b>	<b><u>\$ 285,060.01</u></b>	<b><u>\$(29,916.24)</u></b>	<b><u>\$</u></b>	<b><u>\$ 255,143.77</u></b>
Depreciation expense was charged to functions as follows:				
Business-type Activity				
Food Service				
<b>Total Depreciation expense-business-type activity</b>				<b><u>\$ 53,079.54</u></b>

Construction Work in Progress at June 30, 2019 is composed of the following:

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>thru 6/30/2019</u>	<u>Committed</u>
Administration Building Asphalt Renovations	\$ 198,879.00	\$ 14,695.00	\$ 184,184.00

**NOTE 7 – LONG-TERM LIABILITIES**

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

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due within</u> <u>One Year</u>
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Capital Outlay Certificates	\$ 11,405,000.00	\$	\$ (4,895,000.00)	\$ 6,510,000.00	\$ 350,000.00
General Obligation Bonds	27,470,000.00		(7,265,000.00)	20,205,000.00	2,275,000.00
Early Retirement Payable	477,971.00	292,866.00	(291,749.00)	479,088.00	312,866.00
Compensated Absences	58,718.46	75,199.70	(58,718.46)	75,199.70	75,199.70
Other Postemployment Benefits	2,302,798.00	457,409.00		2,760,207.00	
Financing (Capital Acquisition)					
Lease	666,485.18		(331,436.26)	335,048.92	335,048.92
SDRS Pension Liability					
<b>Total Governmental Activities</b>	<b><u>\$ 42,380,972.64</u></b>	<b><u>\$ 825,474.70</u></b>	<b><u>\$ (12,841,903.72)</u></b>	<b><u>\$ 30,364,543.62</u></b>	<b><u>\$ 3,348,114.62</u></b>

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Early Retirement Benefits Payable for governmental activities typically have been liquidated from the Pension Fund.

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

General Obligation Bonds:

Series 2011 – General Obligation Refunding Bonds dated July 22, 2011; Interest rates at .55% to 2.90%, depending on length to maturity. Final maturity is July 1, 2021; payments to be made from the Bond Redemption Fund. \$ 1,975,000.00

Series 2016 – General Obligation Crossover Refunding Bonds dated March 17, 2016; Interest rates at 3% to 4%, depending on length to maturity. Final maturity is December 15, 2027; payments to be made from the Bond 13,065,000.00

Series 2017 – General Obligation Partial Crossover Refunding Bonds dated November 22, 2017; Interest rates at 2% to 3%, depending on length to maturity. Final maturity is June 30, 2034; payments to be made from the Bond Redemption Fund. 5,165,000.00

Capital Outlay Certificates:

Series 2014 – Certificates dated February 6, 2014; Interest rates at 0.300% to 3.950%, depending on length to maturity; final maturity is August 1, 2033; payments made from the Capital Outlay Fund. 1,910,000.00

Series 2017 – Crossover Partial Advance Refunding Certificates dated November 9, 2017; Interest rates at 2% to 3%, depending on length to maturity; final maturity is June 30, 2034; payments made from the Capital Outlay Fund. 4,600,000.00

Early Retirement:

Obligation to individuals who fall under the early retirement plan of the Brandon Valley School District. Payments are made to the retiree at the retiree’s discretion. Payments are made from the Pension Fund. 479,088.00

Vested Annual Leave:

Payments from the General and Special Education Funds. 75,199.70

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. 2,760,207.00

Financing (Capital Acquisition) Lease

Lease of Apple Macbooks. Interest rate of 1.09%. Final Payment due July 15, 2019. Payments from the Capital Outlay Fund. 335,048.92

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

Principal	\$ 1,331,597.46
Interest	<u>23,206.35</u>
	<u>\$ 1,354,803.81</u>

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

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

Year Ending	General Obligation Bonds		Capital Outlay Certificates	
	Principal	Interest	Principal	Interest
2020	\$ 2,275,000	\$ 685,650	\$ 350,000	\$ 161,953
2021	2,460,000	611,000	360,000	155,995
2022	1,705,000	526,287	365,000	148,560
2023	1,730,000	463,788	375,000	139,857
2024	1,855,000	397,988	385,000	129,972
2025-2029	8,095,000	927,631	2,180,000	509,169
2030-2034	2,085,000	161,625	2,495,000	191,625
<b>Totals</b>	<b>\$ 20,205,000</b>	<b>\$ 3,773,969</b>	<b>\$ 6,510,000</b>	<b>\$ 1,437,131</b>

Year Ending	Early Retirement	Capital (Financing) Leases		Total	
		Principal	Interest	Principal	Interest
2020	\$ 312,866	\$ 335,048	\$ 3,652	\$ 3,272,914	\$ 851,255
2021	126,645			2,946,645	766,995
2022	39,577			2,109,577	674,847
2023				2,105,000	603,645
2024				2,240,000	527,960
2025-2029				10,275,000	1,436,800
2030-2034				4,580,000	353,250
<b>Totals</b>	<b>\$ 479,088</b>	<b>\$ 335,048</b>	<b>\$ 3,652</b>	<b>\$ 27,529,136</b>	<b>\$ 5,214,752</b>

**NOTE 8 – RESTRICTED NET POSITION**

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

<u>Major Purpose</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 4,799,728.54
Special Education Purposes	Law	1,954,879.78
Debt Service Purposes	Debt Covenants	2,071,219.39
SDRS Pension Purposes	Law	5,728,096.83
<b>Total Restricted Net Position</b>		<b>\$ 14,553,924.54</b>

**NOTE 9 – INTERFUND TRANSFERS**

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

<u>Transfers From:</u>	<u>Transfers to:</u>
Capital Outlay Fund	General Fund
\$	\$ 675,000.00

This transfer was made to cover utility and other expenses as allowed per SDCL.

## NOTE 10 – PENSION PLAN

### Plan Information:

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

### Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and 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 make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2019, 2018, and 2017 were \$1,207,855.04, \$1,152,343.24, and \$1,110,127.94, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 113,188,544.87
Less proportionate share of net pension restricted for pension benefits	<u>113,210,123.67</u>
Proportionate share of net pension asset	<u>\$ (21,578.80)</u>

At June 30, 2019, the School District reported an asset of \$21,578.80 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'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 .9252429%, which is an increase of .0140269% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense (reduction of expense) of \$1,509,588.23. 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	\$ 815,599.44	\$
Changes in assumption	5,478,480.82	
Net difference between projected and actual earnings on pension plan investments		1,630,854.57
Changes in proportion and difference between District contributions and proportionate share of contributions	1,040.63	165,633.33
District contributions subsequent to the measurement date	<u>1,207,885.04</u>	
TOTAL	<u>\$ 7,503,005.93</u>	<u>\$ 1,796,487.90</u>

\$1,207,885.04 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 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	\$ 2,942,362.99
2021	2,188,866.95
2022	(287,092.66)
2023	(180,911.59)
TOTAL	<u>\$ 4,663,225.69</u>

**Actuarial Assumptions:**

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-014 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 6.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1%</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 liability (asset)	\$ 16,298,049.37	\$ (21,578.80)	\$ (13,296,710.79)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 11 – POSTEMPLOYMENT MEDICAL PLAN**

*Plan Description:* Brandon Valley School District Medical Plan (BVSDMP) is a single-employer defined benefit medical plan administered by the Wellmark Blue Cross Blue Shield Health Plan. BVSDMP provides medical and prescription drug insurance benefits to eligible retirees and their spouses at their cost. This is the same plan that covers the current employees and their families. South Dakota Codified Law 6-1-16 assigns the authority for establishing, administering and amending plan provisions to the governing body. The health plan does not issue separately stated stand-alone financial statements.

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

*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, 2018 Actuarial Valuation Report. See Note 10 – Pension Note.

**Changes in the Total OPEB Liability:**

Beginning of Year Balances	\$ 2,302,798
Service Cost	124,558
Interest	92,165
Effect of assumptions changes or inputs	(187,048)
Differences between expected and actual experience	520,301
Benefit payments	<u>(92,567)</u>
End of Year Balances	<u>\$ 2,760,207</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 3.51%:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,018,902.00	\$ 2,760,207.00	\$ 2,525,077.00

For the year ended June 30, 2019, the School District recognized OPEB expense of \$330,557. 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 of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	<u>\$ 215,220.00</u>	<u>\$ 793,399.00</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:

2020	\$ (113,834.00)
2021	(113,834.00)
2022	(113,834.00)
2023	(113,834.00)
2024	(75,238.00)
Thereafter	<u>(47,605.00)</u>
TOTAL	<u>\$ (578,179.00)</u>

#### NOTE 12 – JOINT VENTURES

The school district participates in the East Dakota Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing education services to the member school districts.

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

Lennox	16.7%
<b>Brandon Valley</b>	63.2%
West Central	20.1%

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

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

At June 30, 2019, this joint venture had total assets of \$2,235,663.74, total liabilities of \$32,465.87, and net position of \$2,203,197.87 in the General and Special Education Funds.



## NOTE 13 – RISK MANAGEMENT

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

### Employee Health Insurance

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

### Liability Insurance

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

### Worker's Compensation

The School District purchases liability insurance for worker's compensation from a commercial carrier.

### Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2019, three claims for unemployment benefits were paid in the amount of \$288.00. At June 30, 2019, two claims for unemployment benefits had been filed and were outstanding. It is estimated, based upon historical trends, that these claims will result in the future payment of unemployment benefits in the amount of approximately \$19,708. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

## NOTE 14 – EARLY RETIREMENT PLAN

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement within six years of attaining age 55 and have at least 15 years of continuous service with the district. Under the plan, the district will pay 100% of the employee's current annual salary, payable over two to five years as a contribution to the employee's 403(b). These amounts are shown as liabilities until paid for the amount approved in the early retirement agreement. The School District paid nine people \$291,749 for such benefits during the year.

## NOTE 15 – SIGNIFICANT CONTINGENCIES - LITIGATION

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

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<b>Actual</b>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 7,440,000.00	\$ 7,440,000.00	\$ 7,585,824.90	\$ 145,824.90
Prior Years' Ad Valorem Taxes	110,000.00	110,000.00	99,864.32	(10,135.68)
Tax Deed Revenue			2,547.45	2,547.45
Utility Taxes	760,000.00	760,000.00	768,665.35	8,665.35
Mobile Home Taxes	5,000.00	5,000.00	3,523.04	(1,476.96)
Penalties and Interest on Taxes	25,000.00	25,000.00	25,450.30	450.30
Tuition and Fees:				
Regular Day School Tuition			2,782.50	2,782.50
Earnings on Investments and Deposits	20,000.00	20,000.00	34,784.04	14,784.04
Cocurricular Activities:				
Admissions	60,000.00	60,000.00	92,996.00	32,996.00
Pupil Organization Memberships	25,000.00	25,000.00		(25,000.00)
Other Pupil Activity Income	30,000.00	30,000.00	33,229.03	3,229.03
Other Revenue from Local Sources:				
Rentals	260,000.00	260,000.00	242,383.87	(17,616.13)
Donations	25,000.00	25,000.00	43,429.79	18,429.79
Insurance and Judgments	5,000.00	5,000.00	19,957.05	14,957.05
Charges for Services	25,000.00	25,000.00	19,925.16	(5,074.84)
Other	115,000.00	115,000.00	135,218.47	20,218.47
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	160,000.00	160,000.00	139,186.93	(20,813.07)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	16,755,000.00	16,755,000.00	17,045,407.90	290,407.90
Other State Revenue				
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid received from Federal Government Through the State	<u>583,000.00</u>	<u>583,000.00</u>	<u>616,469.89</u>	<u>33,469.89</u>
<b>Total Revenue</b>	<b><u>26,403,000.00</u></b>	<b><u>26,403,000.00</u></b>	<b><u>26,911,645.99</u></b>	<b><u>508,645.99</u></b>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary School	9,784,900.00	9,784,900.00	9,714,948.79	69,951.21
Middle/Junior High	2,231,200.00	2,231,200.00	2,190,276.49	40,923.51
High School	4,181,300.00	4,181,300.00	4,169,595.67	11,704.33

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Special Programs:				
Gifted and Talented	\$ 72,800.00	\$ 72,800.00	\$ 69,308.63	\$ 3,491.37
Culturally Different	195,600.00	195,600.00	193,957.15	1,642.85
Educationally Deprived	386,000.00	386,000.00	391,462.39	(5,462.39)
Support Services:				
Pupils:				
Guidance	656,900.00	656,900.00	654,457.79	2,442.21
Health	240,900.00	240,900.00	240,684.43	215.57
Support Services - Instructional Staff:				
Improvement of Instruction	696,100.00	696,100.00	703,575.97	(7,475.97)
Educational Media	276,800.00	276,800.00	280,654.88	(3,854.88)
Support Services - General Administration:				
Board of Education	83,300.00	83,300.00	76,060.32	7,239.68
Executive Administration	465,400.00	465,400.00	461,093.51	4,306.49
Support Services - School Administration:				
Office of the Principal	1,705,200.00	1,705,200.00	1,696,980.31	8,219.69
Support Services - Business:				
Fiscal Services	325,600.00	325,600.00	326,929.61	(1,329.61)
Operation and Maintenance of Plant	4,087,800.00	4,087,800.00	4,074,781.82	13,018.18
Pupil Transportation	1,166,700.00	1,166,700.00	1,142,137.63	24,562.37
Cocurricular Activities:				
Male Activities	233,000.00	233,000.00	244,905.68	(11,905.68)
Female Activities	204,800.00	204,800.00	217,724.11	(12,924.11)
Transportation	89,000.00	89,000.00	95,486.55	(6,486.55)
Combined Activities	<u>259,700.00</u>	<u>259,700.00</u>	<u>260,868.08</u>	<u>(1,168.08)</u>
Total Expenditures	<u>27,343,000.00</u>	<u>27,343,000.00</u>	<u>27,205,889.81</u>	<u>137,110.19</u>
Excess of Revenue Over (Under)Expenditures	<u>(940,000.00)</u>	<u>(940,000.00)</u>	<u>(294,243.82)</u>	<u>645,756.18</u>
Other Financing Sources:				
Transfer In	675,000.00	675,000.00	675,000.00	
Sale of Surplus Property	<u>20,000.00</u>	<u>20,000.00</u>	<u>35,718.75</u>	<u>15,718.75</u>
Total Other Financing Sources (Uses)	<u>695,000.00</u>	<u>695,000.00</u>	<u>710,718.75</u>	<u>15,718.75</u>
Net Change in Fund Balances	(245,000.00)	(245,000.00)	416,474.93	661,474.93
FUND BALANCE - JULY 1, 2018	<u>5,268,852.32</u>	<u>5,268,852.32</u>	<u>5,268,852.32</u>	
FUND BALANCE - JUNE 30, 2019	<u>\$ 5,023,852.32</u>	<u>\$ 5,023,852.32</u>	<u>\$ 5,685,327.25</u>	<u>\$ 661,474.93</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
CAPITAL OUTLAY FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,325,000.00	\$ 5,325,000.00	\$ 5,260,676.23	\$ (64,323.77)
Prior Years' Ad Valorem Taxes	45,000.00	45,000.00	56,934.60	11,934.60
Tax Deed Revenue			1,327.55	1,327.55
Mobile Home Taxes	1,000.00	1,000.00	2,181.91	1,181.91
Penalties and Interest on Taxes	9,000.00	9,000.00	9,725.80	725.80
Other Revenue from Local Sources:				
Donations	25,000.00	25,000.00	28,118.71	3,118.71
Other			8,660.00	8,660.00
<b>Total Revenue</b>	<u>5,405,000.00</u>	<u>5,405,000.00</u>	<u>5,367,624.80</u>	<u>(37,375.20)</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	303,000.00	303,000.00	251,425.37	51,574.63
Middle/Junior High	572,000.00	572,000.00	570,358.20	1,641.80
High School	191,000.00	191,000.00	218,327.60	(27,327.60)
Special Programs:				
Special Education	24,000.00	24,000.00	22,941.80	1,058.20
Support Services - Pupils:				
Health	3,000.00	3,000.00	2,925.00	75.00
Support Services - Instructional Staff:				
Educational Media	141,000.00	141,000.00	138,149.75	2,850.25
Support Services - General Administration:				
Executive Administration	10,500.00	10,500.00	1,254.26	9,245.74
Support Services - School Administration:				
Office of the Principal	14,000.00	14,000.00	19,395.20	(5,395.20)
Support Services - Business:				
Facilities Acquisition and Construction	1,615,000.00	1,615,000.00	1,093,648.79	521,351.21
Operation and Maintenance of Plant	610,500.00	610,500.00	416,295.39	194,204.61
Pupil Transportation	320,000.00	320,000.00	352,791.06	(32,791.06)
Debt Services	894,000.00	894,000.00	892,318.45	1,681.55
Cocurricular Activities	32,000.00	32,000.00	25,325.30	6,674.70
<b>Total Expenditures</b>	<u>4,730,000.00</u>	<u>4,730,000.00</u>	<u>4,005,156.17</u>	<u>724,843.83</u>
Excess of Revenue Over (Under)Expenditures	675,000.00	675,000.00	1,362,468.63	687,468.63
Other Financing Sources:				
Transfer (Out)	(675,000.00)	(675,000.00)	(675,000.00)	
<b>Net Change in Fund Balance</b>			687,468.63	687,468.63
<b>FUND BALANCE - JULY 1, 2018</b>	<u>1,611,930.46</u>	<u>1,611,930.46</u>	<u>1,611,930.46</u>	
<b>FUND BALANCE - JUNE 30, 2019</b>	<u>\$ 1,611,930.46</u>	<u>\$ 1,611,930.46</u>	<u>\$ 2,299,399.09</u>	<u>\$ 687,468.63</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,760,000.00	\$ 2,760,000.00	\$ 2,818,888.12	\$ 58,888.12
Prior Years' Ad Valorem Taxes	30,000.00	30,000.00	27,861.62	(2,138.38)
Tax Deed Revenue			722.87	722.87
Mobile Home Taxes	1,000.00	1,000.00	1,945.93	945.93
Penalties and Interest on Taxes	2,000.00	2,000.00	4,672.48	2,672.48
Other Revenue from Local Sources:				
Charges for Services	106,000.00	106,000.00	129,477.20	23,477.20
Contributions and Donations	1,000.00	1,000.00		(1,000.00)
Other	2,000.00	2,000.00		(2,000.00)
Revenue from State Sources:				
Unrestricted Grants in Aid	2,610,000.00	2,610,000.00		(2,610,000.00)
Restricted Grants-in-Aid			2,537,810.00	2,537,810.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received From Federal Government through State	<u>765,000.00</u>	<u>765,000.00</u>	<u>757,185.00</u>	<u>(7,815.00)</u>
<b>Total Revenue</b>	<u>6,277,000.00</u>	<u>6,277,000.00</u>	<u>6,278,563.22</u>	<u>1,563.22</u>
<b>Expenditures:</b>				
Special Programs:				
Programs for Special Education	4,711,600.00	4,711,600.00	4,247,057.03	464,542.97
Support Services - Pupils:				
Guidance			2,112.00	(2,112.00)
Health			62,369.00	(62,369.00)
Psychological			237,395.00	(237,395.00)
Speech Pathology	635,000.00	635,000.00	519,083.00	115,917.00
Student Therapy Services	400,000.00	400,000.00	369,439.00	30,561.00
Support Services - Special Education:				
Administrative Costs	187,400.00	187,400.00	186,391.52	1,008.48
Transportation Costs	3,000.00	3,000.00	160,301.00	(157,301.00)
Speech Transportation Costs			152,789.00	(152,789.00)
<b>Total Expenditures</b>	<u>5,937,000.00</u>	<u>5,937,000.00</u>	<u>5,936,936.55</u>	<u>63.45</u>
<b>Net Change in Fund Balance</b>	<u>340,000.00</u>	<u>340,000.00</u>	<u>341,626.67</u>	<u>1,626.67</u>
<b>FUND BALANCE - JULY 1, 2018</b>	<u>184,477.33</u>	<u>184,477.33</u>	<u>184,477.33</u>	
<b>FUND BALANCE - JUNE 30, 2019</b>	<u>\$ 524,477.33</u>	<u>\$ 524,477.33</u>	<u>\$ 526,104.00</u>	<u>\$ 1,626.67</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
 BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 PENSION FUND  
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Prior Years' Ad Valorem Taxes	\$ 3,000.00	\$ 3,000.00	\$ 1,839.86	\$ (1,160.14)
Penalties and Interest on Taxes			472.27	472.27
Total Revenue	<u>5,000.00</u>	<u>3,000.00</u>	<u>2,312.13</u>	<u>(687.87)</u>
<b>Expenditures:</b>				
Nonprogrammed Charges:				
Early Retirement Payments	<u>293,000.00</u>	<u>293,000.00</u>	<u>291,749.00</u>	<u>1,251.00</u>
Total Expenditures	<u>293,000.00</u>	<u>293,000.00</u>	<u>291,749.00</u>	<u>1,251.00</u>
Net Change in Fund Balances	(288,000.00)	(290,000.00)	(289,436.87)	563.13
FUND BALANCE - JULY 1, 2018	<u>342,552.46</u>	<u>342,552.46</u>	<u>342,552.46</u>	
FUND BALANCE - JUNE 30, 2019	<u>\$ 54,552.46</u>	<u>\$ 52,552.46</u>	<u>\$ 53,115.59</u>	<u>\$ 563.13</u>

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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  
BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
JUNE 30, 2019**

**TOTAL OPEB LIABILITY**

Service Cost	\$ 124,558
Interest on Total OPEB Liability	92,165
Effect of assumption changes or inputs	(187,048)
Differences between expected and actual experience	520,301
Benefit payments	<u>(92,567)</u>
Net change in total OPEB liability	457,409
Total OPEB liability, beginning	<u>2,302,798</u>
Total OPEB liability, ending	<u>\$ 2,760,207</u>



Schedule of Required Supplementary Information  
BRANDON VALLEY SCHOOL DISTRICT

**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)	0.8390456%	0.8723260%	0.8716387%	0.9112160%	0.9252429%
District's proportionate share of net pension liability (asset)	\$ (6,044,980)	\$ (3,699,784)	\$ 2,944,310	\$ (82,694)	\$ (21,579)
District's covered-employee payroll	\$ 14,643,806	\$ 15,893,966	\$ 16,532,799	\$ 18,502,119	\$ 19,205,685
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.28%	-23.28%	17.81%	-0.45%	-0.11%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.3%	104.1%	96.9%	100.1%	100.0%

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

Schedule of Required Supplementary Information

BRANDON VALLEY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 878,632	\$ 953,641	\$ 992,200	\$ 1,110,128	\$ 1,152,343	\$ 1,207,885
Contributions in relation to the contractually required contribution	\$ 878,632	\$ 953,641	\$ 992,200	\$ 1,110,128	\$ 1,152,343	\$ 1,207,885
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
District's covered-employee payroll	\$ 14,643,806	\$ 15,893,966	\$ 16,532,799	\$ 18,502,119	\$ 19,205,685	\$ 20,231,865
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	5.97%

BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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%.

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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-49002-19	\$ 246,088.53
Cash Assistance: (Note 3)			
School Breakfast Program	10.553	NSLP-49002-19	82,671.02
National School Lunch Program	10.555	NSLP-49002-19	511,463.46
Special Milk Program for Children	10.556	NSLP-49002-19	1,743.40
Summer Food Service Program for Children	10.559	NSLP-49002-19	<u>53,283.80</u>
Total Child Nutrition Cluster			<u>895,250.21</u>
Total U.S. Department of Agriculture			<u>895,250.21</u>
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	T1A-49002-19	391,463.00
Special Education Cluster:			
Special Education - Grants to States	84.027	611-49002-19	780,091.53
Special Education - Preschool Grants	84.173	619-49002-19	<u>15,452.00</u>
Total Special Education Cluster			<u>795,543.53</u>
English Language Acquisition State Grants	84.365	N/A	<u>3,750.00</u>
Student Support and Academic Enrichment Program (SSAE)	84.424	TIVA-49002-19	<u>21,014.00</u>
Career and Technical Education – Basic Grants to States	84.048	PRPI-19-039	34,508.00
Improving Teacher Quality State Grants	84.367	TIIA-49002-19	<u>127,376.00</u>
Total U.S. Department of Education			<u>1,373,654.53</u>
Grand Total			<u>\$ 2,268,904.74</u>

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

(605) 356-3374

## 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  
Brandon Valley School District No. 49-2  
Minnehaha 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 Brandon Valley School District No. 49-2, Minnehaha 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 January 21, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brandon Valley 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Brandon Valley 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brandon Valley 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 an instance of noncompliance or other matters that is 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

January 21, 2020

# QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
110 WEST MAIN – P.O. BOX 426  
ELK POINT, SOUTH DAKOTA 57025

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(605) 356-3374

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

School Board  
Brandon Valley School District No. 49-2  
Minnehaha County, South Dakota

### Report on Compliance for Each Major Federal Program

We have audited the Brandon Valley School District No. 49-2, 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 Brandon Valley 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 Brandon Valley School District's compliance.



## ***Opinion on Each Major Federal Program***

In our opinion, Brandon Valley School District No. 49-2 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 Brandon Valley 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 Brandon Valley 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 Brandon Valley 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

January 21, 2020

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**PRIOR AUDIT FINDINGS:**

**PRIOR FEDERAL AUDIT FINDINGS:**

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

**PRIOR OTHER AUDIT FINDINGS:**

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
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.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

***Federal Awards***

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

	<u>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
Special Milk Program for Children	10.556

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

**BRANDON VALLEY SCHOOL DISTRICT NO. 49-2  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**CURRENT FEDERAL AUDIT FINDINGS:**

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

**CURRENT OTHER AUDIT FINDINGS:**

There are no written current other audit findings to report.