

WATERTOWN SCHOOL DISTRICT NO. 14-4

AUDIT REPORT

For the Fiscal Year Ended June 30, 2020

CONTENTS

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	1 and 2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	3 and 4
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS	5
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS	6-8
INDEPENDENT AUDITOR'S REPORT	9-11
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	12-21
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements:	
Statement of Net Position	22
Statement of Activities	23
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of the Governmental Funds Balance	
Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund	
Balances - Governmental Funds	26-28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	29
Statement of Net Position - Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	31
Statement of Cash Flows - Proprietary Funds	32
Statement of Net Position - Fiduciary Funds	33
Notes to Financial Statements	34-53
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Budgetary Basis - General Fund	54 and 55
Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund	56
Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund	57
Budgetary Comparison Schedule - Budgetary Basis - Post Secondary Fund	58
Budgetary Comparison Schedule - Budgetary Basis - Financial Aid Fund	59
Notes to Required Supplementary Information - Budgetary Comparison Schedules	60
Schedule of Changes in Total OPEB Liability and Related Ratios	61
Schedule of District Contributions	62
Schedule of District's Proportionate Share of Net Pension Liability (Asset)	63
SUPPLEMENTARY INFORMATION	
School District Officials	64
Combining Balance Sheet - Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Nonmajor Governmental Funds	66
Combining Balance Sheet - Internal Service Funds	67
Combining Statement of Revenues, Expenses and Changes In Fund Balances - Internal Service Funds	68
Combining Statement of Cash Flows - Internal Service Funds	69
Schedule of Expenditures of Federal Awards	70 and 71



**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**

To the School Board
Watertown School District No. 14-4
Watertown, 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 Watertown School District No. 14-4 ("District"), as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2021, which was qualified for the governmental activities and the aggregate remaining fund information, because we were not engaged to, and we did not, audit the financial statements of the Lake Area Technical Institute Foundation and the Arrow Education Foundation. Our report includes a reference to other auditors who audited the financial statements of Northeast Technical High School ("NTHS"), as described in our report on the Watertown School District No. 14-4's financial statements. This report does not include the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2020-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 are required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as Item 2020-002.

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

VRS P.C.

Watertown, South Dakota

February 17, 2021

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

To the School Board
Watertown School District No. 14-4
Watertown, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Watertown School District No. 14-4's ("District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Watertown School District No. 14-4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance 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, 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 purpose. 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.

VRS P.C.

Watertown, South Dakota
February 17, 2021

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2020

PRIOR FEDERAL AUDIT FINDINGS

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

PRIOR OTHER AUDIT FINDINGS

1991-003

A significant deficiency was reported for a lack of segregation of duties for the revenue, expenditure and payroll functions and has existed since the School District was established. This finding has not been corrected and has been restated in the current other audit findings as 2020-001.

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2020

SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- a. An unmodified opinion was issued on the financial statements of the business-type activities and each major fund, with the exception of the Lake Area Technical Institute Foundation, which qualified as a major fund, but was unaudited and therefore we disclaimed an opinion on that opinion unit. A qualified opinion was issued on the governmental activities and the aggregate remaining fund information, because we were not engaged to, and we did not audit the financial statements of the Lake Area Technical Institute Foundation and the Arrow Education Foundation.
- b. A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties as discussed in finding number 2020-001. The significant deficiency applied only to the financial statements.
- c. Our audit did disclose any instance of noncompliance as discussed in finding number 2020-002.

Federal Awards

- d. An unmodified opinion was issued on compliance with requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 1. Student Financial Assistance Programs Cluster
 - a. 84.007 Federal Supplemental Educational Opportunity Grants (FSEOG)
 - b. 84.033 Federal Work Study Program (FWS)
 - c. 84.038 Federal Perkins Loan (FPL) – Federal Capital Contributions
 - d. 84.063 Federal Pell Grant Program (PELL)
 - e. 84.268 Federal Direct Student Loans (DIRECT LOAN)
 2. Special Education Cluster
 - a. 84.027 Special Education – Grants to States
 - b. 84.173 Special Education – Preschool Grants
 3. Coronavirus Aid, Relief and Economic Security Act (CARES)
 - a. 84.425D Elementary and Secondary School Emergency Relief Fund
 - b. 84.425E Higher Education Emergency Relief Fund - Students
 - c. 84.425F Higher Education Emergency Relief Fund - Institutions
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Watertown School District No. 14-4 did not qualify as a low-risk auditee.

Current Federal Audit Findings:

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

Current Other Audit Findings:

Internal Control-Related Finding - Significant Deficiencies:

Finding # 2020-001

Criteria: Misstatements in amounts that would be significant in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Condition: A significant deficiency was reported for a lack of segregation of duties for the revenue, expenditure and payroll functions.

Effect: The possible asserted effect of this condition is the misappropriation of cash or other assets.

Cause: The limited staff size of the District's business office does not allow for proper oversight.

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2020

Current Other Audit Findings (Continued):

Identification as a Repeat Finding: This is a repeat audit finding.

Recommendation: We recommend management continue to segregate sensitive functions as much as possible to provide compensating internal controls whenever, and wherever, possible and practical.

Response: The District's management agrees with the above finding and has responded to it in the corrective action plan.

Current Other Audit Findings:

Other Compliance-Related Findings

Finding # 2020-002

Criteria: According to South Dakota Codified Law 13-11-2, districts are not allowed to exceed the budgeted appropriations of each fund for the fiscal year.

Condition: The District over-expended the budget for the Self-Insurance Fund for the year ended June 30, 2020.

Effect: The District is not in compliance with state statute.

Cause: The District did not adequately budget for expenditures for the Self-Insurance Fund.

Recommendation: We recommend the District evaluate compliance with the budget prior to year end and make any amendments as considered necessary.

Response: The governing board plans to monitor these expenditures to prevent future overdrafts and make amendments as considered necessary.



WATERTOWN SCHOOL DISTRICT No. 14-4

Business Office

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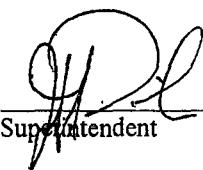
Finding Number 2020-001: Significant deficiency in internal controls due to a lack of segregation of duties.

Planned Corrective Action: The Watertown School District Business Manager, Heidi Clausen; is the contact person responsible for the corrective action plan for this finding. This finding is a result of the size of the District, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The District is aware of this problem and will continue to develop policies and procedures and provide compensating controls to reduce the risk of misappropriation of assets. This will be an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk. However, it is not practical to take significant enough steps to remove the deficiency completely.

Finding Number 2020-002: Over expenditure of budget in Self Insurance Fund.

Planned Corrective Action: The Watertown School District Business Manager, Heidi Clausen, along with the governing board, is the contact person responsible for the corrective action plan for this finding. The District intends to monitor these expenditures to prevent future material overdrafts and make amendments as considered necessary.

Heidi Clausen
Business Manager



Superintendent

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Watertown School District No. 14-4
Watertown, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, with the exception of the LATI Foundation Fund described below, and the aggregate remaining fund information, with the exception of the Arrow Education Foundation described below, of the Watertown School District No. 14-4 ("District"), as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The 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 did not audit the financial statements of Northeast Technical High School ("NTHS"), which represent less than one percent of the assets, net position and revenues of the District's governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for NTHS, is based solely on the report of other auditors. Except as discussed in the following paragraphs, 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 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 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Disclaimer of Opinion

The financial statements of the Lake Area Technical Institute Foundation have not been audited, and we were not engaged to audit the Lake Area Technical Institute Foundation's financial statements as part of our audit of the District's basic financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion on the Lake Area Technical Institute Foundation opinion unit. Accordingly, we do not express an opinion on the Lake Area Technical Institute Foundation's opinion unit referred to in the previous paragraph.

Basis for Qualified Opinion on Governmental Activities

The financial statements of the Lake Area Technical Institute Foundation and the Arrow Education Foundation have not been audited, and we were not engaged to audit the Lake Area Technical Institute Foundation's and the Arrow Education Foundation's financial statements as part of our audit of the District's basic financial statements. The financial activities of the Lake Area Technical Institute Foundation and the Arrow Education Foundation represent less than ten percent of the assets, net position and revenues of the District's governmental activities. These financial activities are included in the District's financial statements as blended special revenue funds. The District has omitted the required disclosures related to the investments of the Lake Area Technical Institute Foundation and the Arrow Education Foundation.

Qualified Opinion on Governmental Activities

In our opinion, based on our audit and the report of other auditors, except for the effects, if any, of the matters discussed in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities for the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Aggregate Remaining Fund Information

The financial statements of the Arrow Education Foundation have not been audited, and we were not engaged to audit the Arrow Education Foundation's financial statements as part of our audit of the District's basic financial statements. The financial activities of the Arrow Education Foundation represent less than sixteen percent of the assets, fund balances and revenues of the aggregate remaining fund information. These financial activities are included in the District's financial statements as blended special revenue funds.

Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of other auditors, except for the effects, if any, of the matters discussed in the "Basis for Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information for the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, with the exception of the Lake Area Technical Institute Foundation Fund described above in the disclaimer of opinion paragraph, of the District as of June 30, 2020, 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 Budgetary Comparison Schedules, the Schedule of Changes in Total OPEB Liability and Related Ratios, the Schedule of District Contributions and the Schedule of District's Proportionate Share of Net Pension Liability (Asset) on pages 12 through 21 and 54 through 63 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as 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"), and the combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are 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 basic 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.

The Schedule of School District Officials on page 64 is presented for additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 District's internal control over financial reporting and compliance.

VRS P.C.

Watertown, South Dakota
February 17, 2021

Watertown School District No. 14-4
Management's Discussion and Analysis (Unaudited)
Fiscal Year 2019-20

The Administration of the Watertown School District No. 14-4 is providing the following information as required by the GASB 34 regulations. Comparisons to the previous year's financial information are provided throughout this discussion and analysis.

This section of the annual financial report of the Watertown School District No. 14-4 presents Management's Discussion and Analysis of the District's financial performance during the fiscal year ended on June 30, 2020. This MD&A is to be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District continues to maintain an adequate financial position in all major funds with indication as in prior years that the Special Education Fund is identified at concern status with a fund balance operation at 3.2% of expenditures. The ending fund balance in the General Fund is 28% of expenditures, which is 6% higher than the prior year. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. The increase in General Fund is directly related to the COVID pandemic and the school closure that took place on March 16, 2020 and extended through the end of the school year. Directly impacted areas included decreases in substitute costs, travel/field trips, and professional development with expenditures coming in at 78% of budgeted. Another significant impact in expenditures being less than originally anticipated is the budgeted transfer of \$374,000.00 as noted to cover cash needs in the Special Education Fund was not needed. Under cash limiting legislation, schools are not allowed to have their lowest month ending cash balance in an amount in excess of 25% of the prior year's expenditures. The District met this threshold with a calculated 14.91% with the lowest month of cash on hand of \$3.9 million. The ending cash position of the General Fund on June 30, 2020 was \$8,912,858. When comparing cash balance to fund balance, it is important to note that the ending fund balance of a particular fund includes financial impacts related to accounts receivable, contracts payable and accounts payable, and therefore indicates a full financial measure of the fund.
- The Capital Outlay Fund's revenue exceeded the expenditures during 2019-20 by \$652,014. The revenue exceeded the budgeted amount, whereas expenditures came in 12% below anticipated. This was in large part due to transferring \$426,000 less than anticipated to the General Fund in support of salary costs. Activity in the Capital Outlay Fund will increase in fiscal year 2021 with the High School renovation project and support from Capital Outlay Certificates in the amount of \$15,000,000. The ending fund balance of this fund as of June 30, 2020 is \$13,919,512, with notation that \$10,055,502 is held in trust for the Crossover Advanced Refunding. The use of the fund balance is restricted to the allowable expenses and transfers of the Capital Outlay Fund.
- The Special Education Fund ended the fiscal year with a fund balance of \$216,918, which is a decrease of \$30,921 when compared to the prior year. This decrease is less than anticipated in the modified budget, but it still notes a concern. The less than expected decrease was caused by the expenditures being 89% of the expected amount. The ending fund balance on June 30, 2020, is equal to 3.2% of the prior year's expenditures, which is a slight decrease and well below the State's allowable maximum of 25%. This fund's finances are a bit of a challenge when you consider the increase in the number of students needing special services, the continued decline in the fund balance and the need to meet the Federal requirements of "Maintenance of Local Effort".
- The general operations of Lake Area Technical Institute reflect expenditures over revenue in the amount of \$827,087, which was well below the budgeted loss of \$3,531,275. This decrease was anticipated due to the Prairie Lakes Healthcare Center of Learning building project of which, \$1,324,927 was reserved for future construction costs during the 2019 fiscal year. The year ending fund balance is \$7,633,903 or 28% and is at a level to accommodate revenue and expenditure fluctuations throughout the year. With activity in this fund hard to predict due to fluctuating enrollment, timing of construction/equipment needs and varying State support it is appropriate to have a steady fund balance to accommodate expenditures and revenue variations. There are currently not any restrictions on the amount of cash or fund balance in this Fund. The June 30, 2020 cash balance of \$9,824,600 is deceiving due to the liabilities noted for accounts and contracts payable.
- Both the Financial Aid Fund and the LATI Foundation Fund are considered major operating funds. The Financial Aid Fund due to the financial activity throughout the year and the LATI Foundation Fund due to its year-end financial position of \$5,835,513.

- Business-type activities had a combined net position decrease of \$110,124 during the 2019-20 year. This net decrease is a direct reflection of the general profit/(loss) of the various business-type funds and the incorporation of the District's proportionate share of the components of the net pension asset of the South Dakota Retirement System. It needs to be noted that the transactions of the Concessions operations included a transfer out of \$19,000 to the Capital Outlay Fund. It should also be noted that the components of the net pension liability of the South Dakota Retirement System provided a decrease of \$110,124 to these net positions.
- The District has outstanding Capital Outlay Certificate debt in the amount of \$23,670,000 with \$10,055,502 held in Trust in relation to the "Crossover Partial Advance Refunding" of the Series 2014 - Middle School Project: Amortized payments in the amount of \$925,000 were made and therefore leaving the combined outstanding balance of Series 2014 - Middle School and the Series 2016 - McKinley Elementary at \$14,805,000. The balance, \$8,865,000, is related to the above noted Refunding. The District also entered into a lease/purchase agreement in relation to the High School Laptop program and at year-end, \$484,640 remained outstanding as lease/purchase payments. Additionally, the District recognizes its Early Retirement Plan obligation as long-term debt and at year-end that payable amount is \$747,819 of which the District's General Fund is responsible for \$592,312 and the Post-Secondary Fund's share is \$155,507. Detailed amortization information is located on page 43 and 44 of this audit report.
- These financial statements reflect the inclusion of the LATI Foundation and the Arrow Education Foundation. The reporting is due to the close nature in which the foundations operate to the District. The June 30, 2020, fund balance of the LATI Foundation is \$5,835,513 and the Arrow Education Foundation is \$2,513,858.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both long-term and short-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 district-wide statements.
 - Governmental fund statements tell how general District services were financed in short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the District operates like businesses (Nutrition Services, Arena Concessions, Driver's Education, Pre-school Services, LATI Bookstore, LATI Food Service and Educare Center). The District's Self-Funded Insurance Trust and Unemployment Trust are operated as Internal Service Funds.
 - Fiduciary fund statements provide information about the financial activity related to dollars in which the District acts solely as the trustee or agent for the benefit of others to whom the resources belong. Student organization clubs and scholarship accounts are examples of these types of accounts. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1

Required Components of Watertown School District's Financial Report

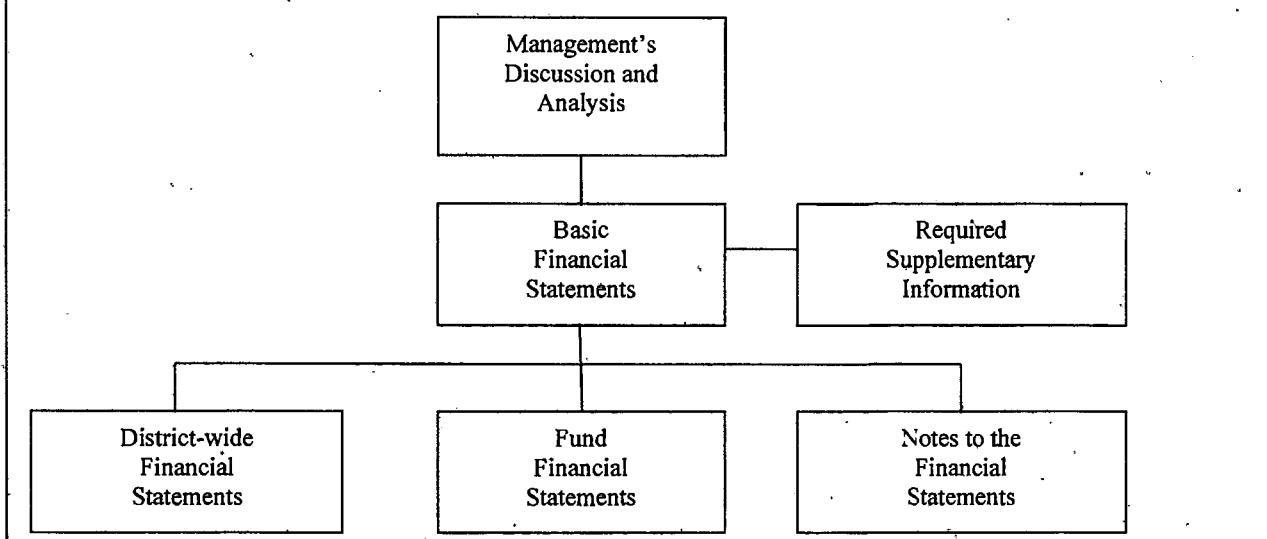


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as General, Special Education and Capital Outlay	Activities the District operates similar to private businesses, such as food service and student services	Instances in which the District administers resources on behalf of someone else, such as student-activities
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 Positions -Statement of Cash Flows	-Statement of Fiduciary Net Position -Statement of changes in Fiduciary Net Positions
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and 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 of when cash is received or paid

District-wide statements report information about the District as a whole, using accounting methods similar to those used by the private sector. 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 district-wide statements report the District's net position and how they have changed. Net positions are the difference between the District's assets and liabilities and are one way to measure the District's financial position.

- Over time, increases and decreases in the District's net positions are an indicator of whether its financial position is improving or deteriorating.
- Additional non-financial factors, such as changes in the District's property tax base, condition of facilities and equipment, District enrollment trends and changes in the school aid funding formula from the State of South Dakota need to be considered as well.

The District-wide financial statements divide the District's activities into two categories:

- Governmental Activities include the District's instructional and support service costs in the following funds: General Fund, Capital Outlay, Special Education, Post Secondary, Financial Aid Fund and non-major governmental funds. Debt service payments and capital equipment purchases are also accounted for in Governmental Activities. The financial support of Governmental Activities is derived mainly through property taxes, State aid, State and Federal grants, and the tuition and fees received by Lake Area Technical Institute.
- Business-type Activities are activities in which the District charges fees to assist with the cost of the services being provided. The Nutrition Services, Arena Concessions, Driver's Education, Pre-School Services, LATI Bookstore, LATI Food Service and LATI Educare Service are Business-type Activities of the District.

Fund financial statements provide more detailed information about the District's individual funds and not the District as a whole. Funds are accounting devices that the District uses to track specific sources of funding and spending for particular purposes.

- Law requires the use of certain funds and other funds are also used by the District to accommodate accounting and tracking of financial activities for varying purposes. The following are some of the funds used by the District and their general purpose.
 - General Fund - general instructional operations of the District
 - Capital Outlay Fund - capital type acquisitions (buildings, equipment & debt retirement)
 - Special Education Fund - costs related to providing instruction and support services to students with special needs
 - Post Secondary Fund - accommodates the operations of Lake Area Technical Institute (LATI)
 - Pension Fund - accounts for the reserve and costs associated with the District's early retirement policy
 - Perkins Fund - accommodates the financial assistance provided by the Federal Government in the form of student loans for the students at LATI
 - Financial Aid Fund - accounts for student loans and college work study as provided by the Federal Government for LATI's students

The District has three types of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether 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 District-wide statements, we provide additional information with the governmental fund statements that explain the relationship (or differences) between them.

The Watertown School District has designated the General Fund, Capital Outlay Fund, Special Education Fund, Post Secondary Fund and Financial Aid Fund as its major funds. Therefore, information is presented separately for these funds in the balance sheet and the statement of revenues, expenditures and changes in fund balance. Data for other governmental funds is provided in combined form.

- Proprietary Funds - Services for which the District charges users a fee are generally reported in proprietary funds. Proprietary funds are like government-wide statements in that they both provide short and long-term financial information.

- Enterprise Funds (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements and they provide more detail and additional information, such as cash flows.
- Internal Service Funds (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District operates the Self-funded Insurance Trust and the Unemployment Trust as Internal Service Funds.
- Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the student activity monies and scholarship proceeds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate statement of position - fiduciary funds. The District excludes these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position - The District's June 30, 2020 combined net positions reflects a decrease when compared to the previous year of -1.37%. The net positions do include the District's proportionate share of the components of the net pension liability of the South Dakota Retirement System as required by GASB 68 which began with the 2015 financial reports.

	Statement of Net Position						
	Governmental Activities		Business-type Activities		Total		Total Percent
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	Change
Current and Other Assets	\$62,332,567	\$63,185,451	\$2,328,296	\$2,498,939	\$125,518,018	\$65,684,390	91.09%
Capital Assets (Net Depreciation)	\$66,595,004	\$61,915,905	\$286,271	\$309,868	\$66,881,275	\$62,225,773	7.48%
Total Assets	\$128,927,571	\$125,101,356	\$2,614,567	\$2,808,807	\$192,399,293	\$127,910,163	50.42%
Pension Related Deferred Outflows	\$8,267,525	\$12,323,063	\$227,670	\$400,249	\$8,495,195	\$12,723,312	-33.23%
Assets and Deferred Outflows	\$137,195,096	\$137,424,419	\$2,842,237	\$3,209,056	\$140,037,333	\$140,633,475	-0.42%
Long-term Debt Outstanding	\$27,965,314	\$29,235,103	\$0	\$0	\$27,965,314	\$29,235,103	-4.34%
Other Liabilities	\$19,673,583	\$18,013,872	\$197,203	\$460,659	\$19,870,786	\$18,474,531	7.56%
Pension Related Deferred Inflows	\$3,255,618	\$2,755,237	\$92,604	\$85,843	\$3,341,461	\$2,841,080	17.61%
Total Liabilities	\$50,894,515	\$50,004,212	\$289,807	\$546,502	\$51,184,322	\$50,550,714	1.25%
Net Position:							
Net Invested in Capital Assets	\$40,559,384	\$34,351,515	\$286,271	\$309,868	\$40,845,655	\$34,661,383	17.84%
Restricted	\$35,594,752	\$43,913,461	\$139,510	\$315,841	\$35,734,262	\$44,229,302	-19.21%
Unrestricted	\$10,146,445	\$9,155,231	\$2,126,649	\$2,036,845	\$12,273,094	\$11,192,076	9.66%
Total Net Position	\$86,300,581	\$87,420,207	\$2,552,430	\$2,662,554	\$88,853,011	\$90,082,761	-1.37%
Liabilities, Deferred Inflows and Net Position	\$137,195,096	\$137,424,419	\$2,842,237	\$3,209,056	\$140,037,333	\$140,633,475	-0.42%

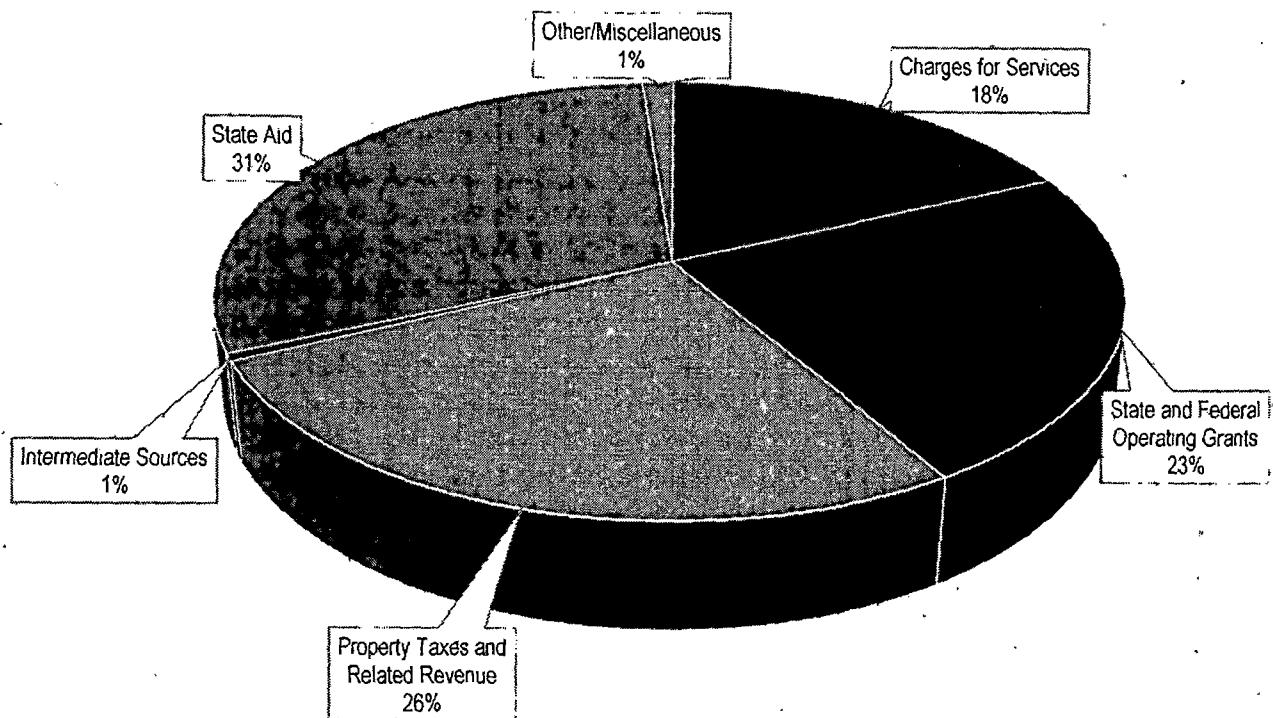
Statement of Changes in Net Position - The District's total revenue of \$82,303,178 is 1.82% less than the prior year. The expense total was 5.46% higher than the prior year at the amount of \$83,586,182. In addition to the reported expense, the District reported a gain on the disposal of assets in the amount of \$53,254. The revenue derived from charges for services is higher than the typical South Dakota school due to tuition and fees collected at Lake Area Technical Institute. The change in Net Positions related to governmental activities reflects a decrease of \$1,119,626 and the business-type activities had a decrease of \$110,124.

Changes in Watertown School District's Net Position

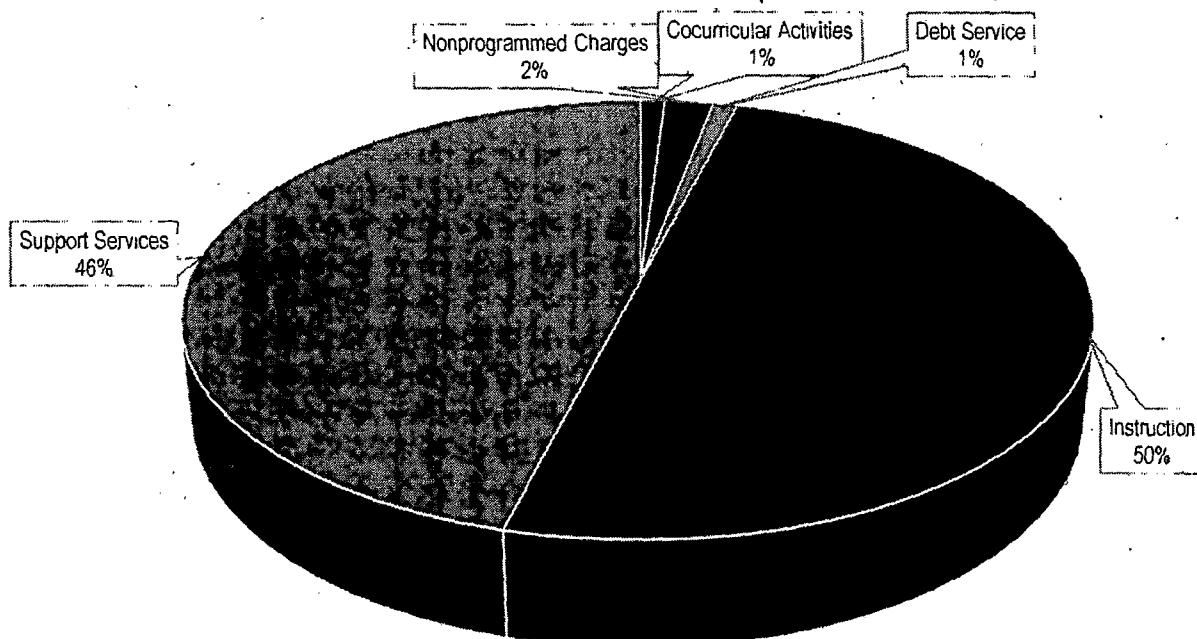
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	
REVENUE							
Program Revenue							
Charges for Services	\$14,032,311	\$13,524,762	\$3,863,705	\$4,460,285	\$17,896,016	\$17,985,047	-0.50%
State and Federal Operating Grants	\$18,004,114	\$18,792,138	\$960,911	\$862,078	\$18,965,025	\$19,654,216	-3.51%
General Revenue							
Property Taxes and Related Revenue	\$20,335,959	\$20,740,052	\$0	\$0	\$20,335,959	\$20,740,052	-1.95%
Intermediate Sources	\$426,742	\$450,138	\$0	\$0	\$426,742	\$450,138	-5.20%
State Aid	\$23,641,204	\$23,691,288	\$0	\$0	\$23,641,204	\$23,691,288	-0.21%
Other/Miscellaneous	\$1,001,082	\$1,283,745	\$37,150	\$24,041	\$1,038,232	\$1,307,786	-20.61%
Total Revenue	\$77,441,412	\$78,482,123	\$4,861,766	\$5,346,404	\$82,303,178	\$83,828,527	-1.82%
EXPENSES							
Instruction	\$39,080,873	\$36,802,876	\$0	\$0	\$39,080,873	\$36,802,876	6.19%
Support services	\$36,881,629	\$34,567,925	\$0	\$0	\$36,881,629	\$34,567,925	6.69%
Non-programmed Charges	\$747,819	\$531,704	\$0	\$0	\$747,819	\$531,704	40.65%
Debt Service Payments	\$815,080	\$906,129	\$0	\$0	\$815,080	\$906,129	-10.05%
Co-curricular Costs	\$1,107,891	\$1,135,806	\$0	\$0	\$1,107,891	\$1,135,806	-2.46%
Nutrition/Food/Concessions Services	\$0	\$0	\$2,178,966	\$2,249,466	\$2,178,966	\$2,249,466	-3.13%
Student/Support Services	\$0	\$0	\$2,773,924	\$3,063,595	\$2,773,924	\$3,063,595	-9.46%
Total Expense	\$78,633,292	\$73,944,440	\$4,952,890	\$5,313,061	\$83,586,182	\$79,257,501	5.46%
Excess (Short Fall) of revenue before special items	(\$1,191,880)	\$4,537,683	(\$91,124)	\$33,343	(\$1,283,004)	\$4,571,026	-128.07%
Special Items							
Gain/(Loss) on Disposal of Assets	\$53,254	(\$103,035)	\$0	(\$2,477)	\$53,254	(\$105,512)	-150.47%
Transfer In/(Out)	\$19,000	\$24,900	(\$19,000)	(\$24,900)	\$0	\$0	0.00%
CURRENT YEAR - INCREASE (DECREASE) IN NET POSITION	(\$1,119,626)	\$4,459,548	(\$110,124)	\$5,966	(\$1,229,750)	\$4,465,514	-127.54%

The following information illustrates the revenue and expense breakdown of the governmental funds. The graphs demonstrate that the majority of the revenue consists of four main sources: State Aid - 31%, Property Tax and related revenue - 26%, State and Federal Grants - 23% and Charges for Services - 18%. In comparing these percentages to that of the prior year, it illustrates that the percentage share of revenue received in relation to State and Federal sources has decreased slightly and the revenue from State Aid and charges for services reflects a small increase. The percent of revenue received from Property tax remained consistent with that of the prior year. The total revenue of the governmental funds including transfers in for 2020 was \$77,460,412 and the total expenditures were \$78,633,292 with the majority of the expenditures designated to instructional and support service costs.

Governmental Funds - Sources of Revenue - 2020



Governmental Funds - Functional Expenses - 2020



Governmental Funds - The focus of the Watertown School District's governmental funds is to provide information on current revenues, expenses and balances of available resources. This information is useful in assessing the District's current financial condition and will assist in the assessment of the District's projected financial position. The changes in the reserved and unreserved fund balances serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The District's governmental funds ended the year with a combined net position of \$86,300,581. The majority of this amount is restricted for General Fund, Capital Outlay, Special Education, Post-Secondary, Perkins, LATI Foundation, Arrow Education Foundation and SDRS Pension - \$35,594,752. There is also an amount reserved for the District's investment in fixed assets - \$40,559,384. The remaining amount is unrestricted - \$10,146,445 or 12% of the total net position..

BUDGETARY HIGHLIGHTS – FINANCIAL ANALYSIS OF DISTRICT FUNDS

The School Board was presented with a preliminary budget for their review and consideration on May 13, 2019, as prescribed by state statutes. Following the Board's review, the 2020 operating budget was adopted on July 8, 2019, with a few minor modifications. The Board approved amendments to the budget on October 14, 2019 and June 8, 2020. The budget revisions reflected additional State and Federal grant dollars along with an increase in the anticipated use of cash to accommodate the expenditures. The financial analysis of individual District funds is reflected in the following notes and comments along with supporting information of the major operating funds and business-type activities:

General Fund:	<u>Budgeted</u>	<u>Actual</u>	<u>Positive/(Negative)</u>	<u>%</u>
Revenue	\$28,730,555	\$27,836,574	\$893,981	96.8%
Expenses	<u>\$29,111,900</u>	<u>\$26,356,045</u>	<u>\$2,755,855</u>	90.5%
	<u>(\$381,345)</u>	<u>\$1,480,529</u>		

The revenue originally anticipated a use of cash on hand of \$381,345. The revenue was within a couple percent of the anticipated amount and the expenditures were significantly below the budgeted amount. Several factors played a role in the fund balance increasing by \$1,480,529. Non-anticipated CARES funding in the amount of \$291,000 off-set three contracted instructor days in preparation for online learning as well as payments to classified employees for time paid, not worked during the spring school closure. Salary and benefit costs came in at 93% of budgeted expenditures due to not filling open classified positions in the spring. A budgeted transfer of \$374,000 to the Special Education Fund was not needed. The June 30, 2020 ending fund balance of the General Fund was \$7,458,218 or 28.2% of the fiscal year's expenditures. The increase, as anticipated in the adjusted budget, is in large part attributed to the transfer in of \$1.5 million from the Pension Fund.

Capital Outlay:	<u>Budgeted</u>	<u>Actual</u>	<u>Positive/(Negative)</u>	<u>%</u>
Revenue	\$7,117,980	\$7,258,466	(\$140,486)	101.9%
Expenses	<u>\$7,575,480</u>	<u>\$6,606,452</u>	<u>\$969,028</u>	87.2%
	<u>(\$457,500)</u>	<u>\$652,014</u>		

The 2019-20 budget called for the use of cash on hand of \$457,500. The revenue exceeded the budgeted amount, whereas expenditures came in 12% below anticipated. The transfer to the General Fund in support of salary costs was \$426,000 less than anticipated. Activity in this fund will increase in the 2021 year with the High School renovation project and support from Capital Outlay Certificates. The ending fund balance of this fund as of June 30, 2020 is \$13,919,512, with notation that \$10,055,501 is held in trust for the Crossover Advanced Refunding.

Special Education:	<u>Budgeted</u>	<u>Actual</u>	<u>Positive/(Negative)</u>	<u>%</u>
Revenue	\$7,146,170	\$6,601,424	\$544,746	92.3%
Expenses	<u>\$7,393,375</u>	<u>\$6,632,345</u>	<u>\$761,030</u>	89.7%
	<u>(\$247,205)</u>	<u>(\$30,921)</u>		

The Special Education Fund originally anticipated a use of \$247,205 in reserves. With expenditures at 89.7% of anticipated, this fund had a decline well below the adjusted budget. The use of cash generated an ending fund balance on June 30, 2020 of \$216,918. This fund balance is 3.2% of the 2019-20 expenses and is at a level of concern. The District has met its Maintenance of Local Effort as required by Federal regulations. As we move into the new fiscal year the District continues to monitor this fund with continued ways to accommodate the needs of its Special Education students at affordable means. It is hard to forecast this fund as high cost student needs can move in and out of the District with no prediction. If necessary, the District will look to accommodate the continued decline through the Extraordinary Cost Fund.

LATI-Post Secondary:	Budgeted	Actual	Positive/(Negative)	%
Revenue	\$25,648,730	\$26,321,179	(\$672,449)	102.6%
Expenses	<u>\$29,180,005</u>	<u>\$27,148,266</u>	\$2,031,739	93.0%
	<u>(<u>\$3,531,275</u>)</u>	<u>(<u>\$827,087</u>)</u>		

The financial activity of LATI-Post Secondary Fund reflects a financial loss of \$827,087 which was well below the anticipated loss of \$3,531,275. The budgeted loss was in direct relation to the construction and equipment needs of the Prairie Lakes Healthcare Center of Learning. Several expenditure line items came in well below budget due to COVID, particularly utility costs, travel, supplies/fuel, and purchased services. The June 30, 2020 fund balance of \$7,633,903 or 28% of expenditures leaves this fund in great financial health. With activity in this fund hard to predict due to fluctuating enrollment, timing of construction/equipment needs and varying State support it is appropriate to have a steady fund balance to accommodate expenditures and revenue fluctuations.

LATI-Financial Aid:	Budgeted	Actual	Positive/(Negative)	%
Revenue	\$12,241,300	\$11,755,639	\$485,661	96.0%
Expenses	<u>\$12,241,300</u>	<u>\$11,755,639</u>	\$485,661	96.0%
	<u>\$0</u>	<u>\$0</u>		

The LATI-Financial Aid Fund was first considered a major fund in 2011 due to its increased activity related to the distribution and recording of Direct Student Loans. This Fund accounts for the student financial aid provided to the students attending Lake Area Technical Institute.

Other Funds - As noted earlier, the District's Business-type/Proprietary Funds show a decrease in Net Position in the amount of \$110,124. The District has two Internal Service Funds with the Self-funded Insurance Trust reflecting virtually all of the activity. The other Internal Service Fund is the Unemployment Trust Fund. Combined activity of these Internal Service Funds reflects a net decrease in Net Positions in the amount of \$96,985.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets - The School Board has established its capitalization policy with the value of equipment to be listed at \$5,000 and building improvements at \$25,000. The changes in the Capital Assets of the District were caused by several different factors: purchases, disposals and current year depreciation.

Governmental Activities	June 30, 2019	June 30, 2020	Change in Value
Purchase Value	\$109,525,575	\$115,312,700	\$5,787,125
Accumulated Depr.	<u>\$47,609,670</u>	<u>\$48,717,696</u>	<u>\$1,108,026</u>
Value-Net Depreciation	<u>\$61,915,905</u>	<u>\$66,595,004</u>	<u>\$4,679,099</u>
Business-type Activities			
Purchase Value	\$590,456	\$603,490	\$13,034
Accumulated Depr.	<u>\$280,588</u>	<u>\$317,219</u>	<u>\$36,631</u>
Value-Net Depreciation	<u>\$309,868</u>	<u>\$286,271</u>	<u>\$23,597</u>

A complete breakdown of the District's capital assets and related depreciation can be found on pages 42 and 43 of the 2020 Audit Report.

Long-term Debt - The District has three Capital Outlay Certificate issues at year-end: Series 2016 related to the refunding of Series 2011 with an outstanding principal amount of \$1,250,000 and a maturity date of 2027; Series 2014 related to the new Middle School with an outstanding principal amount of \$13,555,000 and a maturity date of 2026; and Series 2017 related to the Crossover Partial Advance Refunding of Series 2014 with an outstanding principal amount of \$8,865,000 and a maturity date of 2034. It again needs to be noted that Series 2017, new debt and the premiums paid on these Certificates allowed the District to place a significant amount in Trust for the payment of Capital Outlay Certificate debt in 2022. The balance in the Trust on June 30, 2019 was \$10,055,501. The District entered into a Lease Purchase Agreement in relation to the purchase of High School laptop computers in the amount of \$1,453,920 with two installment payments made of \$484,640 which leave a balance of \$484,640 at year-end. The long-term debt also includes the approved Early Retirement Benefit to be paid in the amount of \$747,819 of which the District's Pension Fund is responsible for \$592,312 and the Post-Secondary Fund's share is \$155,507. Considering the refunding activity, the amortized payments made in relation to the Capital Outlay Certificates and the Early Retirement payments and approvals, the District's outstanding long-term debt is \$26,619,864 as of June 30, 2020 with \$10,055,501 held in Trust. A complete breakdown of the District's long-term debt can be found on page 43 and 44 of the Audit Report.

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

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:

- The District experienced an increase in the assessed value of the District in the amount of \$80,057,423 or 3.3%, to a value of \$2,391,669,083. The State aid formulas for the General Fund and Special Education funds are such that the District does not benefit from the growth in those funds. During the 2016 legislative session, modifications were made that eliminated the taxing authority for the Pension Fund in which has been transferred into the General Fund and limited the growth in the Capital Outlay Fund to the rate of inflation and new property growth. The Capital Outlay Fund no longer receives the full benefit of the increase in property value due to reassessments. The State Legislature annually sets the maximum tax levy amounts the 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 primary source of revenue in the General Fund is based on the calculated State Aid formula in which received a 2% increase in the target salary amount for the 2020-21 year. The formula is driven by enrollment in which an increase of 27 students from the prior school year was seen. The formula calculates a target student-to-teacher ratio, based on a sliding scale by student enrollment in which the District derives from a scale of 15 to 1. The District's target number of teachers is calculated by dividing the fall enrollment by the target student-to-teacher ratio. Instructional need is then calculated by multiplying the targeted number of teachers by the statewide target for average teacher salary, and increasing that total by 29% for benefits. The total instructional need is increased by 31% to cover non-instructional costs. This category includes operating costs as well as salaries and benefits of non-instructional staff, such as administrators, counselors, librarians, and school nurses. These steps calculate the District's total need for State Aid. Local effort is applied against the total need, with the State providing any necessary funds to achieve the total need as identified as State Aid.
- On March 13, 2020 President Trump signed the Coronavirus Aid, Relief, and Economic Security Act in which \$13.5 billion was set aside for Elementary and Secondary schools to assist through the COVID-19 pandemic. The State of South Dakota was awarded \$41,000,000 under the Fund in which was awarded to school districts based on Title I allocations, of which Watertown was awarded \$697,000 or \$162/student. The funding period of this grant runs from March 13, 2020 and expires on September 30, 2022. Lake Area Tech received \$1.7 million in CARES funding in which half of the funding was identified as allocations to be made to students. In addition to the CARES allocation the District received \$1.9 million in Coronavirus Relief Fund's to support K-12 education. This allocation was awarded to school districts at \$500 per student using enrollment counts based on fall 2020 census enrollment. This funding was awarded with notation that as an administrative convenience, the US Treasury's guidance would not require schools to document specific use of funds. At the time of this report, Lake Area Tech has been granted an additional \$2.9 million of CARES allocation with notation of \$884,081 to be awarded to students. A second round of CARES ESSER funding is identified to be allocated in the FY22 school year with \$2,083,450 identified for the District with the availability of these funds running through September, 2023.
- Construction of the Prairie Lakes Healthcare Center of Learning is complete at the time of this report. The original contract was \$5,164,600 with approved change orders in the amount of \$12,352.40 for a project total of \$5,176,952.40. This contract total does not account for architectural and equipment/furniture costs associated with the project.
- The High School Renovation Project began during the summer of 2020 with Gray Construction serving as the Construction Manager at Risk. The current contract for the project is \$13,658,089 with approved change orders to date of \$66,350 with a total contract sum to date of \$13,724,439. This contract total does not account for architectural support and a separate equipment/furniture allocation identified as \$735,000. Capital Outlay Certificates in the amount of \$15,000,000 in support of this project have been received. The project construction calendar will encompass three summers and two school years with a completion date following the summer of 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors of the Watertown School District with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact the Watertown School District's Business Office, P.O. Box 730, Watertown, SD 57201.

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 33,921,634	\$ 1,846,487	\$ 35,768,121
Cash with Fiscal Agent	10,055,502	-	10,055,502
Investments, at Fair Value	6,684,476	-	6,684,476
Taxes Receivable	9,158,973	-	9,158,973
Internal Balances	(28,246)	28,246	-
Accounts Receivable, Net	148,617	95,748	244,365
Due from Other Governments	1,460,348	1,274	1,461,622
Student Loans Receivable	426,611	-	426,611
Tuition Receivable	97,852	-	97,852
Inventories	246,793	262,034	508,827
Prepaid Expenses	-	90,063	90,063
Due from External Parties	3,767	-	3,767
Net Pension Asset	156,240	4,444	160,684
Capital Assets			
Land, Construction in Progress and Investment in Joint Venture	13,233,087	-	13,233,087
Other Capital Assets, Net of Depreciation	53,361,917	286,271	53,648,188
TOTAL ASSETS	\$ 128,927,571	\$ 2,614,567	\$ 131,542,138
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	8,003,967	227,670	8,231,637
OPEB Related Deferred Outflows	263,558	-	263,558
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,267,525	227,670	8,495,195
LIABILITIES			
Accounts Payable	\$ 2,829,060	\$ 49,554	\$ 2,878,614
Other Current Liabilities	5,297,757	147,649	5,445,406
Accrued Interest on Long-Term Debt	163,575	-	163,575
Long-Term Liabilities			
Due within One Year	2,117,557	-	2,117,557
Due in more than One Year	27,801,739	-	27,801,739
TOTAL LIABILITIES	38,209,688	197,203	38,406,891
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for Future Period	9,074,426	-	9,074,426
Pension Related Deferred Inflows	3,255,618	92,604	3,348,222
OPEB Related Deferred Inflows	17,819	-	17,819
Other Deferred Inflows of Resources	336,964	-	336,964
TOTAL DEFERRED INFLOWS OF RESOURCES	12,684,827	92,604	12,777,431
NET POSITION			
Net Investment in Capital Assets	40,559,384	286,271	40,845,655
Restricted for			
Capital Outlay	13,919,512	-	13,919,512
Special Education	216,918	-	216,918
Post Secondary	7,633,903	-	7,633,903
LATI Foundation	5,835,513	-	5,835,513
Perkins	570,459	-	570,459
Arrow Education Foundation	2,513,858	-	2,513,858
SDRS Pension Purposes	4,904,589	139,510	5,044,099
Unrestricted	10,146,445	2,126,649	12,273,094
TOTAL NET POSITION	\$ 86,300,581	\$ 2,552,430	\$ 88,853,011

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 144

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 39,080,873	\$ 12,681,644	\$ 17,578,803	\$ 306,589	\$ (8,513,837)	\$ -	\$ (8,513,837)
Support Services	36,843,351	1,268,792	425,311	41,534	(35,107,714)	-	(35,107,714)
Community Services	38,278	-	-	-	(38,278)	-	(38,278)
Cocurricular Activities	1,107,891	81,875	-	66,800	(959,216)	-	(959,216)
Nonprogrammed Charges	747,819	-	-	-	(747,819)	-	(747,819)
Interest and Fees on Long-Term Debt *	815,080	-	-	-	(815,080)	-	(815,080)
Total Governmental Activities	78,633,292	14,032,311	18,004,114	414,923	(46,181,944)	-	(46,181,944)
BUSINESS-TYPE ACTIVITIES							
Food Services	2,178,966	1,113,281	872,506	-	-	(193,179)	(193,179)
Student Services	2,448,075	2,482,398	44,270	-	-	78,593	78,593
Daycare and Pre-school Services	317,447	268,026	44,135	-	-	(5,286)	(5,286)
Drivers Education	8,402	-	-	-	-	(8,402)	(8,402)
Total Business-Type Activities	4,952,890	3,863,705	960,911	-	-	(128,274)	(128,274)
Total Primary Government	\$ 83,586,182	\$ 17,896,016	\$ 18,965,025	\$ 414,923	(46,181,944)	(128,274)	(46,310,218)
General Revenues							
Taxes:							
Property Taxes				19,596,301	-	-	19,596,301
Gross Receipts Taxes				324,735	-	-	324,735
Revenue From State Sources							
State Aid				23,641,204	-	-	23,641,204
Revenue From Intermediate Sources				426,742	-	-	426,742
Investment Earnings				1,001,082	37,150	37,150	1,038,232
Loss on Disposal of Assets				53,254	-	-	53,254
Transfers In (Out)				19,000	(19,000)	-	-
Total General Revenues and Transfers				45,062,318	18,150	18,150	45,080,468
CHANGE IN NET POSITION							
NET POSITION, BEGINNING					(1,119,626)	(110,124)	(1,229,750)
NET POSITION, ENDING					87,420,207	2,662,554	90,082,761
					\$ 86,300,581	\$ 2,552,430	\$ 88,853,011

* 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 accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Fund	Financial Aid Fund	LATI Foundation Fund	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ 8,912,858	\$ 4,471,567	\$ 705,687	\$ 9,824,600	\$ 286,554	\$ 2,339,715	\$ 222,419	\$ 26,763,400
Cash with Fiscal Agent		\$ 10,055,502						10,055,502
Investments, at Fair Value								6,684,476
Taxes Receivable, Current	4,427,434	2,949,833	1,697,159					9,074,426
Taxes Receivable, Delinquent	42,053	27,719	14,775					84,547
Accounts Receivable, Net	22,193		5,577	7,092	298	38,696		73,856
Due from Other Funds	66,376			1,085				67,461
Due from Other Governments	1,023,074		228,979	208,295				1,460,348
Student Loans Receivable							426,611	426,611
Tuition Receivable				97,852				97,852
Inventory - Supplies	168,532			78,261				246,793
TOTAL ASSETS	\$ 14,662,520	\$ 17,504,621	\$ 2,652,177	\$ 10,217,185	\$ 286,852	\$ 6,589,463	\$ 3,122,454	\$ 55,035,272
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 180,885	\$ 558,829	\$ 82,085	\$ 941,663	\$ 286,852	\$ 753,950	\$ 24,796	\$ 2,829,060
Contracts Payable	1,899,925		498,017	1,151,243				3,549,185
Payroll Deductions, Withholdings and Employer Matching Payable	479,776		136,057	274,623				890,456
Due to Other Funds		48,728	7,166	36,046				91,940
Amounts Held for Others				30,313				30,313
Total Liabilities	2,560,586	607,557	723,325	2,433,888	286,852	753,950	24,796	7,390,954
Deferred Inflows of Resources								
Taxes Levied for Future Period	4,427,434	2,949,833	1,697,159					9,074,426
Unavailable Revenue - Property Taxes	42,053	27,719	14,775					84,547
Other Deferred Inflows of Resources	174,229			149,394			13,341	336,964
Total Deferred Inflows of Resources	4,643,716	2,977,552	1,711,934	149,394			13,341	9,495,937
Fund Balances.								
Nonspendable - Inventory & Prepaid Expenses	168,532			78,261				246,793
Restricted - Capital Outlay		13,919,512						13,919,512
Restricted - Special Education			216,918					216,918
Restricted - Post Secondary				7,555,642				7,555,642
Restricted - Perkins							570,459	570,459
Restricted - LATI Foundation					5,835,513			5,835,513
Restricted - Arrow Education Foundation						2,513,858		2,513,858
Assigned - Next Year's Budget	917,965							917,965
Unassigned	6,371,721							6,371,721
Total Fund Balances	7,458,218	13,919,512	216,918	7,633,903		5,835,513	3,084,317	38,148,381
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
	\$ 14,662,520	\$ 17,504,621	\$ 2,652,177	\$ 10,217,185	\$ 286,852	\$ 6,589,463	\$ 3,122,454	\$ 55,035,272

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION**
June 30, 2020

Total Fund Balances - Governmental Funds	\$ 38,148,381
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	156,240
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$115,312,700 and the accumulated depreciation is \$48,717,696	66,595,004
Pension and OPEB related deferred outflows are components of noncurrent liabilities and therefore are not reported in the funds.	8,267,525
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Capital outlay certificates	(23,670,000)
Unamortized premium on certificates	(1,717,405)
Early retirement benefits payable	(747,819)
Other long-term liabilities	(484,640)
Other postemployment benefits	(3,299,432)
Accrued interest on long-term debt.	(163,575)
Property tax revenue recorded in the fund statements exceeded delinquent tax revenue accrued on the District-wide statements.	84,547
Pension and OPEB related deferred inflows are components of noncurrent liabilities and therefore are not reported in the funds.	(3,273,437)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	6,405,192
Net Position - Governmental Activities	\$ 86,300,581

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Fund	Financial Aid Fund	LATI Foundation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES								
Revenue from Local Sources								
Taxes:								
Ad Valorem Taxes	\$ 9,446,170	\$ 6,360,467	\$ 3,573,507	\$ -	\$ -	\$ -	\$ -	\$ 19,380,144
Other Taxes	71,437	37,843	21,259	-	-	-	-	130,539
Prior Years' Ad Valorem Taxes	38,468	25,409	13,351	-	-	-	259	77,487
Gross Receipts Taxes	324,735	-	-	-	-	-	-	324,735
Penalties and Interest on Taxes	17,032	10,504	5,634	-	-	-	93	33,263
Tuition and Fees	-	-	16,000	11,625,724	-	-	-	11,641,724
Cocurricular Activities	73,935	-	-	407,715	-	-	-	481,650
Other Pupil Activity Income	7,940	-	-	-	-	-	-	7,940
Rentals	97,631	-	-	-	-	-	-	97,631
Contributions and Donations	-	-	-	-	1,547,818	107,637	-	1,655,455
Earnings on Investments and Deposits	100,321	500,165	7,166	171,026	181,298	39,417	-	999,393
Special Events and Fundraising	-	-	-	-	156,464	-	-	156,464
Realized and Unrealized Gain (Loss) on Investments	-	-	-	-	(61,619)	63,308	-	1,689
Other Local Revenue	260,507	66,800	77,572	2,689,447	45,300	189	-	3,139,815
Total Revenue from Local Sources	10,438,176	7,001,188	3,714,489	14,893,912	45,300	1,823,961	210,903	38,127,929
Revenue from Intermediate Sources								
County Sources	416,481	-	-	-	-	-	-	416,481
Revenue in Lieu of Taxes	10,261	-	-	-	-	-	-	10,261
Total Revenue from Intermediate Sources	426,742	-	-	-	-	-	-	426,742
Revenue from State Sources								
Grants-in-Aid:								
Unrestricted Grants-in-Aid	12,399,012	-	-	7,023,751	-	-	-	19,422,763
Restricted Grants-in-Aid	-	-	2,094,460	3,044,539	85,488	-	-	5,224,487
Other State Revenue	962,348	41,534	-	-	-	-	-	1,003,882
Total Revenue from State Sources	13,361,360	41,534	2,094,460	10,068,290	85,488	-	-	25,651,132
Revenue from Federal Sources								
Grants-in-Aid:								
Restricted Grants-in-Aid	1,479,789	-	792,476	1,347,745	-	-	-	3,620,010
Other Federal Revenue	83,053	-	-	-	11,624,851	-	-	11,707,904
Total Revenue from Federal Sources	1,562,842	-	792,476	1,347,745	11,624,851	-	-	15,327,914
Total Revenue	25,789,120	7,042,722	6,601,425	26,309,947	11,755,639	1,823,961	210,903	79,533,717
EXPENDITURES								
Instructional Services								
Regular Programs								
Elementary	8,003,376	644,826	-	-	-	-	-	8,648,202
Middle School	2,384,493	33,634	-	-	-	-	-	2,418,127
High School	4,411,504	139,145	-	-	-	-	-	4,550,649
Special Programs								
Gifted and Talented	104,083	-	-	-	-	-	-	104,083
Programs for Special Education	-	-	4,625,254	-	-	-	-	4,625,254
Other	1,189,974	9,040	-	245,893	-	-	-	1,444,907
Post Secondary Occupational Programs	-	-	-	11,282,664	-	-	-	11,282,664
Total Instructional Services	16,093,430	826,645	4,625,254	11,528,557	-	-	-	33,073,886

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Fund	Financial Aid Fund	LATI Foundation Fund	Other Governmental Funds	Total Governmental Funds
Support Services								
Pupils								
Attendance and Social Work	335,127	-	-	1,363,062	-	-	-	1,698,189
Health	190,939	-	173,190	-	-	-	-	364,129
Guidance	724,155	-	-	1,532,687	-	-	-	2,256,842
Psychological Services	-	-	260,415	-	-	-	-	260,415
Speech, Pathology and Audiology	-	-	702,055	-	-	-	-	702,055
Occupational Therapy	-	-	396,038	-	-	-	-	396,038
Financial Aid	-	-	-	-	11,755,639	-	389,397	12,145,036
Library/Media	-	-	-	123,550	-	-	-	123,550
Other	-	-	-	1,504,077	-	-	-	1,504,077
Instructional Staff								
Improvement of Instruction	655,606	-	114,745	-	-	-	-	770,351
Educational Media	966,506	-	7,895	315,986	-	-	-	1,290,387
General Administration								
Board of Education	73,754	-	-	36,922	-	-	-	110,676
Community Relations	-	-	-	300,970	-	-	-	300,970
Executive Administration	543,347	-	-	68,290	-	-	-	611,637
Beneficiary Costs	-	-	-	-	-	3,415,515	140,815	3,556,330
Fundraising	-	-	-	-	-	160,247	48,970	209,217
Management and General	-	-	-	-	-	52,293	20,302	72,595
School Administration								
Office of the Principal	1,723,769	-	-	758,882	-	-	-	2,482,651
Business								
Fiscal Services	529,824	15,874	-	261,146	-	-	-	806,844
Operation and Maintenance of Plant	2,528,279	263,573	-	2,304,139	-	-	-	5,095,991
Pupil Transportation	851,014	5,172	109,000	31,793	-	-	-	996,979
Central Staff	49,266	-	20,577	716,077	-	-	-	785,920
Special Education								
Administrative Costs	-	-	216,011	-	-	-	-	216,011
Total Support Services	9,171,586	284,619	1,999,926	9,319,581	11,755,639	3,628,055	599,484	36,758,890
Community Services								
Nonpublic School	38,278	-	-	-	-	-	-	38,278
Total Community Services	38,278	-	-	-	-	-	-	38,278
Cocurricular Activities								
Male Activities	205,529	-	-	-	-	-	-	205,529
Female Activities	179,606	-	-	-	-	-	-	179,606
Transportation Activities	115,899	-	-	-	-	-	-	115,899
Combined Activities	551,717	55,140	-	-	-	-	-	606,857
Total Cocurricular Activities	1,052,751	55,140	-	-	-	-	-	1,107,891
Nonprogrammed Charges								
Early Retirement Payments	-	-	-	102,228	-	-	445,654	547,882
Total Nonprogrammed Charges	-	-	-	102,228	-	-	445,654	547,882

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended June 30, 2020

	General Fund	Capital Outlay Fund	Special Education Fund	Post Secondary Fund	Financial Aid Fund	LATI Foundation Fund	Other Governmental Funds	Total Governmental Funds
Debt Services		2,343,850						2,343,850
Capital Outlays		2,172,471		6,186,669				8,359,140
Total Expenditures	26,356,045	5,682,725	6,625,180	27,137,035	11,755,639	3,628,055	1,045,138	82,229,817
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(566,925)	1,359,997	(23,755)	(827,088)		(1,804,094)	(834,235)	(2,696,100)
OTHER FINANCING SOURCES (USES)								
Sale of Property		196,745						196,745
Transfers In	2,047,454	19,000						2,066,454
Transfers Out		(923,728)	(7,166)				(1,116,560)	(2,047,454)
Total Other Financing Sources (Uses)	2,047,454	(707,983)	(7,166)				(1,116,560)	215,745
NET CHANGE IN FUND BALANCES	1,480,529	652,014	(30,921)	(827,088)		(1,804,094)	(1,950,795)	(2,480,355)
FUND BALANCE, BEGINNING	\$ 5,977,689	\$ 13,267,498	\$ 247,839	\$ 8,460,991	\$	\$ 7,639,607	\$ 5,035,112	\$ 40,628,736
FUND BALANCE, ENDING	\$ 7,458,218	\$ 13,919,512	\$ 216,918	\$ 7,633,903	\$	\$ 5,835,513	\$ 3,084,317	\$ 38,148,381

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ **(2,480,355)**

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

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

4,516,001

In the statement of activities, a gain of \$53,254 on disposal of capital assets is reported, whereas, in the governmental funds, the proceeds of \$196,745 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.

(143,491)

Capital contribution of fixed assets. **306,589**

The fund financial statement governmental fund property tax accruals differ from the District-wide statement property tax accruals in that the fund financial statements require the amounts to be "available."

(25,132)

Change in early retirement payable. **(199,937)**

Change in accrued interest on long-term debt. **1,361**

Current debt principal reduction on long-term debt. **1,527,409**

Governmental funds do not reflect the change in Other Post Employment Benefits ("OPEB"), but the statement of activities reflects the change in OPEB through expenditures.

(167,261)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. **(4,357,825)**

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue of the internal service funds is reported with governmental activities.

(96,985)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ **(1,119,626)**

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2020

	Enterprise Funds								
	Nutrition Services Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATI Food Service Fund	LATI Daycare Fund	Total Enterprise Funds	Internal Service Funds
ASSETS									
Current Assets									
Cash and Cash Equivalents	\$ 744,197	\$ 37,508	\$ 3,187	\$ 17,383	\$ 947,706	\$ 2,867	\$ 93,639	\$ 1,846,487	\$ 7,158,234
Accounts Receivable, Net	263	602	-	-	86,886	-	7,997	95,748	74,761
Due from Other Funds	-	-	-	-	28,246	-	-	28,246	-
Due from Other Governments	-	-	-	-	-	-	1,274	1,274	-
Inventory of Food, Supplies and Commodities	22,175	5,414	-	-	223,506	10,939	-	262,034	-
Prepaid Expenses	-	-	-	-	90,063	-	-	90,063	-
Total Current Assets	766,635	43,524	3,187	17,383	1,376,407	13,806	102,910	2,323,852	7,232,995
Noncurrent Assets									
Net Pension Asset	2,238	113	-	-	32	740	711	610	4,444
Capital Assets									
Equipment	543,789	5,847	-	-	12,979	27,841	13,034	603,490	-
Less Accumulated Depreciation	(284,159)	(3,021)	-	-	(12,979)	(15,974)	(1,086)	(317,219)	-
Total Noncurrent Assets	261,868	2,939	-	32	740	12,578	12,558	290,715	-
TOTAL ASSETS	1,028,503	46,463	3,187	17,415	1,377,147	26,384	115,468	2,614,567	7,232,995
DEFERRED OUTFLOWS OF RESOURCES									
Pension Related Deferred Outflows	114,666	5,794	-	1,627	37,903	36,420	31,260	227,670	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	114,666	5,794	-	1,627	37,903	36,420	31,260	227,670	-
LIABILITIES									
Current Liabilities									
Accounts Payable	11,510	-	460	-	34,847	1,112	1,625	49,554	-
Contracts Payable	6,253	1,170	366	1,096	-	1,121	6,849	16,855	-
Due to Other Funds	-	-	-	-	-	-	-	-	827,803
Incurred but not Reported Claims	-	-	-	-	-	-	-	-	-
Payroll Deductions, Withholdings and Employer Matching Payable	1,421	159	-	327	-	86	2,036	4,029	-
Deposits Payable	96,356	-	-	-	30,338	-	71	126,765	-
Total-Current Liabilities	115,540	1,329	826	1,423	65,185	2,319	10,581	197,203	827,803
TOTAL LIABILITIES	115,540	1,329	826	1,423	65,185	2,319	10,581	197,203	827,803
DEFERRED INFLOWS OF RESOURCES									
Pension Related Deferred Inflows	46,640	2,357	-	662	15,417	14,813	12,715	92,604	-
TOTAL DEFERRED INFLOWS OF RESOURCES	46,640	2,357	-	662	15,417	14,813	12,715	92,604	-
NET POSITION									
Net Investment in Capital Assets	259,630	2,826	-	-	-	11,867	11,948	286,271	-
Restricted for SDRS Pension Purposes	70,264	3,550	-	997	23,226	22,318	19,155	139,510	-
Unrestricted	651,095	42,195	2,361	15,960	1,311,222	11,487	92,329	2,126,649	6,405,192
TOTAL NET POSITION	\$ 980,989	\$ 48,571	\$ 2,361	\$ 16,957	\$ 1,334,448	\$ 45,672	\$ 123,432	\$ 2,552,430	\$ 6,405,192

The accompanying notes are an integral part of this statement

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Enterprise Funds								Total Enterprise Funds	Internal Service Funds
	Nutrition Services Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATI Food Service Fund	LATI Daycare Fund			
OPERATING REVENUE										
Food Sales	\$ 637,174	\$ 81,632	\$ -	\$ -	\$ 2,482,398	\$ 394,475	\$ 12,847	\$ 1,126,128	\$ -	\$ -
Bookstore Sales	-	-	-	7,515	-	-	-	247,664	255,179	-
Daycare and Preschool Services	-	-	-	-	-	-	-	-	-	6,622,083
Self-Insurance Premiums	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	637,174	81,632	-	7,515	2,482,398	394,475	260,511	3,863,705	6,622,083	
OPERATING EXPENSES										
Salaries	577,041	38,239	321	6,577	152,209	156,086	176,052	1,106,525	-	-
Employee Benefits	231,141	9,939	6,450	1,794	64,410	79,724	100,685	494,143	-	-
Purchased Services	25,443	114	-	-	67,200	13,060	11,542	117,359	-	-
Supplies	73,643	1,417	1,631	-	4,420	25,235	3,698	110,044	-	-
Cost of Sales - Purchased Goods	532,036	31,414	-	-	2,159,836	216,303	16,013	2,955,602	-	-
Cost of Sales - Donated Food	118,598	-	-	-	-	-	-	118,598	-	-
Repairs and Maintenance	857	-	-	-	-	-	-	857	-	-
Miscellaneous	12,731	-	-	-	-	400	-	13,131	-	-
Depreciation	33,587	390	-	-	-	1,568	1,086	36,631	-	-
Unemployment Claims	-	-	-	-	-	-	-	-	5,083	-
Self-Insurance Costs	-	-	-	-	-	-	-	-	6,812,716	-
Total Operating Expenses	1,605,077	81,513	8,402	8,371	2,448,075	492,376	309,076	4,952,890	6,817,799	
OPERATING INCOME (LOSS)	(967,903)	119	(8,402)	(856)	34,323	(97,901)	(48,565)	(1,089,185)	(195,716)	
NONOPERATING REVENUE										
Local Sources										
Interest Earned	13,223	995	-	-	21,602	421	909	37,150	98,731	-
State Sources										
Cash Reimbursements	6,482	-	-	-	-	-	-	6,482	-	-
Federal Sources										
Cash Reimbursements	713,046	-	-	-	44,270	34,380	44,135	835,831	-	-
Donated Food	118,598	-	-	-	-	-	-	118,598	-	-
TOTAL NONOPERATING REVENUE	851,349	995	-	-	65,872	34,801	45,044	998,061	98,731	
INCOME BEFORE TRANSFERS	(116,554)	1,114	(8,402)	(856)	100,195	(63,100)	(3,521)	(91,124)	(96,985)	
Transfer Out	-	(19,000)	-	-	-	-	-	(19,000)	-	-
CHANGE IN NET POSITION	(116,554)	(17,886)	(8,402)	(856)	100,195	(63,100)	(3,521)	(110,124)	(96,985)	
NET POSITION, BEGINNING	1,097,543	66,457	10,763	17,813	1,234,253	108,772	126,953	2,662,554	6,502,177	
NET POSITION, ENDING	\$ 980,989	\$ 48,571	\$ 2,361	\$ 16,957	\$ 1,334,448	\$ 45,672	\$ 123,432	\$ 2,552,430	\$ 6,405,192	

The accompanying notes are an integral part of this statement

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Enterprise Funds								Total Enterprise Funds	Internal Service Funds
	Nutrition Services Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATI Food Service Fund	LATI Daycare Fund			
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from Customers	\$ 678,514	\$ 81,233	\$ 4,640	\$ 7,515	\$ 2,229,738	\$ 394,868	\$ 265,587	\$ 3,662,095	\$ (13,990)	6,585,377
Receipts (Payments) for Interfund Services Provided					(29,252)	15,262				
Payments to Suppliers	(704,293)	(35,652)	(2,568)		(2,253,734)	(262,703)	(31,458)	(3,290,408)		
Payments to Employees	(743,508)	(43,214)	(84)	(8,436)	(197,709)	(209,724)	(222,155)	(1,424,830)		
Claims and Administrative Expenses Paid										(6,700,030)
Net Cash from Operating Activities	(769,287)	2,367	1,988	(921)	(250,957)	(62,297)	11,974	(1,067,133)	(114,653)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Operating Subsidies	719,528				44,270	34,380	44,135	842,313		
Transfer Out		(19,000)						(19,000)		
Net Cash from Noncapital Financing Activities	719,528	(19,000)			44,270	34,380	44,135	823,313		
CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES										
Purchase of Capital Assets								(13,034)	(13,034)	
CASH FLOWS FROM INVESTING ACTIVITIES										
Interest Earnings	13,223	995			21,602	421	909	37,150	98,731	
NET INCREASE IN CASH AND CASH EQUIVALENTS	(36,536)	(15,638)	1,988	(921)	(185,085)	(27,496)	43,984	(219,704)	(15,922)	
CASH AND CASH EQUIVALENTS, BEGINNING	780,733	53,146	1,199	18,304	1,132,791	30,363	49,655	2,066,191	7,174,156	
CASH AND CASH EQUIVALENTS, ENDING	\$ 744,197	\$ 37,508	\$ 3,187	\$ 17,383	\$ 947,706	\$ 2,867	\$ 93,639	\$ 1,846,487	\$ 7,158,234	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES										
Operating Income (Loss)	\$ (967,903)	\$ 119	\$ (8,402)	\$ (856)	\$ 34,323	\$ (97,901)	\$ (48,565)	\$ (1,089,185)	\$ (195,716)	
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities										
Depreciation Expense	33,587	390				1,568	1,086	36,631		
Cost of Sales - Donated Food	118,598							118,598		
Change in Assets and Liabilities:										
(Increase) Decrease in Accounts Receivable	(263)	(399)	4,640		(10,751)	393	5,825	(555)	(36,706)	
Due (to) from Other Funds					(29,252)	15,262		(13,990)		
Inventories	(7,990)	(2,707)			(15,938)	1,179		(25,456)		
Prepaid Expenses					(6,051)			(6,051)		
Net Pension Asset	(1,713)	(81)	40	(30)	(600)	(526)	(99)	(3,009)		
Pension Related Deferred Outflows	57,654	4,712	8,575	(289)	15,974	27,122	58,831	172,579		
Increase (Decrease) in Accounts Payable	(51,593)		(937)		(289)	(8,884)	(205)	(61,908)	117,769	
Contracts Payable	240	45	322 0	42		(1,748)	172		(927)	
Payroll Deductions, Withholding and Employer Matching Payable	(21)	6	44.0	(9)		(305)	719	434		
Deposits Payable	41,603				(241,909)			(749)	(201,055)	
Pension Related Deferred Inflows	8,514	282	(2,294)	221	3,536	1,543	(5,041)	6,761		
NET CASH FROM OPERATING ACTIVITIES	\$ (769,287)	\$ 2,367	\$ 1,988	\$ (921)	\$ (250,957)	\$ (62,297)	\$ 11,974	\$ (1,067,133)	\$ (114,653)	
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES										
Value of Commodities Received	\$ 118,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,598	\$ -	

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2020

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 489,766
TOTAL ASSETS	\$ 489,766
LIABILITIES	
Accounts Payable	\$ 2,089
Due to Other Funds	3,767
Amounts Held for Others	483,910
TOTAL LIABILITIES	489,766
NET POSITION	
TOTAL LIABILITIES AND NET POSITION	\$ 489,766

The accompanying notes are an integral part of this statement.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

The reporting entity of Watertown School District No. 14-4 ("District"), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

The District has two component units. The Lake Area Technical Institute Foundation is an independent corporation organized for the benefit of Lake Area Technical Institute ("LATI"). The primary focus of the Lake Area Technical Institute Foundation is to raise funds for student scholarships, establish scholarship levels, grant scholarships to students of LATI, and support campus improvement projects, marketing efforts, and student, faculty and program enrichment. The Arrow Education Foundation is an independent corporation organized for the benefit of the District. The primary focus of the Arrow Education Foundation is to support the advancement of education through scholarships and grants for costs associated with classroom activities and new program implementation for the benefit of students. Both Foundations are included in the reporting entity because of the nature and significance of the relationship with the primary government and are blended with major and nonmajor governmental funds, respectively. Both Foundations are unaudited. Separate component unit financial statements may be obtained from the LATI TEC Building and the Professional Development Center, respectively.

The District participates in a cooperative service unit with eight other districts. See detailed Note I2 entitled Joint Venture for specific disclosures.

Basis of Presentation

District-wide Statements:

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary funds and component units that are fiduciary in nature. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a 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 District or it meets the following criteria:

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

The funds of the District are described below within their respective fund types:

Governmental Funds:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

- Capital Outlay Fund - The Capital Outlay Fund accounts for the resources designated for the lease of or acquisition of land, buildings, improvements of grounds, remodeling of buildings or for the purchase of equipment. This is a major fund.
- Special Education Fund - The Special Education Fund accounts for all revenues and expenditures associated with the cost of special education for all children in need of special assistance and prolonged assistance. This is a major fund.
- Post Secondary Fund - The Post Secondary Fund accounts for all revenues and expenditures associated with operation of Lake Area Technical Institute, a school providing post secondary vocational education programs. This is a major fund.
- Financial Aid Fund - The Financial Aid Fund accounts for the activity relating to the Lake Area Technical Institute student financial aid programs. This is a major fund.
- Lake Area Technical Institute Foundation - This is an unaudited component unit. See description in third paragraph. This is a major fund.
- Pension Fund - The Pension Fund accounts for all revenues and expenditures associated with the District's early retirement plan. This is not a major fund. This fund was closed and transferred to the General Fund as of June 30, 2020.
- Perkins Loan Fund - The Perkins Loan Fund accounts for loans provided by Lake Area Technical Institute to its students under the Perkins Loan Program. This is not a major fund.
- Arrow Education Foundation - This is an unaudited component unit. See description in third paragraph. This is not a major fund.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
 - b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
 - c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).
- Nutrition Services Fund - The Nutrition Services Fund accounts for the operation of the school lunch and breakfast program. This is a major fund.
 - Concessions Fund - The Concessions Fund accounts for the operations of the concession program. This is a major fund.
 - Drivers Education Fund - The Drivers Education Fund accounts for the operations of the drivers education program. This is a major fund.
 - Pre-School Services Fund - The Pre-School Services Fund accounts for the operations of the pre-school program. This is a major fund.
 - Bookstore Fund - The Bookstore Fund accounts for the bookstore operations of Lake Area Technical Institute. This is a major fund.
 - LATI Food Services Fund - The LATI Food Services Fund accounts for the food service operations of Lake Area Technical Institute. This is a major fund.
 - LATI Daycare Fund - The LATI Daycare Fund accounts for the operations of the daycare facility at Lake Area Technical Institute. This is a major fund.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The Self-Insurance Fund and the Unemployment Fund are the Internal Service Funds maintained by the District. The Internal Service Funds account for the activities of the District's group health self-insurance and the unemployment claims to other funds on a cost-reimbursement basis.

Fiduciary Funds:

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

Agency Funds - Agency funds are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of the results of operations. The District maintains a variety of agency funds. These funds are established to account for the monies earned by the student organizations for various expenditures. The students of these organizations earn the monies recorded in the agency funds and determine the appropriate expenditures based on the purpose of the student organization.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

The aggregate remaining fund information includes the nonmajor governmental funds, internal service funds and fiduciary fund.

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

The district-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, applied on the accrual basis of accounting.

In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to the 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

In the district-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).

In the fund financial statements, all governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the District is sixty days.

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

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

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

Deposits and Investments

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. The Fiduciary Funds, Financial Aid, Perkins, Self-Insurance and Unemployment Funds do not participate in aggregating cash. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 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 better or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies (Continued)

Deposits are reported at cost plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from investments to the fund making the investment. For fiscal year 2020, the District approved transferring the interest earnings from the Capital Outlay Fund, Special Education Fund and Pension Fund to the General Fund.

The actual bank balances at June 30, 2020, were as follows:

Insured (FDIC/NCUA)	\$ 578,571
Uninsured, collateral jointly held by State's/District's agent in the name of the state and the pledging financial institution	35,851,971
	\$ 36,430,542

The District's carrying amount of deposits on the June 30, 2020, balance sheet was \$36,251,561.

Investments - In general, SDCL 4-5-6 permits District 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 mutual fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Fair Value Measurement - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are subject to the fair value measurement of GASB Statement 72, with the exception of the investments of the Lake Area Technical Institute Foundation and the Arrow Education Foundation, which are both unaudited component units and the required disclosures related to these investments have been omitted as discussed in the basis for qualified opinion on page 10.

Interest Rate Risk - The 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.

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

Inventory

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Student Loans Receivable

Student loans receivable are loans provided by Lake Area Technical Institute to its students under the Perkins Loan Program. The financial aid office of the District is fully responsible for administering the program including application processing, approving, disbursing and collecting the loans. The student loans receivable has been presented

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

as a noncurrent asset in the accompanying financial statements. The student loans receivable is net of an allowance for doubtful accounts of \$117,615. The allowance is calculated based upon the default rate for the past five years.

Interfund Eliminations and Reclassifications

District-Wide Financial Statements:

In the process of aggregating data for the district-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 funds, so that expenses are reported only in the functions to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that proceeds from collection of those receivables are not restricted, committed or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

Capital Assets

Capital assets include land, buildings, improvements other than 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 of capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

District-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.

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

Depreciation of exhaustible fixed assets for machinery and equipment is recorded as an allocated expense in the statement of activities. The depreciation on improvements and buildings is recorded as an allocated expense with net capital assets reflected in the statement of net position.

Land, an inexhaustible capital asset, is not depreciated.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 25,000	Straight-line	50 yrs
Improvements	25,000	Straight-line	20 yrs
Machinery and Equipment	5,000	Straight-line	3-20 yrs

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

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

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 district-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the district-wide statements. The long-term liabilities consist of capital outlay certificates payable, early retirement benefits payable and lease purchase obligations.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is on the accrual basis, the same in the fund statement as it is in the district-wide statements.

Program Revenues

In the district-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.

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.

Cash Flows

For the purpose of the statements of cash flows, the District considers all highly liquid investments and deposits (including restricted assets) with maturity of three months or less when purchased to be cash equivalents. As of June 30, 2020, the District had no certificates of deposit that were included as cash equivalents or included in the practice of aggregating cash assets.

Equity Classifications

District-Wide Financial Statements:

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

1. Net investment in capital assets - consists of capital assets, including restricted capital assets, net of accumulated depreciation 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.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

2. Restricted net position - consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between nonspendable, restricted, committed, assigned or unassigned components. Proprietary fund equity is classified the same as in the district-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.

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 District classifies governmental fund balances as follows:

1. Nonspendable - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
2. Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
3. Committed - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.
4. Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing board or by an official or body to which the governing body delegates the authority. The District's assigned fund balance in the General Fund represents amounts designated for next year's budget.
5. Unassigned - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Proprietary fund equity is classified the same as in the district-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.

The 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.

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

Application of Net Position

It is the 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.

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. District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

2. Property Tax

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the District's taxes and remits them to the District. District property tax revenues are recognized to the extent they are used to finance each year's appropriations. Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and therefore are not susceptible to accrual, have been deferred and are not reported as revenues.

The District is permitted by state statute to levy the following amounts of taxes per \$1,000 of taxable valuation of the property in the District:

	Permitted	Actual	Plus Abatement Assessment	Total Actual
General Fund:				
Elementary and four-year accredited high school:				
Agricultural property	\$ 1.473	\$ 1.473	\$.007	\$ 1.480
Owner occupied property	3.296	3.296	.016	3.312
Nonagricultural property	6.821	6.821	.032	6.853
Capital Outlay Fund	2.816	2.816	-	2.816
Special Education Fund	1.616	1.616	.005	1.621

The following schedule reflects the taxable valuation for real estate for each county included in the District:

	Owner Occupied	Nonagricultural	Agricultural	Total
Codington	\$ 1,256,388,136	\$ 735,748,384	\$ 274,028,406	\$ 2,266,164,926
Deuel	187,666	86,926	4,508,159	4,782,751
Grant	157,462	221,013	11,981,359	12,359,834
Hamlin	4,724,371	1,101,288	22,478,490	28,304,149
	\$ 1,261,457,635	\$ 737,157,611	\$ 312,996,414	\$ 2,311,611,660

3. Changes in Capital Assets

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,137,431	\$ 449,389	\$ -	\$ 6,586,820
Construction in progress	625,056	5,271,800	-	5,896,856
Capital investment in Northeast Technical High School	811,780	-	(62,369)	749,411
Totals	7,574,267	5,721,189	(62,369)	13,233,087
Capital assets, being depreciated:				
Buildings and improvements	76,977,148	1,005,157	-	77,982,305
Equipment	23,520,240	1,939,383	(2,816,235)	22,643,388
Laptop computers under capital lease	1,453,920	-	-	1,453,920
Totals	101,951,308	2,944,540	(2,816,235)	102,079,613
Less accumulated depreciation for:				
Buildings and improvements	30,477,411	1,814,435	-	32,291,846
Equipment	16,647,619	1,544,065	(2,735,114)	15,456,570
Leased equipment	484,640	484,640	-	969,280
Total accumulated depreciation	47,609,670	3,843,140	(2,735,114)	48,717,696
Total capital assets, being depreciated, net	54,341,638	(898,600)	(81,121)	53,361,917
Governmental activities capital assets, net	\$ 61,915,905	\$ 4,822,589	\$ (143,490)	\$ 66,595,004

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

3. Changes in Capital Assets (Continued)

Depreciation expense for governmental activities was charged to functions as follows:

Instructional	\$ 2,148,230
Support	1,694,910
Total depreciation expense - governmental activities	\$ 3,843,140

Construction in progress at June 30, 2020, consists of the Healthcare Center of Learning and a remodel at the High School. See Note 15 for the commitments to these projects at June 30, 2020.

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Business-Type activities:				
Capital assets, being depreciated:				
Equipment	\$ 590,456	\$ 13,034	\$ -	\$ 603,490
Total	590,456	13,034	-	603,490
Less accumulated depreciation for:				
Equipment	280,588	36,631	-	317,219
Total capital assets, being depreciated, net	\$ 309,868	\$ (23,597)	\$ -	\$ 286,271

Depreciation expense for business-type activities was charged to functions as follows:

Nutrition Services	\$ 33,587
Concessions	390
LATI Food Service	1,568
LATI Daycare Fund	1,086
Total depreciation expense - business-type activities	\$ 36,631

4. Long-Term Debt

A summary of changes in long-term debt, excluding other postemployment benefits, is as follows:

	Capital Outlay Certificates	Unamortized Premium	Early Retirement Plan Obligations	Lease Purchase	Total
Debt payable, July 1, 2019	\$ 24,595,000	\$ 1,835,174	\$ 547,882	\$ 969,280	\$ 27,947,336
Obligation for 2020 retirees	-	-	747,819	-	747,819
Retired	(925,000)	(117,769)	(547,882)	(484,640)	(2,075,291)
Debt payable, June 30, 2020	\$ 23,670,000	\$ 1,717,405	\$ 747,819	\$ 484,640	\$ 26,619,864

Debt payable at June 30, 2020, is comprised of the following:

Capital Outlay Certificates:

Capital Outlay Refunding Certificates, Series 2016, maturity dates - August, 2017 to August, 2026, interest rate .85-2.05%, payments made from Capital Outlay Fund \$ 1,250,000

Capital Outlay Certificates, Series 2014, maturity dates - December, 2014 to December, 2026, interest rate 2.00-5.00%, payments made from Capital Outlay Fund 13,555,000

Capital Outlay Refunding Certificates, Series 2017 (crossover partial advance refunding), maturity dates - February, 2020 to August, 2033, interest rate 2.00-4.00%, payments made from Capital Outlay Fund 8,865,000

\$ 23,670,000

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

4. Long-Term Debt (Continued)

In prior years, the District crossover refunded debt by placing the proceeds of the refunding issue into an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. The refunding issue will be called for redemption in June, 2022. As of June 30, 2020, the District has \$10,055,502 on deposit with the escrow agent.

Early Retirement Plan Obligations:

Payments outstanding for District's Early Retirement Plan, General Fund	\$ 592,312
Payments outstanding for LATI's Early Retirement Plan, Post Secondary Fund	155,507
	\$ 747,819

Lease Purchase:

Lease purchase obligation to financing company, due in annual payments of \$484,640, through July, 2020, interest rate 0%, payments made from Capital Outlay Fund	\$ 484,640
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The gross amount of assets recorded under capital leases as of June 30, 2020, was \$1,453,920.

The annual requirements to amortize all debt outstanding, excluding other postemployment benefits and unamortized premium, as of June 30, 2020, are as follows:

	Capital Outlay Certificates			Retirement Plan		Lease Purchase		Totals	
	Principal	Interest		Obligations		Principal		Principal	Interest
2021	\$ 940,000	\$ 910,808		\$ 692,917		\$ 484,640		\$ 2,117,557	\$ 910,808
2022	965,000	888,590		54,902		-		1,019,902	888,590
2023	1,020,000	861,153		-		-		1,020,000	861,153
2024	1,580,000	817,013		-		-		1,580,000	817,013
2025	1,100,000	775,478		-		-		1,100,000	775,478
2026-2030	8,935,000	2,993,104		-		-		8,935,000	2,993,104
2031-2034	9,130,000	789,830		-		-		9,130,000	789,830
Total	\$ 23,670,000	\$ 8,035,975		\$ 747,819		\$ 484,640		\$ 24,902,459	\$ 8,035,975

Total interest paid on the above obligations for the year ended June 30, 2020, was \$815,080.

5. Other Post-employment Benefits

Plan Description

Watertown School District has a single-employer defined benefit medical plan ("Plan") administered by Wellmark Inc. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefit of retirees to the district.

The contribution requirements of plan members and the District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. A full-time salaried employee who retires from the District, may be eligible for retiree health insurance coverage if they were hired prior to August 1, 2008. Employees hired after August 1, 2008, are not eligible for OPEB.

Employees who leave or have previously left the District are not eligible for the retirement benefits if they are re-employed after August 1, 2008. Coverage also ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Funding Policy

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

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

5. Other Post-employment Benefits (Continued)

Employees covered by benefit terms

As of June 30, 2020, there were a total of 315 employees covered by the benefit terms. This includes 37 retirees currently receiving benefit payments and 278 active employees:

Total OPEB Liability

The School District's total OPEB liability of \$3,299,432 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Methods and Assumptions

Many of the assumptions used in the GASB Statement 75 actuarial valuation are the same assumptions used in the June 30, 2019 South Dakota Retirement System (SDRS) actuarial valuation for Class A School Members.

The actuarial assumptions used in the June 30, 2019 SDRS actuarial valuation are based on the results of an actuarial study for the period from July 1, 2011 through June 30, 2016.

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.00%
Discount rate	3.87%
Healthcare cost trend rate	7.00% for FY20, reduced by decrements of .25% to an ultimate rate of 4%
Retirees' share of benefit-related costs	100% of projected health insurance for retirees

The discount rate was based on the 20-Bond General Obligation Municipal Bond Index.

Mortality rates for pre-retirement were determined using the RP-2014 Employee Mortality Table, projected generationally using Scale BB with rates adjusted 97%. Mortality rates for post-retirement were determined using the RP-2014 Combined Mortality Table, projected generationally using Scale BB with rates adjusted 97%.

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 3,198,122
Service Cost	111,696
Interest	113,690
Benefit payments	(124,076)
End of Year Balances	\$ 3,299,432

Sensitivity of liability 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.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 3,496,773	\$ 3,299,432	\$3,110,347

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

5. Other Post-employment Benefits (Continued)

Sensitivity of liability to changes in the healthcare trend rate:

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

	Decrease	Current Healthcare Trend Rate	1%
			Increase
Total OPEB Liability	\$ 3,012,748	\$ 3,299,432	\$3,623,116

For the year ended June 30, 2020, the District recognized OPEB expense of \$167,261. At June 30, 2020, the District reported \$17,819 of deferred inflows of resources and \$263,558 of deferred outflows of resources related to OPEB from changes in assumptions.

Net amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2021	\$ 65,951
2022	68,474
2023	76,122
2024	35,192
2025	
	\$ 245,739

6. Leases

The District leases the facilities for a portion of Lake Area Technical Institute from the South Dakota Board of Education. The facilities were constructed with a grant from the South Dakota Health and Education Facilities Authority ("Authority") funded by proceeds from bonds issued. The South Dakota Board of Education leases the facility from the Authority and then sub-leases it to the District. The lease agreement calls for rental payments coinciding with the bond retirement schedule. Currently, those rentals are being paid from the facility fee fund account maintained by the trustee. It is anticipated that these fees will be sufficient to make the lease payments throughout the term of the lease. The facility fee is \$35 per credit hour collected from each student attending the four vocational technical schools in the State. These fees are remitted to the trustee for the purpose of retiring the indebtedness against the facilities constructed at the various vocational technical schools. The lease term is for twenty-five years, although there is a cancellation clause for non-appropriation funds. At the conclusion of the lease, the District and the South Dakota Board of Education have the option of renewing the lease on an annual basis for \$100, subject to the restriction on use of the project for post secondary vocational technical education.

7. Interfund Revenues and Expenditures

For the year ended June 30, 2020, the General Fund received revenues from other funds for administrative services. These amounts have been recognized as revenue in the General Fund and expenditures in the other funds as follows:

Fund	Amount
Bookstore	\$ 5,900
LATI Food Service	5,900
Post Secondary	193,490
	\$ 205,290

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

7. Interfund Revenues and Expenditures (Continued)

The Bookstore and LATI Food Service Funds paid rent in the amount of \$7,950 and \$7,160, respectively, to the Post Secondary Fund. The Post Secondary Fund paid \$25,980 to the Financial Aid Fund for financial aid matching requirements. The Financial Aid Fund paid the Post Secondary Fund \$12,527 for administrative expenses. The Post Secondary Fund made general purchases from the Bookstore and LATI Food Service Funds in the amounts of \$43,873 and \$31,807, respectively. The Lake Area Technical Institute Foundation paid the Post Secondary Fund \$141,765 for reimbursement of salaries and \$2,000,000 as a donation for construction projects. The amounts were recognized as revenues and expenditures in the respective funds.

8. Individual Fund Interfund Receivable and Payable Balances

The June 30, 2020 interfund receivable and payable balances are for amounts due between funds for services provided, such as administrative fees, supply purchases, computer support services, bookstore and food services. Interfund receivable and payable balances at June 30, 2020, were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 66,376	\$ -
Special Revenue Funds:		
Capital Outlay	-	48,728
Special Education	-	7,166
Post Secondary	1,085	36,046
Enterprise Funds:		
Bookstore	28,246	-
Fiduciary Fund:		
Agency	-	3,767
	\$ 95,707	\$ 95,707

The Concessions Fund transferred \$19,000 to the Capital Outlay Fund for dance floor improvements. The Capital Outlay Fund and Special Education Fund transferred \$48,728 and \$7,166, respectively, to the General Fund for interest earnings. The Capital Outlay Fund transferred \$875,000 to the General Fund for insurance, utilities and fuel expenses as allowed under SDCL 13-16-6. The Pension Fund transferred \$1,116,560 to the General Fund to close the fund.

9. Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 13,919,512
Special Education	Law	216,918
Post Secondary	Law	7,633,903
LATI Foundation	Law	5,835,513
Perkins	Law	570,459
Arrow Education Foundation	Law	2,513,858
SDRS Pension	Governmental Accounting Standards	5,044,099
		\$ 35,734,262

10. Pension Plan

Plan Information

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

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan (Continued)

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, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to accrued liabilities.

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the Plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

The District's share of contributions to the SDRS for the fiscal years ended June 30, 2020, 2019 and 2018, were \$1,983,411, \$1,934,456 and \$1,909,134, respectively, equal to the required contributions each year.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan (Continued)

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

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the SDRS, for the District as of June 30, 2020, are as follows:

Proportionate share of pension liability	\$188,961,459
Less proportionate share of net pension restricted for pension benefits	(189,122,143)
Proportionate share of net pension asset	<u>\$ (160,684)</u>

At June 30, 2020, the District reported an asset of \$160,684 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the District's proportion was 1.51627660% which is a decrease of .0145882% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized a reduction of pension expense of \$4,534,156. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 630,300	\$ 72,728
Changes in assumption	5,549,599	2,275,066
Net difference between projected and actual earnings on pension plan investments		925,670
Changes in proportion and difference between the District contributions and proportionate share of contributions	68,327	74,758
District contributions subsequent to the measurement date	1,983,411	
	<u>\$ 8,231,637</u>	<u>\$ 3,348,222</u>

\$1,983,411 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30	Amount
2021	\$ 3,488,349
2022	(550,385)
2023	(353,506)
2024	315,546
	<u>\$ 2,900,004</u>

Actuarial Assumptions

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

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

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan (Continued)

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016. The actuarial assumption used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council ("SDIC"), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	4.7%
Fixed Income	30	1.7
Real Estate	10	4.3
Cash	2	0.9
	100%	

Discount Rate

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

Sensitivity of Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 26,670,366	\$ (160,684)	\$ (22,023,141)

Pension Plan Fiduciary Net Position

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

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

11. Early Retirement Plan

The District has a retirement policy providing cash benefits to any full-time salaried employee with at least fifteen years of full-time salaried services with the District, and who are between and/or inclusive of the ages of fifty-five and sixty-two as of June 30 of the application year. Employees who leave or have previously left the District are not eligible for the retirement benefits if they are re-employed after August 1, 2008. The cash benefit is equal to 75% of the individual employee's last contract salary, exclusive of extra duty and cocurricular salary, if any, unless the position within a sport/activity has been held for fifteen consecutive years immediately preceding retirement. For the year ended June 30, 2020, there were fourteen employees participating in this plan. For individuals who qualify, the cash benefit is paid into an employer directed nonERISA 403(b) plan in the name of the retiree.

The early retirement cash payments are funded by the District's Pension Fund and Post Secondary Fund. Benefits paid for the year ended June 30, 2020, were \$445,654 and \$102,228, which were paid from the Pension Fund and Post Secondary Fund, respectively.

12. Joint Venture

The District participates in the Northeast Technical High School, a cooperative service unit ("Co-op") formed for the purpose of providing vocational training services to the member districts.

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

Castlewood School District No. 28-1	4.38%
Florence School District No. 14-1	3.63%
Great Plains Lutheran School	6.09%
Hamlin School District No. 28-3	11.48%
Henry School District No. 14-2	3.10%
Summit School District No. 54-6	2.83%
Watertown School District No. 14-4	64.49%
Waverly School District No. 14-5	4.00%
	100.00%

The Co-op's governing board is composed of three members from the school board of the largest member school and one member from the school board from each remaining member school. The superintendent of the District and one other superintendent are appointed by the governing board to serve as advisors to the governing board in a non-voting capacity. The governing board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget. The District has an equity interest in the net position of the Co-op. This interest has been reported using the equity method of accounting. Separate financial statements for this joint venture are available from the Northeast Technical High School. At June 30, 2020, this joint venture had no long-term debt and total fund equity of \$1,162,057.

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2020, the District managed its risks as follows:

Employee Group Insurance

The District has a group health self-insurance fund to pay for health and dental claims of District employees and their covered dependents. Premiums paid to the fund are actuarially determined and they cover the cost of processed claims, administrative costs, network participation fees and the cost of individual stop-loss insurance at a coverage level of \$125,000 per covered individual per year with an additional aggregating specific of \$156,250. The District did not purchase aggregate stop-loss insurance for the year ended June 30, 2020.

Total claims and administrative costs incurred during the year ended June 30, 2020, were \$5,833,100 and \$979,616, respectively. Those costs were funded by \$4,304,151 of premiums which were charged to expenditures by the District, \$725,821 of reinsurance from stop-loss coverage and other rebates, and \$1,592,111 of premiums which were funded by employee withholdings, Cobra premiums and by retired employees.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

13. Risk Management (Continued)

At June 30, 2020, the District accrued an estimated liability for incurred but not reported claims of \$709,221 based upon historical trends. Changes in the balances of claims liabilities during the year ended June 30, 2020, were as follows:

June 30, 2019 Liability	Current Year Claims and Changes in Estimates	Claim Payments	June 30, 2020 Liability
\$ 709,221	\$ 5,833,099	\$ 5,714,517	\$ 827,803

At June 30, 2020, the District also had accounts receivable of \$74,761 and a reserve for future claims of \$6,225,450. These amounts are accounted for in the Internal Service Fund.

Liability Insurance

The District purchases insurance coverage from a private carrier, Employers Mutual Company ("EMC") through a local agency, Fischer, Rounds & Associates, Inc.

The objective of EMC is to administer and provide risk management services and risk sharing facilities to its clients, to defend and protect the clients against liability, to advise clients on loss control guidelines and procedures, provide clients with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with EMC to resolve any incident which could result in a claim being made by or against the District.

The District pays an annual premium to provide liability coverage detailed below under an occurrence policy for all lines except for Professional Liability which is a claims-made policy and the premiums are accrued based on the ultimate cost of the experience and the District's exposure or type of coverage. The District pays an annual premium to EMC to provide coverage for property, crime, equipment along with general, automobile, cyber and professional liability.

The agreement with EMC provides that the above coverages will be provided as follows: limit for building and contents - \$251,690,127; auto physical damage does not have a specific limit instead it is Actual Cash Value per unit at the time of loss; equipment breakdown is a covered peril on the property so no specific limit; and crime \$500,000. In addition to these coverages, an umbrella coverage in the amount of \$10,000,000 is purchased that expands over all covered underlying liability policies. The District carries a \$5,000 deductible for buildings and contents and crime, a \$3,000 deductible for auto physical damage, and a \$2,500 deductible for equipment.

The District does not carry additional insurance to cover claims in excess of the upper limit other than the umbrella coverage noted above. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool ("Fund"), which provided workers' compensation insurance coverage for participating members of the pool.

The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The District pays an annual premium, to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a pro-rated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO FINANCIAL STATEMENTS

13. Risk Management (Continued)

The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$600,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits

The District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The District has reserved equity in the Internal Service Fund in the amount of \$183,541 for the payment of future unemployment benefits. During the year ended June 30, 2020, claims were filed for unemployment benefits resulting in claims expenses in the amount of \$5,083. At June 30, 2020, the District had no claims payable.

14. Violations of Finance-Related Legal and Contractual Provisions

The District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations.

Self-Insurance Fund	\$ 207,716
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The governing board plans to monitor these expenditures to prevent future overdrafts.

15. Significant Commitments and Subsequent Events

In March, 2019, the District approved \$5,543,266 for the construction of the Prairie Lakes Healthcare Center of Learning at the Lake Area Technical Institute. The District had expended \$4,905,516 through June 30, 2020. The project is being funded with a Prairie Lakes Healthcare System donation, a grant from the SD Health & Education Facilities Authority and cash on hand. The project was completed December, 2020.

In May, 2020, the District approved \$14,494,975 for the remodel of the high school. The District had expended \$991,340 through June 30, 2020. The project is being funded with capital outlay certificates, which were issued in September, 2020. This project is expected to be completed August, 2023.

Management has evaluated subsequent events through the date the financial statements were available to be issued. No additional significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.

WATERTOWN SCHOOL DISTRICT NO. 14-4

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources				
Taxes				
Ad valorem taxes	\$ 9,284,600	\$ 9,284,600	\$ 9,484,638	\$ 200,038
Other taxes	430,000	430,000	413,204	(16,796)
Interest earned	70,000	70,000	100,321	30,321
Cocurricular activities				
Admissions	100,000	100,000	81,875	(18,125)
Other revenue from local sources				
Other	449,900	449,900	558,138	(91,762)
	10,334,500	10,334,500	10,438,176	103,676
Intermediate sources				
County sources	400,000	400,000	416,481	16,481
Revenue in lieu of taxes	20,000	20,000	10,261	(9,739)
	420,000	420,000	426,742	6,742
State sources				
Grants-in-aid				
Unrestricted	13,115,975	13,115,975	12,399,012	(716,963)
Other state revenue	994,965	1,015,175	962,348	(52,827)
	14,110,940	14,131,150	13,361,360	(769,790)
Federal sources				
Restricted received from Federal				
Government through the State	918,280	1,274,480	1,479,789	205,309
Other Federal revenue	85,080	85,080	83,053	(2,027)
	1,003,360	1,359,560	1,562,842	203,282
Total Revenues	25,868,800	26,245,210	25,789,120	(456,090)
Expenditures				
Instruction				
Regular programs				
Elementary	8,731,580	8,642,655	8,003,376	639,279
Middle school	2,468,800	2,495,760	2,384,493	111,267
High school	4,696,610	4,755,840	4,411,504	344,336
Special programs				
Gifted and talented	139,750	153,935	104,083	49,852
Other	1,163,795	1,275,660	1,189,974	85,686
	17,200,535	17,323,850	16,093,430	1,230,420

WATERTOWN SCHOOL DISTRICT NO. 14-4

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)	
	Original	Final	Actual		
Support services					
Pupils					
Attendance and social work	287,980	337,005	335,127	1,878	
Health	198,935	208,935	190,939	17,996	
Guidance	800,585	754,220	724,155	30,065	
Instructional staff					
Improvement of instruction	482,935	744,889	655,606	89,283	
Educational media	1,030,440	1,040,965	966,506	74,459	
General administration					
Board of education	101,020	101,020	73,754	27,266	
Executive administration	544,135	544,135	543,347	788	
School administration					
Office of the principal,	1,786,900	1,794,855	1,723,769	71,086	
Business					
Fiscal services	541,230	541,230	529,824	11,406	
Operation and maintenance of plant	2,948,130	2,963,270	2,528,279	434,991	
Pupil transportation	1,090,180	1,083,680	851,014	232,666	
Central Staff	96,475	96,475	49,266	47,209	
	9,908,945	10,210,679	9,171,586	1,039,093	
Community services					
Nonpublic school and other	65,270	66,486	38,278	28,208	
Cocurricular activities					
Male activities	202,970	202,970	205,529	(2,559)	
Female activities	182,385	182,385	179,606	2,779	
Transportation activities	127,450	127,450	115,899	11,551	
Combined activities	429,080	430,580	370,247	60,333	
Athletic director	192,700	192,700	181,470	11,230	
	1,134,585	1,136,085	1,052,751	83,334	
Total Expenditures	28,309,335	28,737,100	26,356,045	2,381,055	
Excess of Revenues Over (Under) Expenditures	(2,440,535)	(2,491,890)	(566,925)	1,924,965	
Other Financing Sources (Uses)					
Transfers in	2,485,345	2,485,345	2,047,454	(437,891)	
Transfers out	(319,675)	(374,800)		374,800	
Total Other Financing Sources (Uses)	2,165,670	2,110,545	2,047,454	(63,091)	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(274,865)	(381,345)	1,480,529	1,861,874	
Fund balance, beginning	5,977,689	5,977,689	5,977,689		
Fund Balance, Ending	\$ 5,702,824	\$ 5,596,344	\$ 7,458,218	\$ 1,861,874	

WATERTOWN SCHOOL DISTRICT NO. 14-4

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources:				
Taxes				
Ad valorem taxes	\$ 6,361,000	\$ 6,361,000	\$ 6,360,467	\$ (533)
Other taxes	45,000	45,000	73,756	28,756
Interest earned	376,450	376,450	500,165	123,715
Other revenue from local sources:				
Other	80,000	80,000	66,800	(13,200)
	6,862,450	6,862,450	7,001,188	138,738
State sources:				
Other state revenue	41,530	41,530	41,534	4
	41,530	41,530	41,534	4
Total Revenues	6,903,980	6,903,980	7,042,722	138,742
Expenditures				
Instruction				
Regular programs				
Elementary	846,000	876,000	846,997	29,003
Middle school	42,000	42,000	40,407	1,593
High school	187,000	187,000	168,100	18,900
Special programs				
Other	17,000	17,000	9,040	7,960
	1,092,000	1,122,000	1,064,544	57,456
Support services				
Business				
Administrative services	21,000	21,000	15,874	5,126
Operation and maintenance of plant	1,786,680	2,409,180	1,940,577	468,603
Pupil transportation	267,500	267,500	256,905	10,595
	2,075,180	2,697,680	2,213,356	484,324
Cocurricular activities				
Combined activities	61,500	61,500	60,975	525
Debt services	2,344,300	2,344,300	2,343,850	450
Total Expenditures	5,572,980	6,225,480	5,682,725	542,755
Excess of Revenues Over (Under) Expenditures	1,331,000	678,500	1,359,997	681,497
Other Financing Sources (Uses)				
Sale of property	100,000	195,000	196,745	1,745
Transfers in	19,000	19,000	19,000	
Transfers out	(1,350,000)	(1,350,000)	(923,728)	426,272
Total Other Financing Sources (Uses)	(1,231,000)	(1,136,000)	(707,983)	428,017
Excess of Revenues and Other Sources Over Expenditures and Other Uses	100,000	(457,500)	652,014	1,109,514
Fund balance, beginning	13,267,498	13,267,498	13,267,498	
Fund Balance, Ending	\$ 13,367,498	\$ 12,809,998	\$ 13,919,512	\$ 1,109,514

WATERTOWN SCHOOL DISTRICT NO. 14-4

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND
Year Ended June 30, 2020

	Budgeted Amounts				Variance
	Original	Final	Actual		Positive (Negative)
Revenues					
Local sources					
Taxes:					
Ad valorem taxes	\$ 3,524,785	\$ 3,524,785	\$ 3,573,507	\$ 48,722	
Other taxes	22,000	22,000	40,244	18,244	
Tuition and fees				16,000	16,000
Interest earned	6,000	6,000	7,166	1,166	
Other	71,000	71,000	77,572	6,572	
	3,623,785	3,623,785	3,714,489	90,704	
State sources					
Grants-in-aid					
Restricted	2,145,470	2,145,470	2,094,460	(51,010)	
	2,145,470	2,145,470	2,094,460	(51,010)	
Federal sources					
Restricted received from Federal government through the State	1,003,275	1,002,115	792,476	(209,639)	
Total Revenues	6,772,530	6,771,370	6,601,425	(169,945)	
Expenditures					
Instruction					
Special programs					
Programs for special education	5,166,055	5,192,800	4,625,254	567,546	
Support services					
Pupils.					
Health	176,760	176,760	173,190	3,570	
Psychological services	264,380	264,380	260,415	3,965	
Speech, pathology and audiology	799,955	799,380	702,055	97,325	
Occupational therapy	426,185	426,185	396,038	30,147	
Instructional staff					
Improvement of instruction	113,250	113,250	114,745	(1,495)	
Educational media	22,000	22,000	7,895	14,105	
Business					
Pupil transportation	130,985	130,985	109,000	21,985	
Central					
Staff	34,980	34,980	20,577	14,403	
Special Education					
Administrative costs	226,655	226,655	216,011	10,644	
	2,195,150	2,194,575	1,999,926	194,649	
Total Expenditures	7,361,205	7,387,375	6,625,180	762,195	
Excess of Revenues Over (Under) Expenditures	(588,675)	(616,005)	(23,755)	592,250	
Other Financing Uses					
Transfer in					
Transfer out	(6,000)	(6,000)	(7,166)	(1,166)	
Total Other Financing Uses	313,675	368,800	(7,166)	(375,966)	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(275,000)	(247,205)	(30,921)	216,284	
Fund balance, beginning	247,839	247,839	247,839		
Fund Balance, Ending	\$ (27,161)	\$ 634	\$ 216,918	\$ 216,284	

WATERTOWN SCHOOL DISTRICT NO. 14-4

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - POST SECONDARY FUND
Year Ended June 30, 2020

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources				
Tuition and fees	\$ 11,689,855	\$ 11,689,855	\$ 11,625,724	\$ (64,131)
Interest earned	85,000	155,000	171,026	16,026
Cocurricular activities:				
Other pupil activity income	525,700	525,700	407,715	(117,985)
Other revenue from local sources				
Other	444,175	2,525,385	2,689,447	164,062
	12,744,730	14,895,940	14,893,912	(2,028)
State sources				
Grants-in-aid				
Unrestricted	6,907,590	6,907,590	7,023,751	116,161
Other state revenue	2,828,430	2,858,430	3,044,539	186,109
	9,736,020	9,766,020	10,068,290	302,270
Federal sources				
Restricted received from Federal government through the State	642,905	981,770	1,347,745	365,975
Total Revenues	23,123,655	25,643,730	26,309,947	666,217
Expenditures				
Instruction				
Adult continuing education programs				
Occupational programs	12,929,875	13,207,330	12,165,319	1,042,011
Other	124,250	287,080	245,893	41,187
	13,054,125	13,494,410	12,411,212	1,083,198
Support services				
Pupils				
Technology support	1,227,010	1,329,860	1,363,062	(33,202)
Guidance	1,615,645	1,623,645	1,532,687	90,958
Library/media	148,700	149,700	125,550	24,150
Other	1,581,920	1,644,885	1,504,077	140,808
Instructional staff				
Instruction curriculum development	474,350	474,350	449,377	24,973
General administration				
Board of education	50,830	50,830	36,922	13,908
Community relations	322,770	329,770	300,970	28,800
Executive administration	68,300	68,300	68,290	10 0
School administration				
Office of the director	796,325	803,955	758,882	45,073
Business				
Fiscal services	269,865	269,865	261,146	8,719
Facilities acquisition and construction	5,310,000	6,051,400	5,727,160	324,240
Operation and maintenance of plant	1,833,620	1,836,620	1,747,602	89,018
Pupil transportation	103,000	103,000	31,793	71,207
Other support services	847,185	847,185	716,077	131,108
	14,649,520	15,583,365	14,623,595	959,770
Nonprogrammed charges				
Pension payments	102,230	102,230	102,228	2
Total Expenditures	27,805,875	29,180,005	27,137,035	2,042,970
Excess of Revenues Over (Under) Expenditures	(4,682,220)	(3,536,275)	(827,088)	2,709,187
Other Financing Sources (Uses)				
Sale of property	5,000	5,000	-	(5,000)
Transfer in	1,830,000	-	-	-
Total Other Financing Sources	1,835,000	5,000	-	(5,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(2,847,220)	(3,531,275)	(827,088)	2,704,187
Fund balance, beginning	8,460,991	8,460,991	8,460,991	-
Fund Balance, Ending	\$ 5,613,771	\$ 4,929,716	\$ 7,633,903	\$ 2,704,187

WATERTOWN SCHOOL DISTRICT NO. 14-4

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - FINANCIAL AID FUND
Year Ended June 30, 2020

	Budgeted Amounts				Variance Positive (Negative)
	Original	Final	Actual		
Revenues					
Local sources					
Other revenue from local sources					
Other	\$ 271,800	\$ 271,800	\$ 45,300	\$ (226,500)	
State sources					
Grants-in-aid					
Other	69,500	69,500	85,488	15,988	
Federal sources					
Restricted received from Federal government through the State	11,900,000	11,900,000	11,624,851	(275,149)	
Total Revenues	12,241,300	12,241,300	11,755,639	(485,661)	
Expenditures					
Support services					
Financial aid	12,241,300	12,241,300	11,755,639	485,661	
Total Expenditures	12,241,300	12,241,300	11,755,639	485,661	
Excess of Revenues Over (Under) Expenditures					
Fund balance, beginning	-	-	-	-	
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -	

WATERTOWN SCHOOL DISTRICT NO. 14-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

1. Budgets and Budgetary Accounting

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

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

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America 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.

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Year Ended June 30, 2020

Service Cost	\$ 111,696
Interest on Total OPEB Liability	113,690
Benefit Payments	(124,076)
Net Change in Total OPEB Liability	<u>101,310</u>
Total OPEB Liability, Beginning	<u>3,198,122</u>
Total OPEB Liability, Ending	<u>\$ 3,299,432</u>
District's Covered-employee Payroll	\$ 13,608,038
Total OPEB Liability as a Percentage of Covered-employee Payroll	24.25%

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF DISTRICT CONTRIBUTIONS

For the Year Ended June 30

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,983,411	\$ 1,934,456	\$ 1,909,134	\$ 1,866,698	\$ 1,673,671	\$ 1,630,885
Contributions in relation to the contractually required contribution	<u>1,983,411</u>	<u>1,934,456</u>	<u>1,909,134</u>	<u>1,866,698</u>	<u>1,673,671</u>	<u>1,630,885</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered-employee payroll	\$ 33,028,183	\$ 32,173,075	\$ 31,818,773	\$ 31,084,082	\$ 27,889,214	\$ 27,170,807
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

WATERTOWN SCHOOL DISTRICT NO. 14-4

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

For the Year Ended June 30

	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability/asset	1 5162766%	1 5308648%	1 5314879%	1 4676726%	1 4888082%	1 4482285%
District's proportionate share of net pension liability (asset)	\$ (160,684)	\$ (35,703)	\$ (138,984)	\$ 4,957,653	\$ (6,314,461)	\$ (10,433,894)
District's covered-employee payroll	\$ 32,173,075	\$ 31,818,773	\$ 31,084,082	\$ 27,889,214	\$ 27,170,807	\$ 25,294,680
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.50%	0.11%	0.45%	17.78%	23.24%	41.25%
Plan fiduciary net position as a percentage of the total pension asset	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020 - SCHEDULE OF THE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF PENSION CONTRIBUTIONS**

Changes of benefit terms:

No significant changes

Changes of assumptions:

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

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

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

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHOOL DISTRICT OFFICIALS

June 30, 2020

School Board:

Tammy Rieber	Chairperson
Stuart Steijn	Board Member
Stephanie Lenards	Board Member
Scott Hardie	Board Member
Jean Moulton	Board Member

Superintendent:

Dr. Jeff Danielsen

Business Manager:

Rick Hohn

Assistant Business Manager:

Heidi Clausen

WATERTOWN SCHOOL DISTRICT NO. 14-4

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Pension Fund	Perkins Fund	Arrow Education Foundation	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 143,848	\$ 78,571	\$ 222,419
Investments, at Fair Value			2,473,424	2,473,424
Student Loans Receivable, Net of Allowance \$117,615		426,611	-	426,611
TOTAL ASSETS	\$ -	\$ 570,459	\$ 2,551,995	\$ 3,122,454
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ 24,796	\$ 24,796
Total Liabilities			24,796	24,796
Deferred Inflows of Resources:				
Other Deferred Inflows of Resources	-	-	13,341	13,341
Total Deferred Inflows of Resources	-	-	13,341	13,341
Fund Balances:				
Restricted - Perkins	-	570,459	-	570,459
Restricted - Arrow Education Foundation	-	-	2,513,858	2,513,858
Total Fund Balances	-	570,459	2,513,858	3,084,317
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ 570,459	\$ 2,551,995	\$ 3,122,454

WATERTOWN SCHOOL DISTRICT NO. 14-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2020

	Pension Fund	Perkins Fund	Arrow Education Foundation	Total Nonmajor Governmental Funds
REVENUES				
Revenue From Local Sources:				
Taxes				
Prior Years' Ad Valorem Taxes	\$ 259	\$ -	\$ -	\$ 259
Penalties and Interest on Taxes	93	-	-	93
Private Donations and Grants	-	-	107,637	107,637
Earnings on Investments and Deposits	18,365	20,698	354	39,417
Realized and Unrealized Gains on Investments	-	-	63,308	63,308
Other Local Revenue	-	189	-	189
Total Revenue From Local Sources	18,717	20,887	171,299	210,903
Total Revenues	18,717	20,887	171,299	210,903
EXPENDITURES				
Support Services				
Pupils:				
Financial Aid	-	389,397	-	389,397
General Administration	-	-	140,815	140,815
Beneficiary Costs	-	-	48,970	48,970
Fundraising	-	-	20,302	20,302
Management and General	-	-	-	-
Total Support Services	-	389,397	210,087	599,484
Early Retirement Payments	445,654	-	-	445,654
Total Expenditures	445,654	389,397	210,087	1,045,138
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	(426,937)	(368,510)	(38,788)	(834,235)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,116,560)	-	-	(1,116,560)
Total Other Financing Sources (Uses)	(1,116,560)	-	-	(1,116,560)
NET CHANGE IN FUND BALANCES	(1,543,497)	(368,510)	(38,788)	(1,950,795)
FUND BALANCE, BEGINNING	1,543,497	938,969	2,552,646	5,035,112
FUND BALANCE, ENDING	\$ -	\$ 570,459	\$ 2,513,858	\$ 3,084,317

WATERTOWN SCHOOL DISTRICT NO. 14-4

COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS
June 30, 2020

	Self- Insurance Fund	Unemployment Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,978,492	\$ 179,742	\$ 7,158,234
Accounts Receivable	74,761	-	74,761
TOTAL ASSETS	\$ 7,053,253	\$ 179,742	\$ 7,232,995
LIABILITIES			
Current Liabilities:			
Incurred But Not Reported Claims	\$ 827,803	\$ -	\$ 827,803
NET POSITION			
Unrestricted	6,225,450	179,742	6,405,192
Total Net Position	6,225,450	179,742	6,405,192
TOTAL LIABILITIES AND NET POSITION	\$ 7,053,253	\$ 179,742	\$ 7,232,995

WATERTOWN SCHOOL DISTRICT NO. 14-4

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020**

	Self- Insurance Fund	Unemployment Fund	Total Internal Service Funds
OPERATING REVENUE			
Self-Insurance Premiums	\$ 6,622,083	\$ -	\$ 6,622,083
Total Operating Revenue	6,622,083	-	6,622,083
OPERATING EXPENSES			
Unemployment Claims		5,083	5,083
Self-Insurance Costs	6,812,716	-	6,812,716
Total Operating Expenses	6,812,716	5,083	6,817,799
OPERATING INCOME (LOSS)	(190,633)	(5,083)	(195,716)
NONOPERATING REVENUE			
Local Services			
Interest Earned	97,447	1,284	98,731
TOTAL NONOPERATING REVENUE	97,447	1,284	98,731
CHANGE IN NET POSITION	(93,186)	(3,799)	(96,985)
NET POSITION, BEGINNING	6,318,636	183,541	6,502,177
NET POSITION, ENDING	\$ 6,225,450	\$ 179,742	\$ 6,405,192

WATERTOWN SCHOOL DISTRICT NO. 14-4

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2020

	Self- Insurance Fund	Unemployment Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Interfund Services Provided	\$ 6,585,377	\$ -	\$ 6,585,377
Claims and Administrative Expenses Paid	(6,694,134)	(5,896)	(6,700,030)
Net Cash From Operating Activities	(108,757)	(5,896)	(114,653)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings	97,447	1,284	98,731
Net Cash From Investing Activities	97,447	1,284	98,731
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(11,310)	(4,612)	(15,922)
CASH AND CASH EQUIVALENTS, BEGINNING	6,989,802	184,354	7,174,156
CASH AND CASH EQUIVALENTS, ENDING	\$ 6,978,492	\$ 179,742	\$ 7,158,234
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (190,633)	\$ (5,083)	\$ (195,716)
Change in Assets and Liabilities			
Accounts Receivable	(36,706)		(36,706)
Incurred But Not Reported Claims	118,582	(813)	117,769
NET CASH FROM OPERATING ACTIVITIES	\$ (108,757)	\$ (5,896)	\$ (114,653)

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Pass-Through the S.D Department of Education			
S D Department of Education.			
Child Nutrition Cluster			
Cash Assistance			
School Breakfast Program (Note 3)	10 553	16163SD310N109943	\$ 149,889
National School Lunch Program (Note 3)	10 555	16163SD310N109943	563,157
Cash Assistance Subtotal			713,046
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 3)	10 555	16163SD310N109943	118,598
Total for Child Nutrition Cluster	10 558	16163SD310N109943	\$ 831,644
Child and Adult Care Food Program (Note 3)			17,217
Direct Federal Funding:			
Soil and Water Conservation	10 902		15,967
Total U.S. Department of Agriculture			864,828
U.S. Department of Commerce (DOC):			
Manufacturing Extension Partnership	11 611		25,000
Total U.S. Department of Commerce (DOC)			25,000
U.S. Department of Justice:			
Title V - Delinquency Prevention Program	16 548		83,053
Total U.S. Department of Justice			83,053
General Services Administration:			
Pass-Through the S D Federal Property Agency			
Donation of Federal Surplus Personal Property (Note 7)	39 003		87,588
Total General Services Administration			87,588
U.S. Department of Education:			
Direct Federal Funding			
Student Financial Assistance Programs Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)(Note 4)	84 007		65,000
Federal Work Study Program (FWS) (Note 4)	84 033		54,045
Federal Perkins Loan Program (FPL) - Federal Capital Contributions (Notes 4 and 6)	84 038		558,752
Federal Pell Grant Program (PELL) (Note 4)	84 063		3,385,973
Federal Direct Student Loans (Direct Loan) (Notes 4 and 5)	84.268		7,497,137
Total for Student Financial Assistance Programs Cluster			11,560,907
Elementary and Secondary School Emergency Relief Fund (Note 4)	84 425D	S425D200050	291,327
Education Stabilization Fund - Student Aid (Note 4)	84 425E	P425E200555	597,229
Education Stabilization Fund - Institution (Note 4)	84.425F	P425F200636	781,245
Indirect Federal Funding			
S D Department of Education			
Title I Grants to Local Educational Agencies	84 010	S010A150041	599,470
Career and Technical Education - Basic Grants to States	84 048	V048A150041	629,211
Supporting Effective Instruction State Grants	84 367	S367A150039	237,276
Special Education - State Personnel Development Grant (SPDG)	84 323	2018G-635	191,121
School Improvement Grants	84 377	S010A180041	102,930
School Support and Academic Enrichment Program	84 424	S424A180043	50,569
Special Education Cluster			
Special Education - Grants to States (Notes 3 and 4)	84 027	H027A150091	781,329
Special Education - Preschool Grants (Notes 3 and 4)	84 173	H173A150091	14,425
Total for Special Education Cluster			795,754
Total U.S. Department of Education			15,837,039
Grand Total			\$ 16,897,508

WATERTOWN SCHOOL DISTRICT NO. 14-4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2020

Note 1: The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the School District ("District") under programs of the federal government for the year ended June 30, 2020. The information in this schedule is 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 District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than Federal expenditures.

Note 4: This represents a major Federal financial assistance program.

Note 5: Loans guaranteed under Federal guarantee loan programs and issued to parents of eligible students or eligible students attending this vocational technical school had the following values:

Federal Direct Student Loans, unsubsidized	\$ 3,713,953
Federal Direct Student Loans, subsidized	3,308,538
Federal Direct PLUS Loans	474,646

A private nonprofit corporation acts as the guarantee agency in the State of South Dakota.

Note 6: Federally funded loan programs had the following current fiscal year disbursement and outstanding loan balances at year-end:

Federal CFDA Number	Administrative Expenses	Loan Disbursement	Loan Balances June 30, 2020
Perkins Loans	\$ 14,526	\$ 0	\$ 544,226

Note 7: The amount reported represents 23.3% of the original acquisition cost of the Federal Surplus Property received by the District. Original acquisition cost is provided by Federal Surplus Property. It is not what the school actually paid for the item.