



Financial Statements
June 30, 2021

Watertown School District No. 14-4

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	5
Financial Statements	
Statement of Net Position	18
Statement of Activities.....	19
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	26
Statement of Net Position – Proprietary Funds.....	28
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	29
Statement of Cash Flows – Proprietary Funds.....	30
Notes to Financial Statements	31
Required Supplementary Information	
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	58
Notes to Required Supplementary Information – OPEB Schedule.....	59
Budgetary Comparison Schedule – Budgetary Basis – General Fund.....	60
Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund.....	63
Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund	64
Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund.....	65
Budgetary Comparison Schedule – Budgetary Basis – Financial Aid Fund	67
Notes to Required Supplementary Information – Budgetary Schedules	68
Schedule of Employer’s Share of Net Pension Liability (Asset)	69
Schedule of Employer’s Contributions.....	70
Notes to Required Supplementary Information – Pension Schedule.....	71
Supplementary Information	
Combining Balance Sheets – Nonmajor Governmental Funds	72
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	73
Combining Statements of Net Position – Nonmajor Proprietary Funds.....	74
Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds..	76
Combining Statements of Cash Flows – Nonmajor Proprietary Funds.....	78
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	82
Schedule of Expenditures of Federal Awards	85
Notes to Schedule of Expenditures of Federal Awards	87
Schedule of Findings and Questioned Costs	88



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, and the aggregate remaining fund information of the Watertown School District No. 14-4 (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Lake Area Technical College Foundation have not been audited, and we were not engaged to audit the Lake Area Technical College Foundation’s financial statements as part of our audit of the School District’s basic financial statements. The Lake Area Technical College Foundation’s financial activities, excluding the required financial statement footnotes, are included in the School District’s basic financial statements as a discretely presented component unit and are comprised of approximately \$17,494,339 of assets, \$1,051,997 of liabilities, and \$16,442,342 of net position.

Disclaimer of Opinion on the Discretely Presented Component Unit

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the School District. Accordingly, we do not express an opinion on those financial statements.

Basis for Qualified Opinion on the 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 School District’s basic financial statements. The Arrow Education Foundation’s financial activities, excluding the required financial statement footnotes, are included in the School District’s basic financial statements as a blended component unit presented as a special revenue fund and represent 22%, 25%, and 8% of the assets, net position, and revenues, respectively, of the School District’s Aggregate Remaining Fund Information.

Qualified Opinion on the Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the 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 of the School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the Governmental Activities

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 School District’s basic financial statements. The Arrow Education Foundation’s financial activities, excluding the related financial statement footnotes, are included in the School District’s basic financial statements as a blended component unit presented as a special revenue fund and, therefore, also included within the Governmental Activities and represent 2%, 4%, and 1% of the assets, net position, and revenues, respectively, of the School District’s governmental activities.

Qualified Opinion on the Governmental Activities

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the School District, as of June 30, 2021, 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.

Restatement

As discussed in Note 15 to the financial statements, certain errors resulting in misstatements in various funds as of June 30, 2020, were discovered by management of the School District during the current year. Accordingly, amounts reported for beginning net position and fund balance have been restated in the 2021 financial statements to correct for the errors. Our opinions are not modified with respect to these matters.

Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the fund balance and net position as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5 through 17, and budgetary comparison information, schedule employer’s share of net pension liability (asset), schedule of employer’s contributions, and schedule of changes in the School District’s total OPEB liability and related ratios on pages 58 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of 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 is also not a required part of the financial statements.

The combining nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, because of the significance of the matter disclosed in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, it is inappropriate to, and we do not, express an opinion on the supplementary information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
March 1, 2022

This section of the annual financial report of the Watertown School District No. 14-4 (the District) presents Management's Discussion and Analysis of the District's financial performance during the fiscal year ended on June 30, 2021. 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 9.1% of expenditures. The ending fund balance in the General Fund is 31.20% of expenditures, which is 4.23% higher than the prior year. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. Attributed to the fund balance increase is made up of a decrease in travel and purchased services costs, coming in respectively at 59.25% and 78.10% of budgeted allocation. Another significant impact in expenditures being less than originally anticipated is the budgeted transfer of \$100,000 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. Due to the amount of federal funding allocated to public school districts as a result of the coronavirus pandemic, the School Finance Accountability Board with the approval of the Joint Committee on Appropriations passed two resolutions in regard to the monthly cash balance accounting. The first resolution allows for the Coronavirus Relief Funds to be excluded from the FY2021 reported lowest monthly cash balance amount in the General Fund and the second resolution provides a complete waiver of excess cash balance penalties applicable to general state aid in FY2022 as well as FY2023. The ending fund balance of the General Fund on June 30, 2021 was \$8,793,021.
- The District's net position from governmental and business-type activities decreased by \$1,679,437 or 1.89%. Current and other assets increased by 15.70% due to funding received under the Coronavirus Relief Funds of \$1,925,000 in the General Fund as well as Capital Outlay Certificate funds received in the amount of \$15,000,000 in support of the High School Renovation project to encompass fiscal years through 2022. Assets and deferred outflows in total increased by 13.42% with liabilities encompassing an increase of 40%, with a significant percentage increase identified under pension related deferred inflows which represents an acquisition of net position that applies to a future period and in turn is not recognized as an inflow of resources until that time.
- During the year, the District's total revenues of \$95,490,742 were composed of revenue reported under governmental activities at 94% with the other 6% as reported under Business-type activities. Revenue generation was in large part contributed to property taxes and related revenue coming in at \$20,854,479, State Aid, and other operating grants and contributions to the District.
- The Capital Outlay Fund budgeted an increase to revenue activity to accommodate support from Capital Outlay Certificates for the funding of the High School Renovation project in the amount of \$15,000,000. The ending fund balance of this fund as of June 30, 2021, is \$22,819,378, an increase of \$9,204,615 from the previous fiscal year. It is to be noted that \$9,734,373 is held in trust for the Crossover Advanced Refunding. A clearer identifier of this fund is cash on hand with \$14,805,833 noted at fiscal year-end. The available cash on hand includes a 43% set aside or \$6,353,280 to accommodate fulfillment of the renovation project and usage of the Capital Outlay Certificate funds.

- The Special Education Fund originally anticipated a use of \$353,760 in reserves. With expenditures at 89.53% of anticipated, this fund had a decline well below the adjusted budget. The revenue exceeding expenditures created an ending fund balance on June 30, 2021, of \$371,533, an increase of \$330,652 from the previous fiscal year. This Fund is identified at concern status with a fund balance operation at 9.1% of expenditures. A comfortable level of funding operation within the Special Education Fund would be a 15% fund balance operation.
- The financial activity of the Lake Area Technical College Fund reflects a financial increase of \$2,314,702 with an ending fund balance as of June 30, 2021, of \$10,160,759. Increased federal revenue in the amount of \$2,186,642 related to Higher Education Emergency Relief Funding allocations made up 8% of unanticipated federal revenue. Attributed to the fund balance increase is also made up of a significant decrease in travel at 16.64% of budgeted. Buildings and improvements came in at 66.79% due to project start dates not taking place until after June 30 and, therefore, the expenditures taking place in the new fiscal year.
- The District as of June 30, 2021, had remaining commitments of approximately \$5,970,000 related to the Watertown High School Renovation Project and remaining commitments of approximately \$2,067,000 related to HVAC upgrades at the elementary schools and intermediate school in progress at year-end.
- Long-term debt payable at June 30, 2021, was comprised of Capital Outlay Certificate Debt in the amount of \$25,540,000 and Capital Outlay Rending Certificates in the amount of \$9,930,000. Additionally, the District recognizes its Early Retirement Plan obligation as long-term debt and at year-end that payable amount is \$794,779 of which the District's General Fund and LATC Post Secondary Fund is responsible for respective payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

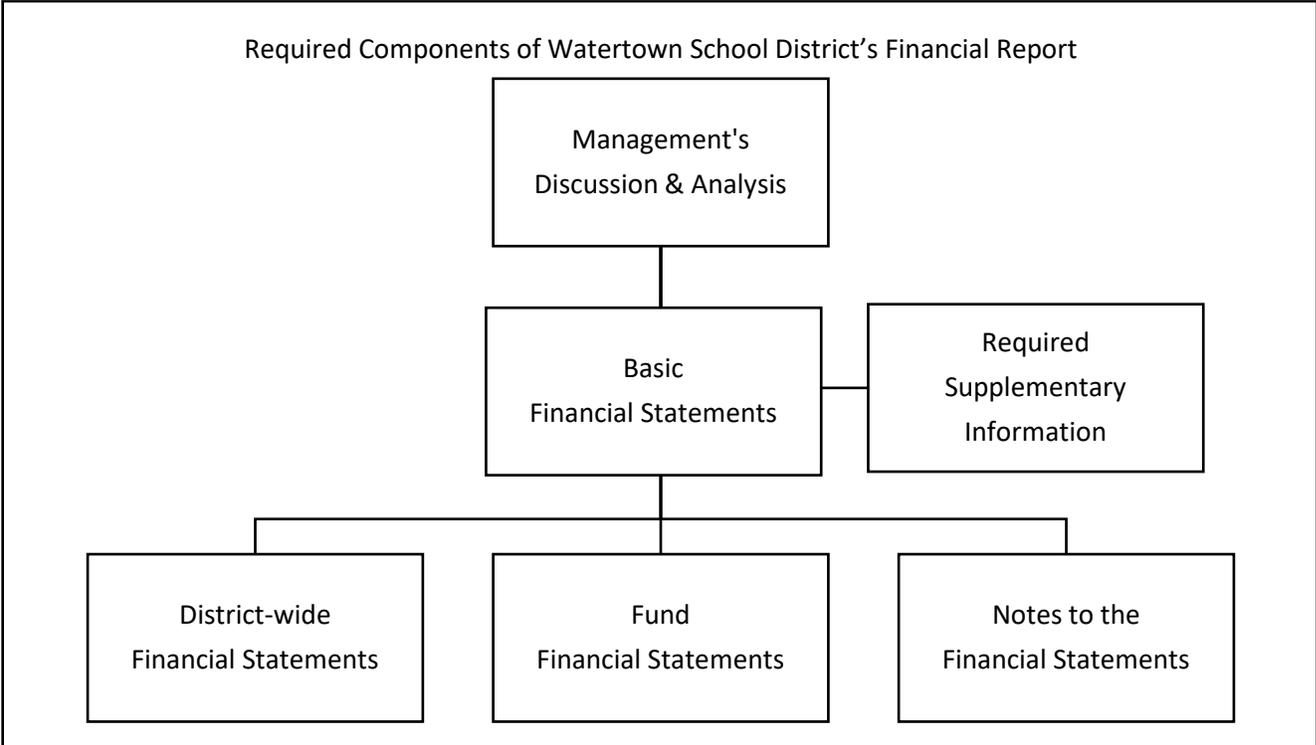


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Governmental Funds	Fund Financial Statements	
			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 changes	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Exchanges and Changes in Fund Net Positions • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	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

Government-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 government-wide statements report the District's net position and how they have changed. Net position is 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 position is 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 government-wide financial statements divide the District's activities into three 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. The activities of the District's Self-Funded Insurance Trust internal service fund are also included in Governmental Activities, as well as debt service payments and capital equipment purchases. 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 College.
- 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, LATC Bookstore, LATC Food Service, and LATC Educare Service are Business-type Activities of the District.
- Component Unit: The District separately reports the activity of LATC Foundation.

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 and 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 College (LATC).
 - Perkins Fund – Accommodates the financial assistance provided by the federal government in the form of student loans for the students at LATC.
 - Financial Aid Fund – Accounts for student loans and college work study as provided by the federal government for LATC'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 as an Internal Service Fund.
- **Component Unit Activities** – Arrow Education Foundation is an unaudited blended component unit reported separately as an independent corporation organized for the benefit of the School 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. The Arrow Education Foundation is financed by contributions and donations and earnings on investments.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position – The District's combined net position was as follows:

Statement of Net Position							
June 30, 2021							
	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	
Current and Other Assets	\$71,753,812	\$62,332,567	\$3,057,549	\$2,328,296	\$74,811,361	\$64,660,863	15.70%
Net Pension Asset	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Capital Assets (Net Depreciation)	\$72,852,126	\$66,595,004	\$249,848	\$286,271	\$73,101,974	\$66,881,275	9.30%
Total Assets	\$144,605,938	\$128,927,571	\$3,307,397	\$2,614,567	\$147,913,335	\$131,542,138	12.45%
Pension Related Deferred Outflows	\$10,612,255	\$8,267,525	\$303,812	\$227,670	\$10,916,067	\$8,495,195	28.50%
Assets and Deferred Outflows	\$155,218,193	\$137,195,096	\$3,611,209	\$2,842,237	\$158,829,402	\$140,037,333	13.42%
Long-term Debt Outstanding	\$28,548,100	\$27,965,314	\$0	\$0	\$28,548,100	\$27,965,314	2.08%
Net Pension Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Other Liabilities	\$34,036,045	\$19,673,583	\$499,077	\$197,203	\$34,535,122	\$19,870,786	73.80%
Pension Related Deferred Inflows	\$8,326,315	\$3,255,618	\$246,291	\$92,604	\$8,572,606	\$3,348,222	156.03%
Total Liabilities	\$70,910,460	\$50,894,515	\$745,368	\$289,807	\$71,655,828	\$51,184,322	40.00%
Net Position:							
Net Invested in Capital Assets	\$33,513,758	\$40,559,384	\$249,848	\$286,271	\$33,763,606	\$40,845,655	-17.34%
Restricted	\$39,160,519	\$35,594,752	\$59,401	\$139,510	\$39,219,920	\$35,734,262	9.75%
Unrestricted	\$11,633,456	\$10,146,445	\$2,556,592	\$2,126,649	\$14,190,048	\$12,273,094	15.62%
Total Net Position	\$84,307,733	\$86,300,581	\$2,865,841	\$2,552,430	\$87,173,574	\$88,853,011	-1.89%
Liabilities, Deferred Inflows and Net Position	\$155,218,193	\$137,195,096	\$3,611,209	\$2,842,237	\$158,829,402	\$140,037,333	13.42%

The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of Capital Outlay Certificate indebtedness, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and liabilities is its net position.

The District's investment in Capital Assets is noted at \$73,101,974 and reflects an increase of 9.3% from June 30, 2020. These Capital Assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in Capital Assets was \$33,763,606, a decrease of 17.34% from June 30, 2020. Although the investment in Capital Assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the Capital Assets themselves cannot be used to liquidate these liabilities.

Watertown School District No. 14-4
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Current and other assets increased by \$10,150,498 or 15.70% from June 30, 2020 to June 30, 2021, mainly due to the proceeds from issuance of the Series 2020 Certificates issued at \$15,000,000 for the purpose of providing funds for renovations to the High School.

The total net position of the District decreased by \$1,679,437 or 1.89% and is related to the issuance of Capital Outlay Certificate debt which is reflected under long-term debt outstanding which increased by 2.08%. Other liabilities and Pension Related Deferred Inflows showed percentage increases which in turn created a decrease in overall total net position of the District.

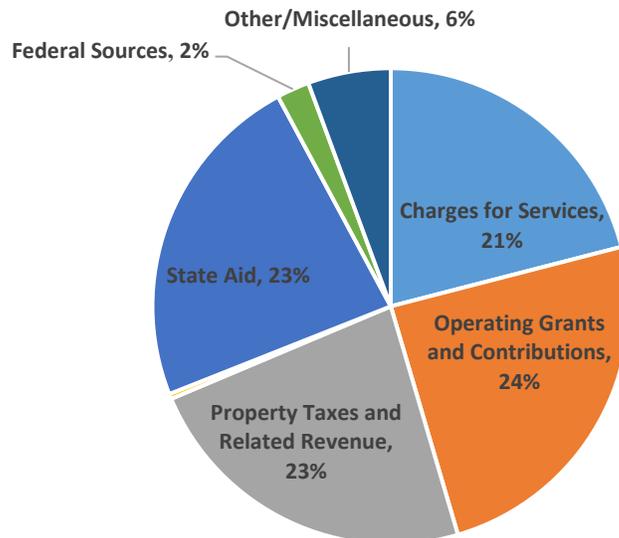
Statement of Changes in Net Position – The table below represents the District's changes in Net Position for Governmental and Business-type Activities.

	Changes in Watertown School District's Net Position					
	Governmental Activities 2020-21	Governmental Activities 2019-20	Business-type Activities 2020-21	Business-type Activities 2019-20	Total 2020-21	Total 2019-20
REVENUE:						
Program Revenue						
Charges for Services	\$18,859,260	\$14,032,311	\$3,650,134	\$3,863,705	\$22,509,394	\$17,896,016
Operating Grants & Contributions	\$21,994,801	\$18,004,114	\$1,937,861	\$960,911	\$23,932,662	\$18,965,025
General Revenue						
Property Taxes and Related Revenue	\$20,854,479	\$20,335,959	\$0	\$0	\$20,854,479	\$20,335,959
Intermediate Sources	\$308,812	\$426,742	\$0	\$0	\$308,812	\$426,742
State Aid	\$20,820,248	\$23,641,204	\$0	\$0	\$20,820,248	\$23,641,204
Federal Sources	\$1,996,556	\$0	\$0	\$0	\$1,996,556	\$0
Other/Miscellaneous	\$5,053,885	\$1,054,336	\$14,706	\$37,150	\$5,068,591	\$1,091,486
Total Revenue	\$89,888,041	\$77,494,666	\$5,602,701	\$4,861,766	\$95,490,742	\$82,356,432
EXPENSES:						
Instruction	\$38,343,601	\$39,080,873	\$0	\$0	\$38,343,601	\$39,080,873
Support services	\$23,950,205	\$36,881,629	\$0	\$0	\$23,950,205	\$36,881,629
Non-programmed Charges	\$18,995,888	\$747,819	\$0	\$0	\$18,995,888	\$747,819
Debt Service Payments	\$1,205,752	\$815,080	\$0	\$0	\$1,205,752	\$815,080
Co-curricular Costs	\$2,019,730	\$1,107,891	\$0	\$0	\$2,019,730	\$1,107,891
Nutrition/Food/Concessions Services	\$0	\$0	\$2,364,787	\$2,178,966	\$2,364,787	\$2,178,966
Student/Support Services	\$0	\$0	\$2,954,503	\$2,773,924	\$2,954,503	\$2,773,924
Total Expense	\$84,515,176	\$78,633,292	\$5,319,290	\$4,952,890	\$89,834,466	\$83,586,182
Increase Before Contributions	\$5,372,865	(\$1,138,626)	\$283,411	(\$91,124)	\$5,656,276	(\$1,229,750)
Transfer In/(Out)	(\$30,000)	\$19,000	\$30,000	(\$19,000)	\$0	\$0
Changes in Net Position	\$5,342,865	(\$1,119,626)	\$313,411	(\$110,124)	\$5,656,276	(\$1,229,750)
Net Position - Beginning	\$86,300,581	\$87,420,207	\$2,552,430	\$2,662,554	\$88,853,011	\$90,082,761
Restatement	(\$7,335,713)	\$0	\$0	\$0	(\$7,335,713)	\$0
Net Position - Ending	\$84,307,733	\$86,300,581	\$2,865,841	\$2,552,430	\$87,173,574	\$88,853,011

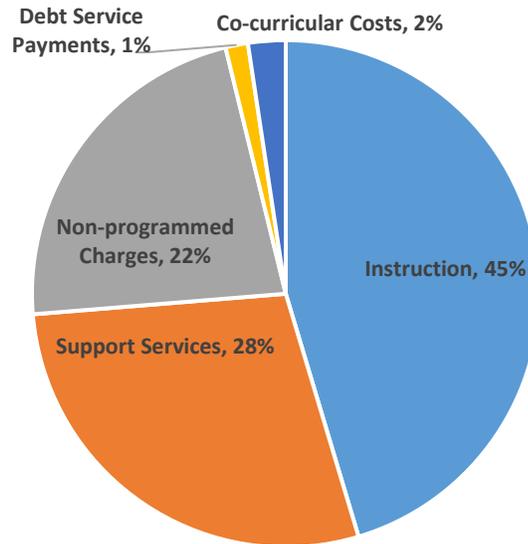
The District's total revenue in the amount of \$95,490,742 is 15.95% higher than the prior year. The expense total was 7.48% higher than the prior year in the amount of \$89,834,466. The increase in both revenue and expenditures is associated with the increased federal allocations received under the Elementary and Secondary School Emergency Relief Fund for K-12 education and the funding as allocated under the Higher Education Emergency Relief Fund in support of Lake Area Technical College. Activity under the governmental funds includes a restatement in the amount of \$7,335,713 to correct errors resulting in misstatements in various funds and implementation of GASB 84.

The following information illustrates the revenue and expense breakdown of the governmental activities. The graph demonstrates that the majority of the revenue consists of four main sources: state aid - 23%, property taxes and related revenue - 23%, operating grants and contributions - 24%, and charges for services - 21%. 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 increased by 5% and the revenue from charges for services has increased by 3%. The percent of revenue received from property tax decreased slightly by 3%. The total revenue of the governmental activities was \$89,888,041 and the total expenditures were \$84,515,176 with the majority of the expenditures designated to instructional and support service costs.

Governmental Activities - Sources of Revenue - 2021



Governmental Activities - Functional Expenses - 2021



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 fund balance of \$45,917,301. The majority of this amount is restricted for Capital Outlay, Crossover Advance Refunding, Special Education, and Post-Secondary.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District’s five major funds: General Fund, Capital Outlay, Special Education, LATC Post Secondary Fund, and Financial Aid Fund. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information.

The combining statements for the nonmajor funds referred to earlier are presented following the required supplementary information on budgets.

CAPITAL ASSET 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.

The District ended the 2021 fiscal year with an investment of \$73,101,974 in a broad range of Capital Assets, including land, construction work in process, buildings and improvements, and machinery and equipment. See table A-3 outlined below. This amount represents a net increase of \$6,970,110 or 10.54%.

Additional information on the School District's Capital Assets can be found in Note 4.

**Table A-3
Watertown School District 14-4 Capital Assets**

	Governmental Activities		Business-type Activities		Total Dollar Change 2020-21	Total Percent Change 2020-21
	2020-21	2019-20	2020-21	2019-20		
Land	\$6,586,820	\$6,586,820	\$0	\$0	\$0	0.00%
Construction Work in Process	\$8,926,401	\$5,896,856	\$0	\$0	\$3,029,545	51.38%
Buildings and Improvements	\$49,763,960	\$45,690,459	\$0	\$0	\$4,073,501	8.92%
Machinery and Equipment	\$7,574,945	\$7,671,458	\$249,848	\$286,271	-\$132,936	-1.67%
	<u>\$72,852,126</u>	<u>\$65,845,593</u>	<u>\$249,848</u>	<u>\$286,271</u>	<u>\$7,542,651</u>	<u>10.54%</u>

LONG-TERM DEBT ADMINISTRATION

The District ended the 2021 fiscal year with \$40,133,147 noted as long-term debt. This is an increase of \$13,513,283 or 50.76%. See table A-4 outlined below. The increase is specific to Capital Outlay Certificates, series 2020 for the funding of the High School Renovations project. The certificates have interest rates ranging from 3.00% to 5.00% and a final maturity date of August 2041.

Additional information on the School District's long-term debt can be found in Note 5.

**Table A-4
Watertown School District 14-4 Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change 2020-21	Total Percent Change 2020-21
	2020-21	2019-20	2020-21	2019-20		
Capital Outlay Certificates	\$35,470,000	\$23,670,000	\$0	\$0	\$11,800,000	49.85%
Unamortized Premium	\$3,868,368	\$1,717,405	\$0	\$0	\$2,150,963	125.24%
Financing Capital Acquisition Leases	\$0	\$484,640	\$0	\$0	(\$484,640)	-100.00%
Early Retirement	\$794,779	\$747,819			\$46,960	6.28%
	<u>\$40,133,147</u>	<u>\$26,619,864</u>	<u>\$0</u>	<u>\$0</u>	<u>\$13,513,283</u>	<u>50.76%</u>

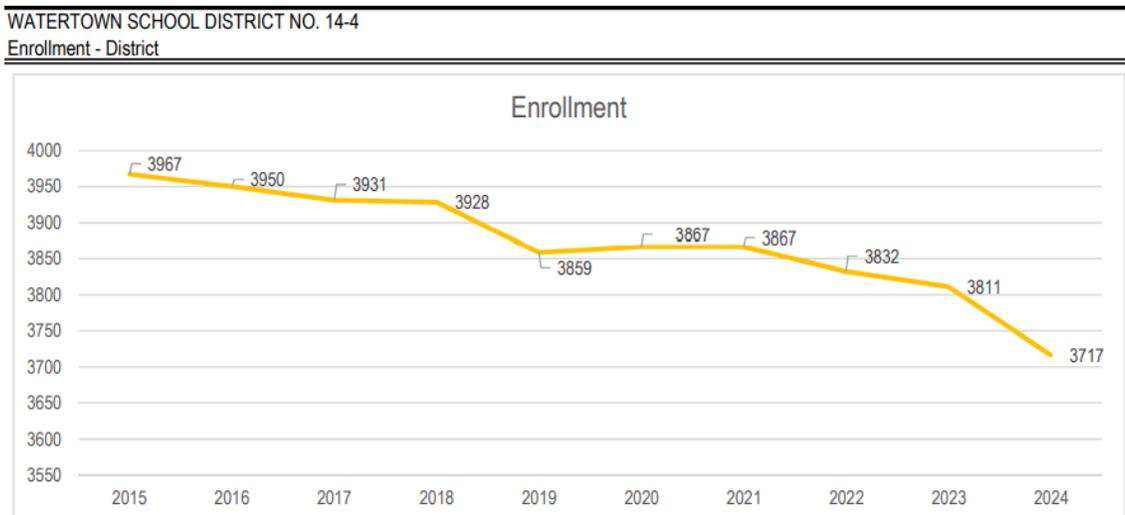
FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

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 \$110,201,715 or 4.6%, to a value of \$2,501,870,798. 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, 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 the District received a 2.4% increase in the target salary amount for the 2021-22 year. The formula is driven by enrollment (see Figure A-5). 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.

**Figure A-5
 Watertown School District Past & Future Enrollment Forecast**



- 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. At the time of this report, the Watertown School District has been awarded \$9,892,049 of federal funds related to funding education to assist schools through the COVID-19 pandemic. The total allocation consists of four separate funding rounds – CRF, ESSER I – II and – III. Each round comes with terms and regulations with the period of funding expanding by one year from the other. With the latest round, ESSER III included a funding period through September of 2024 – therefore accommodating three school years. Lake Area Technical College has been awarded \$9,757,177 of federal funds under HEERF with \$4,356,792 obligated to distribution to students. Funding obligation to term May of 2022.
- The High School Renovation Project began during the summer of 2020 with Gray Construction serving as the Construction Manager at Risk. The project is funded by Capital Outlay Certificates in the amount of \$15,000,000. The current contract for the project is \$13,658,089 with approved change orders to date of \$435,283 with a total contract sum to date of \$14,093,372. This contract total does not account for architectural support and a separate equipment/furniture allocation identified as \$735,000.
- Lake Area Technical College has accepted bids from Gray Construction for the Diesel Expansion project with a base bid of \$7,772,000 and a construction contingency of \$388,600, 5% of total bid, for a total construction cost of \$8,160,600. This bid contract does not account for architectural and equipment/furniture costs associated with the project. The project is scheduled to begin during the spring of 2022.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	LATC Foundation
Assets				
Cash and cash equivalents	\$ 45,939,072	\$ 2,450,446	\$ 48,389,518	\$ 4,209,526
Cash with fiscal agent	9,734,373	-	9,734,373	-
Investments	3,052,364	-	3,052,364	12,523,613
Taxes receivable	9,186,279	-	9,186,279	-
Other receivables	3,529,875	168,976	3,698,851	133,352
Interfund balances	(10,863)	10,863	-	-
Inventories	259,178	387,233	646,411	-
Prepaid expenses	-	38,151	38,151	-
Other assets	-	-	-	627,848
Net pension asset	63,534	1,880	65,414	-
Capital assets				
Land, improvements and construction in progress	15,513,221	-	15,513,221	-
Other capital assets, net of depreciation	57,338,905	249,848	57,588,753	-
	<u>144,605,938</u>	<u>3,307,397</u>	<u>147,913,335</u>	<u>17,494,339</u>
Deferred Outflows of Resources				
OPEB related deferred outflows	341,374	-	341,374	-
Pension related deferred outflows	10,270,881	303,812	10,574,693	-
	<u>10,612,255</u>	<u>303,812</u>	<u>10,916,067</u>	<u>-</u>
	<u>\$ 155,218,193</u>	<u>\$ 3,611,209</u>	<u>\$ 158,829,402</u>	<u>\$ 17,494,339</u>
Liabilities				
Accounts payable	\$ 3,194,127	\$ 117,180	\$ 3,311,307	\$ -
Other current liabilities	5,414,988	120,757	5,535,745	1,051,997
Unearned revenue	169,755	261,140	430,895	-
Noncurrent liabilities:				
Due within one year	11,585,047	-	11,585,047	-
Due in more than one year	28,548,100	-	28,548,100	-
Total OPEB liability	2,232,786	-	2,232,786	-
Total liabilities	<u>51,144,803</u>	<u>499,077</u>	<u>51,643,880</u>	<u>1,051,997</u>
Deferred Inflows of Resources				
OPEB related deferred inflows	1,048,003	-	1,048,003	-
Pension related deferred inflows	8,326,315	246,291	8,572,606	-
Taxes levied for future period	10,391,339	-	10,391,339	-
	<u>19,765,657</u>	<u>246,291</u>	<u>20,011,948</u>	<u>-</u>
Net Position				
Net investment in capital assets	33,513,758	249,848	33,763,606	-
Restricted for:				
Capital Outlay	13,103,042	-	13,103,042	-
Crossover Refunding	9,734,373	-	9,734,373	-
Special Education	381,635	-	381,635	-
SDRS Pension Purposes	2,008,100	59,401	2,067,501	-
LATC Post Secondary	10,160,759	-	10,160,759	-
Perkins	466,111	-	466,111	-
Arrow Education Foundation	3,306,499	-	3,306,499	-
LATC Foundation	-	-	-	16,442,342
Unrestricted	<u>11,633,456</u>	<u>2,556,592</u>	<u>14,190,048</u>	<u>-</u>
Total net position	<u>84,307,733</u>	<u>2,865,841</u>	<u>87,173,574</u>	<u>16,442,342</u>
	<u>\$ 155,218,193</u>	<u>\$ 3,611,209</u>	<u>\$ 158,829,402</u>	<u>\$ 17,494,339</u>

See Notes to Financial Statements

Watertown School District No. 14-4
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit LATC Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 38,343,601	\$ 11,362,656	\$ 10,304,582	\$ -	\$ (16,676,363)	\$ -	\$ (16,676,363)	\$ -
Support services	23,950,205	533,369	-	-	(23,416,836)	-	(23,416,836)	-
Community services	132,208	-	-	-	(132,208)	-	(132,208)	-
Nonprogrammed charges	18,863,680	6,636,820	11,690,219	-	(536,641)	-	(536,641)	-
Co-curricular activities	2,019,730	326,415	-	-	(1,693,315)	-	(1,693,315)	-
*Interest on long-term debt	1,205,752	-	-	-	(1,205,752)	-	(1,205,752)	-
Total governmental activities	<u>84,515,176</u>	<u>18,859,260</u>	<u>21,994,801</u>	<u>-</u>	<u>(43,661,115)</u>	<u>-</u>	<u>(43,661,115)</u>	<u>-</u>
Business-type activities:								
Food services	2,281,198	552,682	1,888,908	-	-	160,392	160,392	-
Daycare and preschool	284,671	279,316	48,953	-	-	43,598	43,598	-
Drivers education	71,873	77,120	-	-	-	5,247	5,247	-
Bookstore	2,597,959	2,664,272	-	-	-	66,313	66,313	-
Concessions	83,589	76,744	-	-	-	(6,845)	(6,845)	-
Total business-type activities	<u>5,319,290</u>	<u>3,650,134</u>	<u>1,937,861</u>	<u>-</u>	<u>-</u>	<u>268,705</u>	<u>268,705</u>	<u>-</u>
Total primary government	<u>\$ 89,834,466</u>	<u>\$ 22,509,394</u>	<u>\$ 23,932,662</u>	<u>\$ -</u>	<u>(43,661,115)</u>	<u>268,705</u>	<u>(43,392,410)</u>	<u>-</u>
Component Unit	<u>\$ 3,826,284</u>	<u>\$ -</u>	<u>\$ 13,399,620</u>					<u>9,573,336</u>
General Revenues								
Taxes:								
Property taxes					20,408,148	-	20,408,148	-
Gross receipts tax					446,331	-	446,331	-
Revenue from state sources:								
State aid					20,820,248	-	20,820,248	-
Other					308,812	-	308,812	-
Revenue from federal sources					1,996,556	-	1,996,556	-
Unrestricted investment earnings					839,670	14,706	854,376	1,033,493
Other general revenues					4,135,140	-	4,135,140	-
Perkins Loan bad debt recovery					79,075	-	79,075	-
Transfers					(30,000)	30,000	-	-
Total general revenues					<u>49,003,980</u>	<u>44,706</u>	<u>49,048,686</u>	<u>1,033,493</u>
Change in Net Position					<u>5,342,865</u>	<u>313,411</u>	<u>5,656,276</u>	<u>10,606,829</u>
Net Position - Beginning					86,300,581	2,552,430	88,853,011	5,835,513
Restatement					(7,335,713)	-	(7,335,713)	-
Net Position - Beginning, as Restated					<u>78,964,868</u>	<u>2,552,430</u>	<u>81,517,298</u>	<u>5,835,513</u>
Net Position - Ending					<u>\$ 84,307,733</u>	<u>\$ 2,865,841</u>	<u>\$ 87,173,574</u>	<u>\$ 16,442,342</u>

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

Watertown School District No. 14-4
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Assets							
101 Cash and cash equivalents	\$ 11,299,970	\$ 14,805,833	\$ 1,156,723	\$ 10,887,138	\$ 3,681	\$ 372,601	\$ 38,525,946
104 Cash with fiscal agent	-	9,734,373	-	-	-	-	9,734,373
110 Taxes receivable - current	4,376,403	2,968,112	1,787,086	-	-	-	9,131,601
112 Taxes receivable - delinquent	26,539	18,037	10,102	-	-	-	54,678
120 Accounts receivable, net	3,833	-	-	49,266	-	347,148	400,247
123 Tuition receivable	-	-	-	11,887	-	-	11,887
132 Due from other fund	-	-	-	1,091	-	-	1,091
140 Due from other government	783,587	354,296	214,180	1,693,889	-	11,788	3,057,740
150 Advance to imprest	-	-	-	60,000	-	-	60,000
170 Inventory of supplies	165,890	-	-	93,288	-	-	259,178
180 Investments	-	-	-	-	-	3,052,364	3,052,364
	<u>\$ 16,656,222</u>	<u>\$ 27,880,651</u>	<u>\$ 3,168,091</u>	<u>\$ 12,796,559</u>	<u>\$ 3,681</u>	<u>\$ 3,783,901</u>	<u>\$ 64,289,105</u>
Liabilities							
402 Accounts payable	\$ 230,556	\$ 1,659,620	\$ 77,801	\$ 944,663	\$ -	\$ 11,291	\$ 2,923,931
404 Contracts payable	1,947,019	-	528,581	1,177,831	-	-	3,653,431
410 Due to other fund	1,012	-	-	10,941	-	-	11,953
415 Amounts held for others	70,040	-	-	51,354	-	-	121,394
420 Due to federal government	-	-	-	-	3,681	-	3,681
450 Payroll deductions and withholdings and employer matching payable	487,480	-	142,819	281,256	-	-	911,555
475 Unearned revenue	-	-	-	169,755	-	-	169,755
Total liabilities	<u>2,736,107</u>	<u>1,659,620</u>	<u>749,201</u>	<u>2,635,800</u>	<u>3,681</u>	<u>11,291</u>	<u>7,795,700</u>
Deferred Inflows of Resources							
551 Unavailable revenue - delinquent property taxes	26,539	18,037	10,102	-	-	-	54,678
552 Unavailable revenue - utility taxes	130,087	-	-	-	-	-	130,087
553 Taxes levied for future period	4,970,468	3,383,616	2,037,255	-	-	-	10,391,339
Total deferred inflows of resources	<u>5,127,094</u>	<u>3,401,653</u>	<u>2,047,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,576,104</u>
Fund Balances							
710 Nonspendable for:							
Inventory	165,890	-	-	93,288	-	-	259,178
720 Restricted for:							
Capital Outlay	-	13,085,005	-	-	-	-	13,085,005
Crossover Refunding	-	9,734,373	-	-	-	-	9,734,373
Special Education	-	-	371,533	-	-	-	371,533
LATC Post Secondary	-	-	-	10,067,471	-	-	10,067,471
Perkins	-	-	-	-	-	466,111	466,111
Arrow Education Foundation	-	-	-	-	-	3,306,499	3,306,499
760 Unassigned	8,627,131	-	-	-	-	-	8,627,131
Total fund balances	<u>8,793,021</u>	<u>22,819,378</u>	<u>371,533</u>	<u>10,160,759</u>	<u>-</u>	<u>3,772,610</u>	<u>45,917,301</u>
	<u>\$ 16,656,222</u>	<u>\$ 27,880,651</u>	<u>\$ 3,168,091</u>	<u>\$ 12,796,559</u>	<u>\$ 3,681</u>	<u>\$ 3,783,901</u>	<u>\$ 64,289,105</u>

Watertown School District No. 14-4
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2021

Total Fund Balances - Governmental Funds	\$	45,917,301
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$125,115,406 and the accumulated depreciation is \$52,263,280.		72,852,126
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(36,264,779)
Unamortized balance of premiums on long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,868,368)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.		184,765
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.		6,789,337
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.		(371,334)
OPEB obligations and related deferred outflows of resources and deferred inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		(2,939,415)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		2,008,100
		2,008,100
Net Position - Governmental Funds	\$	84,307,733

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes:							
1110 Ad valorem taxes	\$ 9,788,765	\$ 6,611,274	\$ 3,894,988	\$ -	\$ -	\$ -	\$ 20,295,027
1120 Prior year's ad valorem taxes	51,630	34,718	18,997	-	-	-	105,345
1140 Gross receipts taxes	316,244	-	-	-	-	-	316,244
1190 Penalties and interest on taxes	18,697	12,177	6,771	-	-	-	37,645
1210 Revenue in Lieu of Taxes	20,157	-	-	-	-	-	20,157
1300 Tuition and fees	-	-	16,000	-	-	-	16,000
1400 Post secondary program tuition and fees	-	-	-	7,122,186	-	-	7,122,186
1500 Earnings on investments and deposits	59,880	81,504	3,161	74,197	1,444	579,533	799,719
1700 Co-curricular activities:							
1710 Admissions	53,864	-	-	-	-	-	53,864
1790 Other student activity income	272,551	-	-	-	-	-	272,551
1800 Post secondary:							
1820 Resales/services - occupational programs	-	-	-	298,228	-	-	298,228
1830 Resales/services - parts department	-	-	-	235,141	-	-	235,141
1840 State fees	-	-	-	497,878	-	-	497,878
1850 Corporate education fees	-	-	-	118,104	-	-	118,104
1860 Local fees	-	-	-	3,598,562	-	9,926	3,608,488
1900 Other revenue from local sources:							
1910 Rentals	51,268	-	-	326,963	-	-	378,231
1920 Contributions and donations	1,000	-	-	1,237,077	-	401,777	1,639,854
1970 Charges for services	51,995	-	82,232	-	-	-	134,227
1990 Other	380,146	66,524	7,292	726,357	30,577	44,380	1,255,276
2000 Revenue from intermediate sources							
2100 County sources:							
2110 County apportionment	421,646	-	-	-	-	-	421,646
3000 Revenue from state sources							
3100 Grants-in-aid:							
3110 Unrestricted grants-in-aid	13,754,474	-	-	7,065,774	-	-	20,820,248
3120 Restricted grants-in-aid	32,985	-	2,056,620	2,617,666	91,960	-	4,799,231
3900 Other state revenue	4,725	-	-	304,087	-	-	308,812

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
4000 Revenue from federal sources							
4100 Grants-in-aid:							
4120 Unrestricted grants-in-aid received from federal government through state	1,925,000	-	-	-	-	-	1,925,000
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	1,676	-	-	-	-	-	1,676
4140 Restricted grants-in-aid received directly from federal government	-	-	-	-	11,690,219	-	11,690,219
4150-4199 Restricted grants-in-aid received from federal government through the state	1,426,697	393,711	913,492	2,771,451	-	-	5,505,351
4900 Other federal revenue	67,704	-	-	2,176	-	-	69,880
Total revenues	<u>28,701,104</u>	<u>7,199,908</u>	<u>6,999,553</u>	<u>26,995,847</u>	<u>11,814,200</u>	<u>1,035,616</u>	<u>82,746,228</u>
Expenditures							
1000 Instruction							
1100 Regular programs:							
1110 Elementary schools	7,977,120	475,423	-	-	-	-	8,452,543
1120 Middle/junior high schools	2,358,907	29,337	-	-	-	-	2,388,244
1130 High school	4,239,605	379,035	-	-	-	-	4,618,640
1140 Preschool services	66,735	-	-	-	-	-	66,735
1200 Special programs:							
1210 Gifted and talented	92,079	-	-	-	-	-	92,079
1220 Programs for special education	-	8,308	4,518,697	-	-	-	4,527,005
1230 Coordinated early intervening services instruction	-	-	1,620	-	-	-	1,620
1250 Culturally different	114,912	-	-	-	-	-	114,912
1270 Educationally deprived	514,016	-	-	-	-	-	514,016
1290 Other special programs	440,786	-	-	-	-	-	440,786
1300 Adult continuing education programs:							
1390 Other adult continuing education programs	-	-	-	191,629	-	-	191,629
1500-1999 Post secondary occupational programs	-	-	-	12,373,343	-	-	12,373,343
2000 Support services							
2100 Pupils:							
2110 Attendance and social work	253,519	-	-	-	-	-	253,519
2120 Guidance	703,553	-	-	2,254,827	-	-	2,958,380
2130 Health	278,682	-	162,319	16,208	-	-	457,209
2140 Psychological	-	-	260,971	-	-	-	260,971
2150 Speech pathology	-	-	716,205	-	-	-	716,205
2160 Audiology services	-	-	5,374	-	-	-	5,374
2170 Student therapy services	-	-	412,630	-	-	-	412,630
2200 Support services - instructional staff:							
2210 Improvement of instruction	1,453,177	-	178,442	766,411	-	-	2,398,030
2220 Educational media	1,018,495	-	17,909	1,499,958	-	-	2,536,362

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
2300 Support services - general administration:							
2310 Board of education	74,939	-	-	40,268	-	-	115,207
2320 Executive administration	527,747	5,734	-	366,646	-	-	900,127
2400 Support services - school administration:							
2410 Office of the principal	1,777,187	-	-	-	-	-	1,777,187
2420 Vocational school - directors office	-	-	-	766,534	-	-	766,534
2430 Financial aid administration	-	-	-	320,246	-	-	320,246
2440 Title I program administration	40,511	-	-	-	-	-	40,511
2490 Other support services	5,111	-	-	181,332	-	-	186,443
2500 Support services - business:							
2520 Fiscal services	517,524	16,907	-	265,190	-	112,441	912,062
2530 Facilities acquisition and construction	-	-	-	1,078,115	-	-	1,078,115
2540 Operation and maintenance of plant	2,723,486	340,068	-	1,805,449	-	-	4,869,003
2550 Pupil transportation	859,725	4,299	-	-	-	-	864,024
2590 Other	-	-	-	-	-	12,242	12,242
2600 Support services - central:							
2620 Planning	26,716	-	-	-	-	-	26,716
2700 Support services - special education:							
2710 Administrative costs	-	-	190,506	-	-	-	190,506
2730 Transportation costs	-	-	95,222	-	-	-	95,222
2750 Other special education costs	-	-	105,845	-	-	-	105,845
2800 Resale services:							
2810 Post secondary resales/service	-	-	-	27,106	-	-	27,106
2820 RIS - precision production	-	-	-	258,311	-	-	258,311
2900 Other support services	-	-	-	19,524	-	-	19,524
3000 Community services							
3700 Nonpublic school	132,208	-	-	-	-	-	132,208
4000 Nonprogrammed charges							
4200 Student financial aid	-	-	-	-	11,814,200	194,125	12,008,325
4400 Payments to state - unemployment	27,535	-	-	1,696	-	-	29,231
4500 Early retirement payments	545,169	-	-	147,748	-	-	692,917
4900 Other nonprogrammed costs	-	-	-	-	-	107,590	107,590
5000 Debt services	-	2,625,479	-	-	-	-	2,625,479
6000 Co-curricular activities							
6100 Male activities	227,385	-	-	-	-	-	227,385
6200 Female activities	169,206	-	-	-	-	-	169,206
6500 Transportation	123,438	-	-	-	-	-	123,438
6900 Combined activities	883,852	83,172	-	169,322	-	-	1,136,346
7500 Capital outlay	5,615	8,448,042	-	2,102,482	-	-	10,556,139
Total expenditures	<u>28,178,940</u>	<u>12,415,804</u>	<u>6,665,740</u>	<u>24,652,345</u>	<u>11,814,200</u>	<u>426,398</u>	<u>84,153,427</u>

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Excess of Revenue over (under) Expenditures	522,164	(5,215,896)	333,813	2,343,502	-	609,218	(1,407,199)
Other Financing Sources (Uses)							
5110 Transfers in	859,344	-	-	-	-	-	859,344
8110 Transfers out	-	(856,183)	(3,161)	(30,000)	-	-	(889,344)
5130 Sale of surplus	-	182,885	-	1,200	-	-	184,085
5120 Proceeds from long-term debt	-	12,740,000	-	-	-	-	12,740,000
8150 Premiums on bonds issued	-	2,353,809	-	-	-	-	2,353,809
Total other financing sources (uses)	859,344	14,420,511	(3,161)	(28,800)	-	-	15,247,894
5150 Perkins Loan bad debt recovery	-	-	-	-	-	79,075	79,075
Net Change in Fund Balances	1,381,508	9,204,615	330,652	2,314,702	-	688,293	13,919,770
Fund Balance - Beginning, as previously reported	7,458,218	13,919,512	216,918	7,633,903	-	3,084,317	32,312,868
Restatement	(46,705)	(304,749)	(176,037)	212,154	-	-	(315,337)
Fund Balance - Beginning, as restated	7,411,513	13,614,763	40,881	7,846,057	-	3,084,317	31,997,531
Fund Balance - Ending	<u>\$ 8,793,021</u>	<u>\$ 22,819,378</u>	<u>\$ 371,533</u>	<u>\$ 10,160,759</u>	<u>\$ -</u>	<u>\$ 3,772,610</u>	<u>\$ 45,917,301</u>

Watertown School District No. 14-4

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-
Wide Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 13,919,770
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 outlay (\$10,556,139) exceeded depreciation (\$3,785,497) in the current period.	6,770,642
In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(27,693)
The receipt of donated capital assets is not reported on the fund statements, but is reported as a general revenue on the government-wide statements.	263,584
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	1,424,640
CO Certificates	940,000
Financing Leases	484,640
The issuance of long-term debt is an other financing source in the fund statements, but an increase in long-term liabilities on the government-wide statements.	(12,740,000)
CO Certificates	(12,740,000)
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement earned during the period exceeded the amount paid.	(46,960)
In both the government-wide and fund financial statements, revenues from property tax levies and utility taxes are applied to finance the budget of a particular period. Accounting for revenues from property and utility tax accruals in the funds' statement differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	100,218
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.	(207,759)

Watertown School District No. 14-4

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-
Wide Statement of Activities
Year Ended June 30, 2021

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service is reported with governmental activities.	563,887
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability and related deferred outflows of resources from one year to the next.	369,988
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount by which current year issued premiums exceed the amount amortized in the current period.	(2,150,963)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(2,896,489)</u>
Change in Net Position of Governmental Activities	<u>\$ 5,342,865</u>

Watertown School District No. 14-4
Statement of Net Position – Proprietary Funds
June 30, 2021

	Nonmajor Enterprise Funds	Internal Service Fund
Assets		
Current assets		
Cash and cash equivalents	\$ 2,450,446	\$ 7,413,126
120 Accounts receivable	167,035	-
130 Due from other fund	11,954	-
140 Due from other governments	1,941	-
170 Inventory of supplies	16,595	-
171 Inventory of stores purchased for resale	368,891	-
172 Inventory of donated food	1,747	-
192 Prepaid expenses	38,151	-
Total current assets	3,056,760	7,413,126
Noncurrent assets		
196 Net pension asset	1,880	-
200 Capital assets		
204 Machinery and equipment - local funds	603,491	-
Less accumulated depreciation	(353,643)	-
Total noncurrent assets	251,728	-
Deferred outflows of resources		
252 Pension related deferred outflows	303,812	-
	\$ 3,612,300	\$ 7,413,126
Liabilities and Net Position		
Liabilities		
400 Current liabilities:		
402 Accounts payable	\$ 117,180	\$ 270,196
404 Contracts payable	14,081	-
409 Incurred but not reported claims	-	353,593
410 Due to other fund	1,091	-
450 Payroll deductions and withholdings and employer matching payable	2,938	-
471 Deposits payable	103,738	-
475 Unearned revenue	261,140	-
Total current liabilities	500,168	623,789
Deferred inflows of resources		
554 Pension related deferred inflows	246,291	-
Net Position		
706 Net investment in capital assets	249,848	-
707.2 Restricted for pension benefits	59,401	-
708 Unrestricted net position	2,556,592	6,789,337
Total net position	2,865,841	6,789,337
	\$ 3,612,300	\$ 7,413,126

Watertown School District No. 14-4
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2021

	Nonmajor Enterprise Funds	Internal Service Fund
Operating Revenues		
Sales		
1340 Preschool tuition	\$ 10,660	\$ -
1610 To pupils	555,742	-
1620 To adults	10,580	-
1630 Ala carte	33,607	-
1690 Other	106,634	-
1720 Bookstore sales	2,664,272	-
1970 Self-insurance premiums	-	6,502,593
1980 Daycare charges for services	268,639	-
Total operating revenues	<u>3,650,134</u>	<u>6,502,593</u>
Operating Expenses		
100 Salaries	1,206,561	-
200 Employee benefits	465,841	-
300 Purchased services	144,066	-
400 Supplies	135,530	-
461 Cost of sales - purchased	3,191,885	-
462 Cost of sales - donated	126,020	-
600 Other	12,963	-
900 Depreciation	36,424	-
4620 Self-insurance costs	-	5,978,657
Total operating expenses	<u>5,319,290</u>	<u>5,978,657</u>
Operating Income (Loss)	<u>(1,669,156)</u>	<u>523,936</u>
Nonoperating Revenue		
Local sources:		
1500 Investment earnings	14,706	39,951
State sources:		
3810 Cash reimbursements	6,521	-
3900 State grants	9,564	-
Federal sources:		
4150 Federal grants	205,455	-
4810 Cash reimbursements	1,590,301	-
4820 Donated food	126,020	-
Total nonoperating revenue (expense)	<u>1,952,567</u>	<u>39,951</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	<u>283,411</u>	<u>563,887</u>
5110 Transfers in	<u>30,000</u>	<u>-</u>
Change in Net Position	<u>313,411</u>	<u>563,887</u>
Net Position - Beginning, as previously reported	2,552,430	6,405,192
Restatement	<u>-</u>	<u>(179,742)</u>
Net Position - Beginning, as restated	<u>2,552,430</u>	<u>6,225,450</u>
Net Position - Ending	<u>\$ 2,865,841</u>	<u>\$ 6,789,337</u>

See Notes to Financial Statements

Watertown School District No. 14-4
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Nonmajor Enterprise Funds	Internal Service Fund
Cash Flows from (used for) Operating Activities		
Cash receipts from customers	\$ 3,816,960	\$ -
Cash receipts from interfund services provided	-	6,577,354
Payments to employees	(1,596,158)	-
Payments to suppliers	(3,473,389)	-
Payments for claims	-	(6,182,671)
	<u>(1,252,587)</u>	<u>394,683</u>
Cash Flows from Noncapital Financing Activities		
Transfers in from other funds	56,904	-
Operating Subsidies	1,784,936	-
	<u>1,841,840</u>	<u>-</u>
Cash Flows from Investing Activities		
Cash received for interest	14,706	39,951
	<u>14,706</u>	<u>39,951</u>
Net Change in Cash and Cash Equivalents	603,959	434,634
Cash and Cash Equivalents, Beginning of Year	<u>1,846,487</u>	<u>6,978,492</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,450,446</u>	<u>\$ 7,413,126</u>
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities		
Operating income (loss)	\$ (1,669,156)	\$ 523,936
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:		
Depreciation expense	36,424	-
Value of donated commodities used	126,020	-
Change in assets and liabilities:		
Accounts receivable	(71,287)	74,761
Inventories	(125,199)	-
Due from other fund	16,292	-
Due from other governments	(667)	-
Prepaid expenses	51,912	-
Pension asset and deferred outflows	(73,578)	-
Accounts payable	67,626	(204,014)
Payroll deductions and withholdings and employer matching payable	(1,091)	-
Contracts payable	(2,774)	-
Due to other fund	1,091	-
Deposits payable	7,311	-
Unearned revenue	230,802	-
Pension liability and deferred inflows	153,687	-
	<u>\$ (1,252,587)</u>	<u>\$ 394,683</u>
Noncash Investing, Capital and Financing Activities		
Value of commodities received	\$ 126,020	\$ -

See Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The Watertown School District No. 14-4's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

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

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

The Lake Area Technical College Foundation meets the definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize that it is legally separate from the School District. The Arrow Education Foundation meets the definition of a blended component unit. This component unit is displayed within governmental funds as a non-major governmental fund. Separate unaudited financial statements are available for both the component units and are available upon request from the School District.

Basis of Presentation and Basis of Accounting

Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School 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. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

The statement of net position reports all financial and capital resources in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net position 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 the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

Governmental Funds

General Fund: The General Fund is established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds maintained by the School District are as follows:

- Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks, and instructional software. This fund is financed by property taxes. This is a major fund.
- Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.
- LATC Post-Secondary Fund – A fund established by SDCL 13-39-39.1 to account for funds incidental to the operation of Lake Area Technical College, a school providing post-secondary vocational education programs. This fund is financed by tuition and fees and grants. This is a major fund.
- Financial Aid Fund – A fund established to account for funds incidental to the operation of Lake Area Technical College’s student financial aid programs. This fund is financed by grants. This is a major fund.
- Perkins Fund – A fund established to account for funds incidental to the operation of Lake Area Technical College’s Perkins Loan financial aid program. This fund is financed by grants and fees and interest. This is not a major fund.
- Arrow Education Foundation – This is an unaudited blended component unit as a separate and independent corporation organized for the benefit of the School 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. The Arrow Education Foundation is financed by contributions and donations and earnings on investments. This is not a major fund.

Proprietary Funds

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

- 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.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The enterprise funds maintained by the School District are as follows:

- Food Service Fund – A fund used to record financial transactions related to K-12 food service operations. This fund is financed by user charges and grants. This is not a major fund.
- Concessions Fund – A fund used to record financial transactions related to operations of school activity concessions programs. This fund is financed by user charges. This is not a major fund.
- Drivers Education Fund – A fund used to record financial transactions related to operations of the School District’s drivers education program. This fund is financed by user charges. This is not a major fund.

- Pre-School Services Fund – A fund used to record financial transactions related to operations of the pre-school services program. This fund is financed by user charges. This is not a major fund.
- Bookstore Fund – A fund used to record financial transactions related to operations of the Lake Area Technical College bookstore. This fund is financed by user charges. This is not a major fund.
- LATC Food Service Fund – A fund used to record financial transactions related to operations of Lake Area Technical College’s food service operations. This fund is financed by user charges and grants. This is not a major fund.
- LATC Daycare Fund – A fund used to record financial transactions related to operations of Lake Area Technical College’s daycare facility. This fund is financed by user charges and grants. This is not a major fund.

Internal Service Funds: A fund used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds. The Self Insurance Fund is the only internal service fund maintained by the School District.

Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 45 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 a deferred inflow of resources.

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

All proprietary funds 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.

Interfund Eliminations and Reclassifications

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" 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 respective funds so that expenses are reported only in the function to which they relate.

Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" for the School District includes all demand and savings accounts and certificates of deposit (as early redemption costs would be insignificant) or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-ended mutual fund shares, or similar investments in external investment pools, are also considered to be cash and cash equivalents.

Investments classified in the financial statements consist entirely of investments held by the component units, the LATC Foundation and Arrow Education Foundation, which were not audited.

Property Taxes

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 are payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. The county bills and collects the School District's taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Current year property taxes receivable, which is 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 reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

Inventory

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When they are consumed they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories purchased by the Food Service Fund and LATC Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment over capital assets depends on where the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	Any Amount	*	*
Buildings and improvements	\$ 25,000	Straight-Line	10-50 years
Machinery and equipment	5,000	Straight-Line	3-20 years

*Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements

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

Student Loans Receivable

Student loans receivable are loans under the Perkins Loan Fund provided to students of Lake Area Technical College under the Perkins Loan program. The student loans receivable have been presented within accounts receivable in the governmental funds balance sheet. The student loans receivable is presented net of an allowance for doubtful amounts of \$38,540 as of June 30, 2021.

Long-Term Liabilities

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

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

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 government-wide statements.

Cash and Cash Equivalents

The School District pools some of its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows.

Program Revenues

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

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

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Equity Classifications**Government-Wide Statements**

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

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

Fund Financial Statements

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance as follows:

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

The nonspendable fund balance in the General Fund and the LATC Post Secondary Fund is comprised of inventory which is in a nonspendable form.

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

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

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

Major Special Revenue Fund
Capital Outlay Fund
Special Education Fund
LATC Post Secondary Fund
Financial Aid Fund

Revenue Source
Property taxes
Grants and property taxes
Tuition and fees and grants
Grants

Application of Net Position

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

Pensions

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has three items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, and changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Another item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position. The final item is changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

Implementation of GASB Statement No. 84

As of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities, and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The impact to the School District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 15.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

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

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

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

As of June 30, 2021, the School District investments reported in the financial statements consist of only investments held by the two component units, the LATC Foundation and the Arrow Education Foundation, which were unaudited.

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

Custodial Credit Risk-Deposits – The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the School District’s bank balances were \$48,496,007, which includes various bank accounts. Of these deposits, \$45,886,401 was covered by the FDIC and the remaining balance was uninsured but collateralized with securities held by the pledging financial institution.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the fund holding the deposit or making the investment.

Note 3 - Due from Other Governments

As of June 30, 2021, amounts due from other governments are as follows:

General Fund	
Due from federal sources	\$ 472,031
Due from state sources	311,556
Capital Outlay Fund	
Due from federal sources	354,296
Special Education Fund	
Due from federal sources	214,180
LATC Post Secondary Fund	
Due from federal sources	1,638,274
Due from state sources	50,298
Due from local sources	5,317
	3,045,952
Total due from other governments	\$ 3,045,952

Note 4 - Changes in Capital Assets

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

Primary Government	Balance 6/30/20	Increases	Decreases	Balance 6/30/21
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,586,820	\$ -	\$ -	\$ 6,586,820
Construction work in process	<u>5,896,856</u>	<u>8,572,811</u>	<u>5,543,266</u>	<u>8,926,401</u>
Total not being depreciated	<u>12,483,676</u>	<u>8,572,811</u>	<u>5,543,266</u>	<u>15,513,221</u>
Capital assets, being depreciated:				
Buildings and improvements	77,982,305	5,888,257	-	83,870,562
Machinery and equipment	<u>24,097,308</u>	<u>1,901,921</u>	<u>267,606</u>	<u>25,731,623</u>
Total being depreciated	<u>102,079,613</u>	<u>7,790,178</u>	<u>267,606</u>	<u>109,602,185</u>
Less accumulated depreciation for:				
Buildings and improvements	32,291,846	1,814,756	-	34,106,602
Machinery and equipment	<u>16,425,850</u>	<u>1,970,741</u>	<u>239,913</u>	<u>18,156,678</u>
Total accumulated depreciation	<u>48,717,696</u>	<u>3,785,497</u>	<u>239,913</u>	<u>52,263,280</u>
Total capital assets being depreciated, net	<u>53,361,917</u>	<u>4,004,681</u>	<u>27,693</u>	<u>57,338,905</u>
Governmental activity capital assets, net	<u>\$ 65,845,593</u>	<u>\$ 12,577,492</u>	<u>\$ 5,570,959</u>	<u>\$ 72,852,126</u>
Governmental activities:				
Instruction				\$ 3,025,278
Support services				449,580
Co-curricular activities				<u>310,639</u>
Total depreciation expense - governmental activities				<u>\$ 3,785,497</u>
Business-Type Activities	Balance 6/30/20	Increases	Decreases	Balance 6/30/21
Capital assets, being depreciated				
Machinery and equipment	\$ 603,490	\$ -	\$ -	\$ 603,490
Total being depreciated	<u>603,490</u>	<u>-</u>	<u>-</u>	<u>603,490</u>
Less accumulated depreciation for:				
Machinery and equipment	317,218	36,424	-	353,642
Total accumulated depreciation	<u>317,218</u>	<u>36,424</u>	<u>-</u>	<u>353,642</u>
Total capital assets being depreciated, net	<u>286,272</u>	<u>(36,424)</u>	<u>-</u>	<u>249,848</u>
Business-type activity capital assets, net	<u>\$ 286,272</u>	<u>\$ (36,424)</u>	<u>\$ -</u>	<u>\$ 249,848</u>
Business-type activities:				
Food service				\$ 33,545
Concessions				390
LATC food service				1,186
LATC daycare				<u>1,303</u>
Total depreciation expense - business-type activities				<u>\$ 36,424</u>

As of June 30, 2021, the School District had remaining commitments of approximately \$5,970,000 related to the Watertown High School Remodel Project and remaining commitments of approximately \$2,067,000 related to HVAC upgrades at the elementary schools and intermediate school in progress at year-end.

Note 5 - Long-Term Debt

A summary of changes in long-term debt follows:

	Amounts Outstanding 6/30/20	Issued	Retired	Amounts Outstanding 6/30/21	Due in One Year
Governmental Activities:					
Capital outlay certificates	\$ 23,670,000	\$ 12,740,000	\$ (940,000)	\$ 35,470,000	\$ 10,565,000
Unamortized premium	1,717,405	2,353,809	(202,846)	3,868,368	231,205
Financing (capital acquisition) leases	484,640	-	(484,640)	-	-
Total debt	25,872,045	15,093,809	(1,627,486)	39,338,368	10,796,205
Early retirement	747,819	739,877	(692,917)	794,779	788,842
Total Primary Government	<u>\$ 26,619,864</u>	<u>\$ 15,833,686</u>	<u>\$ (2,320,403)</u>	<u>\$ 40,133,147</u>	<u>\$ 11,585,047</u>

Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund and LATC Post Secondary Fund.

Long-term debt payable at June 30, 2021, is comprised of the following individual issues:

Capital Outlay Certificates

Capital outlay certificates, series 2020, interest rate ranges from 3.00% to 5.00% and final maturity date of August 2041. Debt service payments made by the Capital Outlay Fund. \$ 12,740,000

Capital outlay certificates, series 2014, interest rate ranges from 3.00% to 4.00% and final maturity date of December 2026. Debt service payments made by the Capital Outlay Fund. 12,800,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2016, interest rate ranges from 1.30% to 2.05% and final maturity date of December 2026. Debt services payments made by the Capital Outlay Fund. 1,065,000

Capital outlay refunding certificates, series 2017, interest rate ranges from 2.00% to 4.00% and final maturity date of August 2033. Debt service payments made by the Capital Outlay Fund. 8,865,000

Early Retirement

Requires annual payments of not more than \$64,500 per individual with payment made from General Fund and LATC Post Secondary Fund. 794,779

Plus unamortized premiums

3,868,368

\$ 40,133,147

The annual requirements to maturity for all debt outstanding for governmental activities, excluding unamortized debt premiums, as of June 30, 2021, are as follows:

Year Ending June 30,	C.O. Certificates		Early Retirement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 10,565,000	\$ 1,171,428	\$ 788,842	\$ -	\$ 11,353,842	\$ 1,171,428
2023	1,440,000	912,578	5,937	-	1,445,937	912,578
2024	1,470,000	857,938	-	-	1,470,000	857,938
2025	1,565,000	804,778	-	-	1,565,000	804,778
2026	1,620,000	750,228	-	-	1,620,000	750,228
2027-2031	7,750,000	2,795,126	-	-	7,750,000	2,795,126
2032-2036	6,910,000	1,132,600	-	-	6,910,000	1,132,600
2037-2041	4,150,000	318,750	-	-	4,150,000	318,750
	<u>\$ 35,470,000</u>	<u>\$ 8,743,426</u>	<u>\$ 794,779</u>	<u>\$ -</u>	<u>\$ 36,264,779</u>	<u>\$ 8,743,426</u>

Note 6 - Leases

The School District leases the facilities for a portion of Lake Area Technical College from the South Dakota Board of Technical Education (the Board). The facilities were constructed by the South Dakota Health and Education Facilities Authority (the Authority) funded by proceeds from bonds issued. The Board leases the facilities from the Authority and then sub-leases it to the School District. The lease agreement between the Board and the Authority calls for rental payments that coincide with the required debt service of the Authority. Currently, the rental payments are being paid from the facility fee fund account maintained by the trustee. The facility fee, as of June 30, 2021, is a \$36 per credit hour fee collected from each student attending the four vocational technical schools in South Dakota. These fees are remitted to the trustee for the purpose of making the lease rental payments to the Authority that ultimately retire the indebtedness of the Authority related to the facilities constructed at the various vocational technical schools. The original lease agreement between the Authority and the Board was dated August 1, 1988, and has since been amended and supplemented over the years adding additional Authority-financed projects as leased property and providing for the payment of lease rentals annually from the trust account sufficient to pay the debt service with respect to the additional bonds; however, the sub-lease agreement between the Board and the School District has not been amended and annually renews each July 1 for the ensuing year. As of June 30, 2021, it is anticipated that the facility fees held by the trustee will be sufficient to make the lease rental payments throughout the duration of the leased facilities.

Note 7 - 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	\$ 13,103,042
Crossover Refunding	Contractual Agreement	9,734,373
Special Education	Law	381,635
SDRS pension benefits	Law	2,067,501
LATC Post Secondary	Law	10,160,759
Perkins Loan program	Law	466,111
Total restricted net position		<u>\$ 35,913,421</u>

Note 8 - Early Retirement

The School District has an early retirement plan providing cash benefits to any full-time salaried employee with at least fifteen years of full-time salaried service with the School District and who are between and/or inclusive of the ages of fifty-five and sixty-two as of June 30 or the application year. Employees who leave or have previously left the School District are not eligible for the benefit 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 co-curricular salary, if any, unless the position with a sport/activity has been held for fifteen consecutive years immediately preceding retirement. The liability is recorded based upon the specified annual payments that are due and has not been discounted as the School District has determined the discount to not be material.

Note 9 - Joint Venture

The School 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 school districts.

The percentage participation in the Co-op and annual assessments is adjusted annually based upon each member school district's official state enrollment numbers from the previous school year. The members of the Co-op and their relative percentage participation in the Co-op as of June 30, 2021, are as follows:

Castlewood School District No. 28-1	4.37%
Florence School District No. 14-1	4.11%
Great Plains Lutheran School	6.68%
Hamlin School District No. 28-3	12.38%
Henry School District No. 14-2	2.67%
Summit School District No. 54-6	2.62%
Watertown School District No. 14-4	63.21%
Waverly South Shore School District 14-5	3.96%
	100.00%

The Co-op's governing board is composed of three members from the school board of the largest member school district and one member from the school board from each remaining member school district. 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 School District retains no explicit, measurable equity interest in the net position of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. Separate financial statements for the Co-op are available from the Northeast Technical High School.

At June 30, 2021, the Co-op had total assets of \$1,282,272, total liabilities of \$122,468, and net position of \$1,159,804.

Note 10 - Post-Employment Healthcare Plan

Plan Description

The School District has a single-employer, defined benefit healthcare plan administered by Wellmark, Inc. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Benefits Provided

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between the School District’s certified staff and the governing board. A full-time salaried employee who retires from the School 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 School District are not eligible for 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 School District funds the OPEB benefits on a pay-as-you-go basis; therefore, the School District’s obligation is unfunded at June 30, 2021. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At the valuation date of July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	38
Active employees	210
	248

Total OPEB Liability

The School District’s total OPEB liability of \$2,232,786 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions

The total OPEB liability in the July 1, 2020, 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 percent
Salary increases	6.50% at entry to 3.00% after 25 years of service
Discount rate	2.16 percent*
Healthcare cost trend rates	7.0 percent for FY21 then reduced by .25 percent to ultimate rate of 4.00 percent

*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

Other Assumptions

Mortality	97% of RP-2014 Mortality Table, white collar table for females and total dataset table for males, adjusted to 2006 and projected generationally with MP-2016
Future Retiree Participation Rate	65%
Initial Spouse Participation Rate	35%
Age Difference	Husbands are assumed to be the same age as their wife
Turnover	Rates based on select and ultimate table with rates based on service for the first five years of employment and rates based on age after five years of employment
Disability	None assumed

Balance at June 30, 2020	\$ 3,555,142
Service cost	82,209
Interest cost	52,830
Changes of benefit terms	-
Difference between expected and actual experience	(908,081)
Changes of assumptions	(430,472)
Benefit payments	(118,842)
Total Changes	<u>(1,322,356)</u>
Balance at June 30, 2021	<u><u>\$ 2,232,786</u></u>

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.16%	2.16%	3.16%
Total OPEB Liability	\$ 2,350,333	\$ 2,232,786	\$ 2,118,080

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Healthcare trend rate	6.0%	7.0%	8.0%
Total OPEB Liability	\$ 2,069,819	\$ 2,232,786	\$ 2,414,711

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the School District recognized a decrease of health insurance expense of \$369,988 due to OPEB. At June 30, 2021, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,669	\$ 705,782
Changes of assumptions	287,705	342,221
Total	\$ 341,374	\$ 1,048,003

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2022	\$ 178,838
2023	171,190
2024	212,120
2025	144,481
2026	-
Thereafter	-
	\$ 706,629

Note 11 - Litigation

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

Note 12 - Risk Management

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

Employee Health Insurance

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Excess loss insurance is provided through private insurance carriers for claims exceeding \$100,000 per individual and \$5,176,070 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2021, an estimated liability of \$353,593 was accrued for incurred, but not reported, claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements. The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2021, the health insurance internal service fund had a net position balance of \$6,789,337.

The following is a history of the claims activity for the fund for the years ended June 30, 2021, 2020, and 2019, respectively.

	2021	2020	2019
Amount of claim liabilities, beginning of year	\$ 827,803	\$ 709,221	\$ 691,873
Incurred claims	5,978,657	5,833,099	4,154,481
Claims paid	(6,182,671)	(5,714,517)	(4,137,133)
Amount of claim liabilities, end of year	\$ 623,789	\$ 827,803	\$ 709,221

Workers' Compensation Insurance

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

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

Liability Insurance

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

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2021, four claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of \$29,231. At June 30, 2021, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 13 - Pension Plan

Plan Information

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

Benefits Provided

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

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

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

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

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

All benefits except those depending on the member’s accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019, were \$2,079,919, \$1,983,411, and \$1,934,456, respectively, equal to the required contributions each year.

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

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

Proportionate share of total pension liability	\$ 185,157,414
Less proportionate share of net position restricted for pension benefits	<u>185,222,828</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (65,414)</u></u>

At June 30, 2021, the School District reported a liability (asset) of (\$65,414) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the School District’s proportion was 1.50620260%, which is a decrease of .0100740% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$2,976,596. At June 30, 2021, the School 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	\$ 250,245	\$ 51,244
Changes in assumption	2,107,039	8,497,808
Net difference between projected and actual earnings on pension plan investments	6,079,919	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	57,571	23,554
School District contributions subsequent to the measurement date	2,079,919	-
Total	\$ 10,574,693	\$ 8,572,606

There is \$2,079,919 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	Amount
2022	\$ (756,293)
2023	(560,570)
2024	103,973
2025	1,135,058
Total	\$ (77,832)

Actuarial Assumptions

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

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

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

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

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

Discount Rate

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School'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)	\$ 25,376,329	\$ (65,414)	\$ (20,876,259)

Pension Plan Fiduciary Net Position

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

Note 14 - Interfund Balances and Interfund Transfers

At June 30, 2021, the following funds had interfund balances:

- The LATC Post Secondary Fund has a due from the Bookstore Fund and LATC Food Service Fund in the total amount of \$1,091.
- The Food Service Fund has a due from the General Fund in the amount of \$459.
- The Bookstore Fund has a due from the LATC Post Secondary Fund in the amount of \$173.
- The Concessions Fund has a due from the General Fund in the amount of \$554.
- The LATC Food Service Fund has a due from the LATC Post Secondary Fund of \$10,768.

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2021 but not reimbursed until subsequent to June 30, 2021.

During the year ended June 30, 2021, the following interfund transfers occurred:

- The Capital Outlay Fund transferred \$856,183 to the General Fund to cover certain operating expenses.
- The Special Education Fund transferred \$3,161 to the General Fund to cover certain operating expenses.
- The LATC Post Secondary Fund transferred \$30,000 to the LATC Food Service Fund to cover certain operating expenses.

Note 15 - Restatement and Adoption of New Standard

During 2021, the School District identified misstatements within the 2020 financial statements related to various items as noted in the table below. Additionally, as of July 1, 2020, the School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature under the provisions of GASB 84 and are now reported in the General Fund or LATC Post Secondary Fund.

The School District restated the net position and fund balance of the funds indicated below to appropriately reflect the July 1, 2020, balances for the correction of misstatements in previously reported financial statements and implementation of GASB 84 as follows:

	General Fund	Capital Outlay	Special Education	LATC Post Secondary	Total Governmental Funds	Governmental Activities	Internal Service
Fund Balance/Net Position at July 1, 2020, as previously reported	\$ 7,458,218	\$ 13,919,512	\$ 216,918	\$ 7,633,903	\$ 38,148,381	\$ 86,300,581	\$ 6,405,192
Equity interest in Northeast Technical High School joint venture	-	-	-	-	-	(749,411)	-
OPEB liability understated	-	-	-	-	-	(255,710)	-
LATC Foundation reported as a blended component unit	-	-	-	-	(5,835,513)	(5,835,513)	-
Unemployment insurance fund classified as internal service fund	119,742	-	-	60,000	179,742	-	(179,742)
Prior year unavailable tax revenues	(429,609)	(304,749)	(176,037)	-	(910,395)	(910,395)	-
Reclassification from agency funds	263,162	-	-	152,154	415,316	415,316	-
Fund Balance/Net Position at July 1, 2020, as restated	<u>\$ 7,411,513</u>	<u>\$ 13,614,763</u>	<u>\$ 40,881</u>	<u>\$ 7,846,057</u>	<u>\$ 31,997,531</u>	<u>\$ 78,964,868</u>	<u>\$ 6,225,450</u>

Note 16 - Violations of Finance-Related Legal and Contractual Provisions

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. For the year ended June 30, 2021, the Capital Outlay Fund incurred overdrafts of expenditures compared to appropriations of approximately \$432,000. The School Board and management of the School District plan to exercise increased oversight over budgeted appropriations to ensure this does not occur in the future.

Note 17 - Subsequent Events

Subsequent to year end, the School District accepted bids for a Diesel Expansion project at Lake Area Technical College and a contracted cost of approximately \$8,161,000. The project is scheduled to begin in the spring of 2022 and be funded primarily with existing School District funds.



Required Supplementary Information
June 30, 2021

Watertown School District No. 14-4

Watertown School District No. 14-4
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 82,209	\$ 111,696	\$ 108,198
Interest	52,830	113,690	118,609
Difference between expected and actual experience	(908,081)	-	119,057
Changes of assumptions	(430,472)	255,710	296,745
Benefit payments	<u>(118,842)</u>	<u>(124,076)</u>	<u>(114,872)</u>
Net change in total OPEB liability	(1,322,356)	357,020	527,737
Total OPEB liability - beginning	<u>3,555,142</u>	<u>3,198,122</u>	<u>2,670,385</u>
Total OPEB liability - ending	<u>\$ 2,232,786</u>	<u>\$ 3,555,142</u>	<u>\$ 3,198,122</u>
Covered-employee payroll	\$ 11,612,670	\$ 13,608,038	\$ 14,158,927
District's total OPEB liability as a percentage of covered-employee payroll	19.23%	26.13%	22.59%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Plan Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefit Provision Changes

None.

Changes in Assumptions

Since the last valuation, the following changes of assumptions have been made:

- The discount rates have been updated through the June 30, 2021, reporting date.
- Retiree per capita claims costs and contributions were reset to reflect updated experience, plan(s), and premiums through January 1, 2021.
- Decrement assumptions (i.e. withdrawal, retirement and mortality rates) have been updated to be the assumptions used in the SDRS June 30, 2020, actuarial valuation for Class A Teachers/Administration (Certified) Members and Class A Non-Teachers/Administration (Non-Certified) Members groups.
- Medical trend rates were reset to reflect updated cost increase expectations.
- 65.0% of employees are assumed to elect coverage at retirement (changed from 82.0% based on recent experience).

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 9,843,775	\$ 9,843,775	\$ 9,788,765	\$ (55,010)
1120 Prior year's ad valorem taxes	-	-	51,630	51,630
1140 Gross receipts taxes	350,000	350,000	316,244	(33,756)
1190 Penalties and interest on taxes	25,000	25,000	18,697	(6,303)
1210 Revenue in Lieu of Taxes	-	-	20,157	20,157
1500 Earnings on investments and deposits	100,000	100,000	59,880	(40,120)
1700 Co-curricular activities:				
1710 Admissions	82,000	82,000	53,864	(28,136)
1790 Other student activity income	8,500	8,500	272,551	264,051
1900 Other revenue from local sources:				
1910 Rentals	142,000	142,000	51,268	(90,732)
1920 Contributions and donations	-	-	1,000	1,000
1970 Charges for services	40,000	40,000	51,995	11,995
1990 Other	247,500	247,500	380,146	132,646
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	430,000	430,000	421,646	(8,354)
2200 Revenue in lieu of taxes	20,000	20,000	-	(20,000)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	13,640,000	13,640,000	13,754,474	114,474
3120 Restricted grants-in-aid	5,000	5,000	32,985	27,985
3900 Other state revenue	10,000	12,000	4,725	(7,275)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4120 Unrestricted grants-in-aid received from federal government through state	-	1,927,500	1,925,000	(2,500)
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	1,676	1,676
4150-4199 Restricted grants-in-aid received from federal government through the state	1,480,770	1,712,675	1,426,697	(285,978)
4900 Other federal revenue	85,000	85,000	67,704	(17,296)
Total revenues	<u>26,509,545</u>	<u>28,670,950</u>	<u>28,701,104</u>	<u>30,154</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	8,219,550	8,219,550	7,977,120	242,430
1120 Middle/junior high schools	2,455,920	2,455,920	2,358,907	97,013
1130 High school	4,511,650	4,537,930	4,239,605	298,325
1140 Preschool services	68,630	68,630	66,735	1,895
1200 Special programs:				
1210 Gifted and talented	113,100	113,100	92,079	21,021
1250 Culturally different	72,670	72,670	114,912	(42,242)
1270 Educationally deprived	626,355	626,355	514,016	112,339
1290 Other special programs	472,900	472,900	440,786	32,114
2000 Support services				
2100 Pupils:				
2110 Attendance and social work	263,155	263,155	253,519	9,636
2120 Guidance	720,360	720,360	703,553	16,807
2130 Health	206,810	304,045	278,682	25,363
2200 Support services - instructional staff:				
2210 Improvement of instruction	848,990	1,583,990	1,453,177	130,813
2220 Educational media	1,028,485	1,060,485	1,018,495	41,990
2300 Support services - general administration:				
2310 Board of Education	103,320	103,320	74,939	28,381
2320 Executive administration	550,555	550,555	527,747	22,808
2400 Support services - school administration:				
2410 Office of the Principal	1,814,185	1,814,185	1,777,187	36,998
2440 Title I program administration	21,530	39,595	40,511	(916)
2490 Other support services	5,000	5,000	5,111	(111)
2500 Support services - business:				
2520 Fiscal services	520,155	520,155	517,524	2,631
2540 Operation and maintenance of plant	3,017,330	3,053,280	2,729,101	324,179
2550 Pupil transportation	1,087,200	1,087,200	859,725	227,475
2600 Support services - central:				
2620 Planning	90,945	90,945	26,716	64,229
3000 Community services				
3700 Nonpublic school	142,500	164,875	132,208	32,667
4000 Nonprogrammed costs				
4400 Payments to state - unemployment	10,000	35,000	27,535	7,465
4500 Early retirement payments	545,170	545,170	545,169	1
6000 Co-curricular activities				
6100 Male activities	207,495	216,495	227,385	(10,890)
6200 Female activities	188,845	188,845	169,206	19,639
6500 Transportation	138,500	138,500	123,438	15,062
6900 Combined activities	628,205	649,705	883,852	(234,147)
Total expenditures	<u>28,679,510</u>	<u>29,701,915</u>	<u>28,178,940</u>	<u>1,522,975</u>
Excess of Revenue over (under) Expenditures	<u>(2,169,965)</u>	<u>(1,030,965)</u>	<u>522,164</u>	<u>1,553,129</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources				
5110 Transfers in	1,335,000	956,500	859,344	(97,156)
8110 Transfers out	(100,000)	(100,000)	-	100,000
Total other financing sources	1,235,000	856,500	859,344	2,844
Net Change in Fund Balances	(934,965)	(174,465)	1,381,508	1,555,973
Fund Balance - Beginning, as restated	7,411,513	7,411,513	7,411,513	-
Fund Balance - Ending	\$ 6,476,548	\$ 7,237,048	\$ 8,793,021	\$ 1,555,973

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 6,652,820	\$ 6,652,820	\$ 6,611,274	\$ (41,546)
1120 Prior year's ad valorem taxes	-	-	34,718	34,718
1190 Penalties and interest on taxes	10,000	10,000	12,177	2,177
1500 Earnings on investments and deposits	496,450	496,450	81,504	(414,946)
1900 Other revenue from local sources:				
1990 Other	10,000	10,000	66,524	56,524
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	-	75,000	393,711	318,711
4900 Other federal revenue	50,000	50,000	-	(50,000)
Total revenues	<u>7,219,270</u>	<u>7,294,270</u>	<u>7,199,908</u>	<u>(94,362)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	971,000	971,000	754,504	216,496
1120 Middle/junior high schools	42,000	42,000	36,659	5,341
1130 High school	387,000	387,000	396,236	(9,236)
1200 Special programs:				
1220 Programs for special education	17,000	17,000	8,308	8,692
2000 Support services				
2300 Support services - general administration:				
2320 Executive administration	5,000	5,000	5,734	(734)
2500 Support services - business:				
2520 Fiscal services	16,000	16,000	16,907	(907)
2540 Operation and maintenance of plant	7,580,660	7,655,660	8,379,391	(723,731)
2550 Pupil transportation	100,500	100,500	90,184	10,316
5000 Debt services	2,692,450	2,692,450	2,625,479	66,971
6000 Co-curricular activities				
6900 Combined activities	97,000	97,000	102,402	(5,402)
Total expenditures	<u>11,908,610</u>	<u>11,983,610</u>	<u>12,415,804</u>	<u>(432,194)</u>
Excess of Revenue over (under) Expenditures	<u>(4,689,340)</u>	<u>(4,689,340)</u>	<u>(5,215,896)</u>	<u>(526,556)</u>
Other Financing Sources (Uses)				
5110 Transfers in	28,500	28,500	-	(28,500)
8110 Transfers out	(1,200,000)	(1,200,000)	(856,183)	343,817
5120 Proceeds from long-term debt	15,000,000	15,000,000	12,740,000	2,260,000
5130 Sale of surplus	85,000	85,000	182,885	(97,885)
8150 Premiums on bonds issued	-	-	2,353,809	(2,353,809)
Total other financing sources	<u>13,913,500</u>	<u>13,913,500</u>	<u>14,420,511</u>	<u>123,623</u>
Net Change in Fund Balances	9,224,160	9,224,160	9,204,615	(402,933)
Fund Balance - Beginning, as restated	<u>13,614,763</u>	<u>13,614,763</u>	<u>13,614,763</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 22,838,923</u>	<u>\$ 22,838,923</u>	<u>\$ 22,819,378</u>	<u>\$ (402,933)</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 3,922,270	\$ 3,922,270	\$ 3,894,988	\$ (27,282)
1120 Prior year's ad valorem taxes	-	-	18,997	18,997
1190 Penalties and interest on taxes	6,000	6,000	6,771	771
1300 Tuition and fees:				
1310 Regular day school tuition	15,000	15,000	16,000	1,000
1500 Earnings on investments and deposits	6,000	6,000	3,161	(2,839)
1900 Other revenue from local sources:				
1970 Charges for services	75,000	75,000	82,232	7,232
1990 Other	1,000	1,000	7,292	6,292
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	2,063,860	2,063,860	2,056,620	(7,240)
3900 Other state revenue	1,000	1,000	-	(1,000)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	919,900	919,900	913,492	(6,408)
Total revenues	<u>7,010,030</u>	<u>7,010,030</u>	<u>6,999,553</u>	<u>(10,477)</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	4,947,080	4,947,080	4,518,697	428,383
1230 Coordinated early intervening services instruction	17,970	17,970	1,620	16,350
2000 Support services				
2100 Pupils:				
2130 Health	177,795	177,795	162,319	15,476
2140 Psychological	394,555	394,555	260,971	133,584
2150 Speech pathology	739,770	739,770	716,205	23,565
2160 Audiology services	15,000	15,000	5,374	9,626
2170 Student therapy services	449,025	449,025	412,630	36,395
2200 Support services - instructional staff:				
2210 Improvement of instruction	172,865	172,865	178,442	(5,577)
2220 Educational media	22,000	22,000	17,909	4,091
2600 Support services - central:				
2620 Planning	34,985	34,985	-	34,985
2700 Support services - special education:				
2710 Administrative costs	222,965	222,965	190,506	32,459
2730 Transportation costs	140,180	140,180	95,222	44,958
2750 Other special education costs	129,600	129,600	105,845	23,755
Total expenditures	<u>7,463,790</u>	<u>7,463,790</u>	<u>6,665,740</u>	<u>798,050</u>
Excess of Revenue over (under) Expenditures	<u>(453,760)</u>	<u>(453,760)</u>	<u>333,813</u>	<u>787,573</u>
Other Financing Uses				
8110 Transfers out	-	-	(3,161)	3,161
5110 Transfers in	-	100,000	-	(100,000)
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>(3,161)</u>	<u>(96,839)</u>
Net Change in Fund Balances	(453,760)	(353,760)	330,652	690,734
Fund Balance - Beginning, as restated	40,881	40,881	40,881	-
Fund Balance - Ending	<u>\$ (412,879)</u>	<u>\$ (312,879)</u>	<u>\$ 371,533</u>	<u>\$ 690,734</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1400 Post secondary program tuition and fees	\$ 7,078,500	\$ 7,078,500	\$ 7,122,186	\$ 43,686
1500 Earnings on investments and deposits	100,000	100,000	74,197	(25,803)
1700 Co-curricular activities:				
1800 Post secondary:				
1820 Resales/services - occupational programs	176,500	176,500	298,228	121,728
1830 Resales/services - parts department	205,200	205,200	235,141	29,941
1840 State fees	534,000	534,000	497,878	(36,122)
1850 Corporate education fees	300,000	300,000	118,104	(181,896)
1860 Local fees	3,411,550	3,411,550	3,598,562	187,012
1900 Other revenue from local sources:				
1910 Rentals	203,000	203,000	326,963	123,963
1920 Contributions and donations	1,301,500	1,301,500	1,237,077	(64,423)
1990 Other	262,450	272,450	726,357	453,907
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	6,907,590	6,907,590	7,065,774	158,184
3120 Restricted grants-in-aid	1,945,400	2,471,350	2,617,666	146,316
3900 Other state revenue	350,000	350,000	304,087	(45,913)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	719,205	1,521,840	2,771,451	1,249,611
4900 Other federal revenue	26,485	26,485	2,176	(24,309)
Total revenues	<u>23,521,380</u>	<u>24,859,965</u>	<u>26,995,847</u>	<u>2,135,882</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1300 Adult continuing education programs:				
1390 Other adult continuing education program	196,210	196,210	191,629	4,581
1500-1999 Post secondary occupational programs	12,978,780	13,939,225	13,319,071	620,154
2000 Support services				
2100 Pupils:				
2120 Guidance	2,360,445	2,429,445	2,254,827	174,618
2130 Health	-	50,000	16,208	33,792
2200 Support services - instructional staff:				
2210 Improvement of instruction	576,850	770,645	766,411	4,234
2220 Educational media	1,388,110	1,881,610	1,656,726	224,884
2300 Support services - general administration:				
2310 Board of education	51,830	51,830	40,268	11,562
2320 Executive administration	386,900	386,900	366,646	20,254
2400 Support services - school administration:				
2420 Vocational school - directors office	805,395	805,395	766,534	38,861
2430 Financial aid administration	298,465	324,845	320,246	4,599
2490 Other support services	198,145	198,145	181,332	16,813
2500 Support services - business:				
2520 Fiscal services	270,705	270,705	265,190	5,515
2530 Facilities acquisition and construction	2,805,000	3,009,500	2,001,058	1,008,442
2540 Operation and maintenance of plant	1,970,985	2,144,520	1,882,492	262,028
2800 Resale services:				
2810 Post secondary resales/service	40,000	40,000	27,106	12,894
2820 RIS - precision production	275,140	275,140	258,311	16,829
2900 Other support services	21,000	21,000	19,524	1,476
4000 Nonprogrammed charges				
4400 Payments to state - unemployment	5,000	5,000	1,696	3,304
4500 Early retirement payments	147,750	147,750	147,748	2
6000 Co-curricular activities				
6900 Combined activities	-	-	169,322	(169,322)
Total expenditures	<u>24,776,710</u>	<u>26,947,865</u>	<u>24,652,345</u>	<u>2,295,520</u>
Excess of Revenue over Expenditures	<u>(1,255,330)</u>	<u>(2,087,900)</u>	<u>2,343,502</u>	<u>4,431,402</u>
Other Financing Sources (Uses)				
5110 Transfers in	60,000	60,000	-	(60,000)
8110 Transfers out	-	(30,000)	(30,000)	-
5130 Sale of surplus	5,000	5,000	1,200	(3,800)
Total other financing sources	<u>65,000</u>	<u>35,000</u>	<u>(28,800)</u>	<u>(63,800)</u>
Net Change in Fund Balances	(1,190,330)	(2,052,900)	2,314,702	4,367,602
Fund Balance - Beginning, as restated	<u>7,846,057</u>	<u>7,846,057</u>	<u>7,846,057</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,655,727</u>	<u>\$ 5,793,157</u>	<u>\$ 10,160,759</u>	<u>\$ 4,367,602</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – Financial Aid Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1500 Earnings on investments and deposits	\$ 1,800	\$ 1,800	\$ 1,444	\$ (356)
1900 Other revenue from local sources:				
1990 Other	280,000	280,000	30,577	(249,423)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	69,500	69,500	91,960	22,460
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	12,244,200	12,244,200	11,690,219	(553,981)
Total revenues	<u>12,595,500</u>	<u>12,595,500</u>	<u>11,814,200</u>	<u>(781,300)</u>
Expenditures				
4000 Nonprogrammed charges				
4200 Student financial aid	12,595,500	12,595,500	11,814,200	781,300
Total expenditures	<u>12,595,500</u>	<u>12,595,500</u>	<u>11,814,200</u>	<u>781,300</u>
Excess of Revenue over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1 - Budgets and Budgetary Accounting

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

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

Note 2 - Budget Reconciliation

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

Watertown School District No. 14-4
Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended June 30, 2021

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2021	1.5062%	\$ (65,414)	\$ 33,028,183	-0.2%	100.04%
SDRS	6/30/2020	1.5163%	(160,684)	32,173,075	-0.5%	100.09%
SDRS	6/30/2019	1.5309%	(35,703)	31,818,773	-0.1%	100.02%
SDRS	6/30/2018	1.5315%	(138,984)	31,084,082	-0.4%	100.10%
SDRS	6/30/2017	1.4677%	4,957,654	27,889,214	17.8%	96.89%
SDRS	6/30/2016	1.4888%	(6,314,461)	27,170,807	-23.2%	104.10%
SDRS	6/30/2015	1.4482%	(10,433,894)	25,294,680	-41.2%	107.30%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset) which is June 30 of the preceding fiscal year.

Watertown School District No. 14-4
 Schedule of Employer's Contributions
 Year Ended June 30, 2021

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
SDRS	6/30/2021	\$ 2,079,919	\$ 2,079,919	\$ -	\$ 34,635,807	6.0%
SDRS	6/30/2020	1,983,411	1,983,411	-	33,028,183	6.0%
SDRS	6/30/2019	1,934,456	1,934,456	-	32,173,075	6.0%
SDRS	6/30/2018	1,909,134	1,909,134	-	31,818,773	6.0%
SDRS	6/30/2017	1,866,698	1,866,698	-	31,084,082	6.0%
SDRS	6/30/2016	1,673,671	1,673,671	-	27,889,214	6.0%
SDRS	6/30/2015	1,630,885	1,630,885	-	27,170,807	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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



Supplementary Information
June 30, 2021

Watertown School District No. 14-4

Watertown School District No. 14-4
Combining Balance Sheets – Nonmajor Governmental Funds
June 30, 2021

	Perkins Fund	Arrow Education Foundation	Totals
Assets			
101 Cash and cash equivalents	\$ 118,963	\$ 253,638	\$ 372,601
120 Accounts receivable, net	347,148	-	347,148
140 Due from other government	-	11,788	11,788
180 Investments	-	3,052,364	3,052,364
	<u>\$ 466,111</u>	<u>\$ 3,317,790</u>	<u>\$ 3,783,901</u>
Liabilities			
402 Accounts payable	\$ -	\$ 11,291	\$ 11,291
Total liabilities	<u>-</u>	<u>11,291</u>	<u>11,291</u>
Fund Balances			
720 Restricted for:			
Perkins	466,111		466,111
Arrow Education Foundation	-	3,306,499	3,306,499
Total fund balances	<u>466,111</u>	<u>3,306,499</u>	<u>3,772,610</u>
	<u>\$ 466,111</u>	<u>\$ 3,317,790</u>	<u>\$ 3,783,901</u>

Watertown School District No. 14-4
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor
Governmental Funds
Year Ended June 30, 2021

	Perkins Fund	Arrow Education Foundation	Totals
Revenues			
1000 Revenue from local sources			
1500 Earnings on investments and deposits	\$ 776	\$ 578,757	\$ 579,533
1800 Post secondary:			
1860 Local fees	9,926	-	9,926
1900 Other revenue from local sources:			
1920 Contributions and donations	-	401,777	401,777
1990 Other	-	44,380	44,380
Total revenues	<u>10,702</u>	<u>1,024,914</u>	<u>1,035,616</u>
Expenditures			
2000 Support services			
2500 Support services - business:			
2520 Fiscal services	-	112,441	112,441
2590 Other	-	12,242	12,242
4000 Nonprogrammed charges			
4200 Student financial aid	194,125	-	194,125
4900 Other nonprogrammed costs	-	107,590	107,590
Total expenditures	<u>194,125</u>	<u>232,273</u>	<u>426,398</u>
Excess of Revenue over (under) Expenditures	<u>(183,423)</u>	<u>792,641</u>	<u>609,218</u>
5150 Perkins Loan bad debt recovery	<u>79,075</u>	<u>-</u>	<u>79,075</u>
Net Change in Fund Balances	(104,348)	792,641	688,293
Fund Balance - Beginning	<u>570,459</u>	<u>2,513,858</u>	<u>3,084,317</u>
Fund Balance - Ending	<u>\$ 466,111</u>	<u>\$ 3,306,499</u>	<u>\$ 3,772,610</u>

Watertown School District No. 14-4
Combining Statements of Net Position – Nonmajor Proprietary Funds
June 30, 2021

	Enterprise Funds							Totals	Internal Service Fund
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund		
Assets									
Current assets									
Cash and cash equivalents	\$ 896,410	\$ 32,397	\$ 6,286	\$ 19,504	\$ 1,148,808	\$ 190,892	\$ 156,149	\$ 2,450,446	\$ 7,413,126
120 Accounts receivable	784	-	-	-	162,215	75	3,961	167,035	-
130 Due from other fund	459	554	-	-	173	10,768	-	11,954	-
140 Due from other governments	-	-	-	-	-	-	1,941	1,941	-
170 Inventory of supplies	9,023	5,050	-	-	-	2,522	-	16,595	-
171 Inventory of stores purchased for resale	5,741	-	-	-	353,314	9,836	-	368,891	-
172 Inventory of donated food	1,747	-	-	-	-	-	-	1,747	-
192 Prepaid expenses	-	-	-	-	38,151	-	-	38,151	-
Total current assets	<u>914,164</u>	<u>38,001</u>	<u>6,286</u>	<u>19,504</u>	<u>1,702,661</u>	<u>214,093</u>	<u>162,051</u>	<u>3,056,760</u>	<u>7,413,126</u>
Noncurrent assets									
196 Net pension asset	931	49	93	12	304	248	243	1,880	-
200 Capital assets									
204 Machinery and equipment - local funds	543,789	5,847	-	-	12,979	27,842	13,034	603,491	-
Less accumulated depreciation	<u>(317,704)</u>	<u>(3,411)</u>	<u>-</u>	<u>-</u>	<u>(12,979)</u>	<u>(17,159)</u>	<u>(2,390)</u>	<u>(353,643)</u>	<u>-</u>
Total noncurrent assets	<u>227,016</u>	<u>2,485</u>	<u>93</u>	<u>12</u>	<u>304</u>	<u>10,931</u>	<u>10,887</u>	<u>251,728</u>	<u>-</u>
Deferred outflows of resources									
252 Pension related deferred outflows	<u>150,523</u>	<u>7,917</u>	<u>14,969</u>	<u>2,007</u>	<u>49,155</u>	<u>40,032</u>	<u>39,209</u>	<u>303,812</u>	<u>-</u>
	<u>\$ 1,291,703</u>	<u>\$ 48,403</u>	<u>\$ 21,348</u>	<u>\$ 21,523</u>	<u>\$ 1,752,120</u>	<u>\$ 265,056</u>	<u>\$ 212,147</u>	<u>\$ 3,612,300</u>	<u>\$ 7,413,126</u>

Watertown School District No. 14-4
Combining Statements of Net Position – Nonmajor Proprietary Funds
June 30, 2021

	Enterprise Funds							Totals	Internal Service Fund
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund		
Liabilities and Net Position									
Liabilities									
400 Current liabilities:									
402 Accounts payable	\$ 67,371	\$ -	\$ 1,605	\$ -	\$ 41,534	\$ 5,519	\$ 1,151	\$ 117,180	\$ 270,196
404 Contracts payable	-	-	-	1,096	-	2,816	10,169	14,081	-
409 Incurred but not reported claims	-	-	-	-	-	-	-	-	353,593
410 Due to other fund	-	-	-	-	1,065	26	-	1,091	-
450 Payroll deductions and withholdings and employer matching payable	-	-	-	327	-	384	2,227	2,938	-
471 Deposits payable	103,738	-	-	-	-	-	-	103,738	-
475 Unearned revenue	-	-	-	-	260,585	-	555	261,140	-
Total current liabilities	<u>171,109</u>	<u>-</u>	<u>1,605</u>	<u>1,423</u>	<u>303,184</u>	<u>8,745</u>	<u>14,102</u>	<u>500,168</u>	<u>623,789</u>
Deferred inflows of resources									
554 Pension related deferred inflows	<u>122,025</u>	<u>6,418</u>	<u>12,135</u>	<u>1,627</u>	<u>39,848</u>	<u>32,452</u>	<u>31,786</u>	<u>246,291</u>	<u>-</u>
Net Position									
706 Net investment in capital assets	226,085	2,436	-	-	-	10,683	10,644	249,848	-
707.2 Restricted for pension benefits	29,429	1,548	2,927	392	9,611	7,828	7,666	59,401	-
708 Unrestricted net position	<u>743,055</u>	<u>38,001</u>	<u>4,681</u>	<u>18,081</u>	<u>1,399,477</u>	<u>205,348</u>	<u>147,949</u>	<u>2,556,592</u>	<u>6,789,337</u>
Total net position	<u>998,569</u>	<u>41,985</u>	<u>7,608</u>	<u>18,473</u>	<u>1,409,088</u>	<u>223,859</u>	<u>166,259</u>	<u>2,865,841</u>	<u>6,789,337</u>
	<u>\$ 1,291,703</u>	<u>\$ 48,403</u>	<u>\$ 21,348</u>	<u>\$ 21,523</u>	<u>\$ 1,752,120</u>	<u>\$ 265,056</u>	<u>\$ 212,147</u>	<u>\$ 3,612,300</u>	<u>\$ 7,413,126</u>

Watertown School District No. 14-4
Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds
Year Ended June 30, 2021

	Enterprise Funds							Totals	Internal Service Fund
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund		
Operating Revenues									
Sales									
1340 Preschool tuition	\$ -	\$ -	\$ -	\$ 10,660	\$ -	\$ -	\$ -	\$ 10,660	\$ -
1610 To pupils	74,485	-	77,120	-	-	404,137	-	555,742	-
1620 To adults	10,580	-	-	-	-	-	-	10,580	-
1630 Ala carte	33,607	-	-	-	-	-	-	33,607	-
1690 Other	18,288	76,744	-	-	-	11,585	17	106,634	-
1720 Bookstore sales	-	-	-	-	2,664,272	-	-	2,664,272	-
1970 Self-insurance premiums	-	-	-	-	-	-	-	-	6,502,593
1980 Daycare charges for services	-	-	-	-	-	-	268,639	268,639	-
Total operating revenues	<u>136,960</u>	<u>76,744</u>	<u>77,120</u>	<u>10,660</u>	<u>2,664,272</u>	<u>415,722</u>	<u>268,656</u>	<u>3,650,134</u>	<u>6,502,593</u>
Operating Expenses									
100 Salaries	607,196	40,792	61,552	6,577	161,133	144,829	184,482	1,206,561	-
200 Employee benefits	274,042	6,599	4,707	2,567	59,752	57,158	61,016	465,841	-
300 Purchased services	36,346	107	-	-	80,660	15,627	11,326	144,066	-
400 Supplies	105,250	1,902	5,614	-	101	19,322	3,341	135,530	-
461 Cost of sales - purchased	630,038	33,799	-	-	2,296,313	217,676	14,059	3,191,885	-
462 Cost of sales - donated	126,020	-	-	-	-	-	-	126,020	-
600 Other	12,963	-	-	-	-	-	-	12,963	-
900 Depreciation	33,545	390	-	-	-	1,186	1,303	36,424	-
4620 Self-insurance costs	-	-	-	-	-	-	-	-	5,978,657
Total operating expenses	<u>1,825,400</u>	<u>83,589</u>	<u>71,873</u>	<u>9,144</u>	<u>2,597,959</u>	<u>455,798</u>	<u>275,527</u>	<u>5,319,290</u>	<u>5,978,657</u>
Operating Income (Loss)	<u>(1,688,440)</u>	<u>(6,845)</u>	<u>5,247</u>	<u>1,516</u>	<u>66,313</u>	<u>(40,076)</u>	<u>(6,871)</u>	<u>(1,669,156)</u>	<u>523,936</u>

Watertown School District No. 14-4
Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds
Year Ended June 30, 2021

	Enterprise Funds							Totals	Internal Service Fund
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund		
Nonoperating Revenue									
Local sources:									
1500 Investment earnings	5,227	259	-	-	8,327	148	745	14,706	39,951
State sources:									
3810 Cash reimbursements	6,521	-	-	-	-	-	-	6,521	-
3900 State grants	-	-	-	-	-	-	9,564	9,564	-
Federal sources:									
4150 Federal grants	-	-	-	-	-	188,115	17,340	205,455	-
4810 Cash reimbursements	1,568,252	-	-	-	-	-	22,049	1,590,301	-
4820 Donated food	126,020	-	-	-	-	-	-	126,020	-
Total nonoperating revenue (expense)	1,706,020	259	-	-	8,327	188,263	49,698	1,952,567	39,951
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	17,580	(6,586)	5,247	1,516	74,640	148,187	42,827	283,411	563,887
5110 Transfers in	-	-	-	-	-	30,000	-	30,000	-
Change in Net Position	17,580	(6,586)	5,247	1,516	74,640	178,187	42,827	313,411	563,887
Net Position - Beginning, as previously reported	980,989	48,571	2,361	16,957	1,334,448	45,672	123,432	2,552,430	6,405,192
Restatement	-	-	-	-	-	-	-	-	(179,742)
Net Position - Beginning, as restated	980,989	48,571	2,361	16,957	1,334,448	45,672	123,432	2,552,430	6,225,450
Net Position - Ending	\$ 998,569	\$ 41,985	\$ 7,608	\$ 18,473	\$ 1,409,088	\$ 223,859	\$ 166,259	\$ 2,865,841	\$ 6,789,337

Watertown School District No. 14-4
Combining Statements of Cash Flows – Nonmajor Proprietary Funds
Year Ended June 30, 2021

	Enterprise Funds							Totals	Internal Service Fund
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund		
Cash Flows from (used for) Operating Activities									
Cash receipts from customers	\$ 143,821	\$ 77,346	\$ 77,120	\$ 10,660	\$ 2,819,190	\$ 415,647	\$ 273,176	\$ 3,816,960	\$ -
Cash receipts from interfund services provided	-	-	-	-	-	-	-	-	6,577,354
Payments to employees	(848,077)	(46,718)	(69,552)	(8,539)	(207,270)	(185,504)	(230,498)	(1,596,158)	-
Payments to suppliers	(723,531)	(35,998)	(4,469)	-	(2,419,145)	(260,379)	(29,867)	(3,473,389)	-
Payments for claims	-	-	-	-	-	-	-	-	(6,182,671)
Net Cash from (used for) Operating Activities	<u>(1,427,787)</u>	<u>(5,370)</u>	<u>3,099</u>	<u>2,121</u>	<u>192,775</u>	<u>(30,236)</u>	<u>12,811</u>	<u>(1,252,587)</u>	<u>394,683</u>
Cash Flows from Noncapital Financing Activities									
Transfers in from other funds	-	-	-	-	-	30,000	26,904	56,904	-
Operating Subsidies	<u>1,574,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,113</u>	<u>22,050</u>	<u>1,784,936</u>	<u>-</u>
Net Cash from Noncapital Financing Activities	<u>1,574,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,113</u>	<u>48,954</u>	<u>1,841,840</u>	<u>-</u>
Cash Flows from Investing Activities									
Cash received for interest	<u>5,227</u>	<u>259</u>	<u>-</u>	<u>-</u>	<u>8,327</u>	<u>148</u>	<u>745</u>	<u>14,706</u>	<u>39,951</u>
Net Cash from Investing Activities	<u>5,227</u>	<u>259</u>	<u>-</u>	<u>-</u>	<u>8,327</u>	<u>148</u>	<u>745</u>	<u>14,706</u>	<u>39,951</u>
Net Change in Cash and Cash Equivalents	152,213	(5,111)	3,099	2,121	201,102	188,025	62,510	603,959	434,634
Cash and Cash Equivalents, Beginning of Year	<u>744,197</u>	<u>37,508</u>	<u>3,187</u>	<u>17,383</u>	<u>947,706</u>	<u>2,867</u>	<u>93,639</u>	<u>1,846,487</u>	<u>6,978,492</u>
Cash and Cash Equivalents, End of Year	<u>\$ 896,410</u>	<u>\$ 32,397</u>	<u>\$ 6,286</u>	<u>\$ 19,504</u>	<u>\$ 1,148,808</u>	<u>\$ 190,892</u>	<u>\$ 156,149</u>	<u>\$ 2,450,446</u>	<u>\$ 7,413,126</u>

Watertown School District No. 14-4
Combining Statements of Cash Flows – Nonmajor Proprietary Funds
Year Ended June 30, 2021

	Enterprise Funds							Totals	Internal Service Fund
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund		
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities									
Operating income (loss)	\$ (1,688,440)	\$ (6,845)	\$ 5,247	\$ 1,516	\$ 66,313	\$ (40,076)	\$ (6,871)	\$ (1,669,156)	\$ 523,936
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:									
Depreciation expense	33,545	390	-	-	-	1,186	1,303	36,424	-
Value of donated commodities used	126,020	-	-	-	-	-	-	126,020	-
Change in assets and liabilities:									
Accounts receivable	(521)	602	-	-	(75,329)	(75)	4,036	(71,287)	74,761
Inventories	5,664	364	-	-	(129,808)	(1,419)	-	(125,199)	-
Due from other fund	(459)	(554)	-	-	28,073	(10,768)	-	16,292	-
Due from other governments	-	-	-	-	-	-	(667)	(667)	-
Prepaid expenses	-	-	-	-	51,912	-	-	51,912	-
Pension asset and deferred outflows	(34,550)	(2,059)	(15,062)	(360)	(10,816)	(3,149)	(7,582)	(73,578)	-
Accounts payable	55,861	-	1,145	-	6,687	4,407	(474)	67,626	(204,014)
Payroll deductions and withholdings and employer matching payable	(1,421)	(159)	-	-	-	298	191	(1,091)	-
Contracts payable	(6,253)	(1,170)	(366)	-	-	1,695	3,320	(2,774)	-
Due to other fund	-	-	-	-	1,065	26	-	1,091	-
Deposits payable	7,382	-	-	-	-	-	(71)	7,311	-
Unearned revenue	-	-	-	-	230,247	-	555	230,802	-
Pension liability and deferred inflows	75,385	4,061	12,135	965	24,431	17,639	19,071	153,687	-
Net Cash from (used for) Operating Activities	<u>\$ (1,427,787)</u>	<u>\$ (5,370)</u>	<u>\$ 3,099</u>	<u>\$ 2,121</u>	<u>\$ 192,775</u>	<u>\$ (30,236)</u>	<u>\$ 12,811</u>	<u>\$ (1,252,587)</u>	<u>\$ 394,683</u>
Noncash Investing, Capital and Financing Activities									
Value of commodities received	\$ 126,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,020	\$ -



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*

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 Watertown School District No. 14-4 (the School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated March 1, 2022. In our report we expressed a disclaimer of opinion on the discretely presented component unit as the financial statements of the Lake Area Technical College Foundation have not been audited and we were not engaged to audit the Lake Area Technical College Foundation. In our report we also expressed a qualified opinion on the aggregate remaining fund information and the governmental activities which include the Arrow Education Foundation as the financial statements of the Arrow Education Foundation have not been audited and we were not engaged to audit the Arrow Education Foundation.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
March 1, 2022



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Watertown School District No. 14-4’s (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2021. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of 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 the compliance for each of Watertown School District No. 14-4’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 compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

The School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-003 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-004 to be a significant deficiency.

The School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
March 1, 2022

Watertown School District No. 14-4
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	*	\$ 126,020
Cash Assistance:			
School Breakfast Program	10.553	*	217,680
National School Lunch Program	10.555	*	1,350,572
Cash Assistance Total:			<u>1,568,252</u>
Total for Child Nutrition Cluster	10.559	*	<u>1,694,272</u>
Child and Adult Care Food Program			<u>22,049</u>
Total U.S. Department of Agriculture			<u>1,716,321</u>
U.S. Department of Education			
Direct Federal Funding:			
Student Financial Aid - Cluster			
Federal Pell Grant Program	84.063	N/A	3,228,198
Federal Workstudy Program	84.033	N/A	50,457
FSEOG Program	84.007	N/A	65,000
Perkins Loan Program (Note D)	84.038	N/A	544,226
Direct Loan Program	84.268	N/A	<u>7,442,898</u>
Total Student Financial Aid Cluster			<u>11,330,779</u>
Education Stabilization Fund			
Direct Award			
COVID-19 - Higher Education Emergency Relief Fund Student Portion	84.425E	N/A	1,172,777
COVID-19 - Higher Education Emergency Relief Fund Institutional Portion	84.425F	N/A	2,348,449
Passed through the SD Department of Education:			
COVID-19 Elementary & Secondary Emergency Relief Fund	84.425D	*	<u>759,980</u>
Total Education Stabilization Fund			<u>4,281,206</u>

Watertown School District No. 14-4
Schedule of Expenditures of Federal Awards
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	*	600,817
Career and Technical Education - Basic Grants to States	84.048	*	584,809
Improving Teacher Quality State Grants	84.367	*	239,215
State Personnel Development Grant (SPDG)	84.323A	*	84,092
School Improvements Grants	84.377	*	60,243
Title IV - A	84.424	*	76,061
Special Education Cluster:			
Special Education - Grants to States	84.027	*	895,458
Special Education - Preschool Grants	84.173	*	18,034
Total for Special Education Cluster			<u>913,492</u>
Total U.S. Department of Education			<u>18,170,714</u>
U.S. Department of Treasury			
Pass-Through the South Dakota Department of Education Coronavirus Relief Fund	21.019	2021G-320	<u>1,951,308</u>
Total U.S. Department of Treasury			<u>1,951,308</u>
U.S. Department of Justice			
Title V - Delinquency Prevention Program	16.548	*	<u>67,704</u>
Total U.S. Department of Justice			<u>67,704</u>
U.S. Department of Health and Human Services			
Child Care and Development Block Grant	93.575	*	<u>17,340</u>
Total U.S. Department of Health and Human Services			<u>17,340</u>
Total Federal Financial Assistance			<u>\$ 21,923,387</u>

* Pass-through identifying numbers were not provided.

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Watertown School District No. 14-4 (the School District) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2— Summary of Significant Accounting Policies

Expenditures reported in 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. No federal financial assistance has been provided to a subrecipient.

Note 3—Indirect Cost Rate

The School District has not elected to use the 10% *de minimus* cost rate.

Note 4 — Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the School District had food commodities totaling \$1,747 in inventory.

Note 5 - Donated Personal Protective Equipment (PPE) (unaudited)

Nonmonetary assistance of PPE received during the emergency period of the COVID-19 pandemic was \$7,000 and is based on the estimated fair market value of the PPE received. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial assisting listings or CFDA numbers. The donated PPE is not included in the schedule of expenditure of federal awards.

Note 6 - Federal Student Loan Programs

The federal student loan programs listed subsequently are administered directly by Lake Area Technical College and balances and transactions relating to these programs are included in the School District's basic financial statements. No new loans were made during the year. The balance of loans outstanding at June 30, 2021 for the Perkins Loan Program (CFDA # 84.038) was \$385,688.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	
Discretely Presented Component Unit	Disclaimer
Aggregate Remaining Fund Information	Qualified
Governmental Activities	Qualified
All Other Opinion Units	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Workstudy Program	84.033
FSEOG Program	84.007
Direct Loan Program	84.268
Perkins Loan Program	84.038
Education Stabilization Fund	
COVID-19 Elementary & Secondary Emergency Relief Fund (ESSER)	84.425D
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student	84.425E
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Institutional	84.425F
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**Finding 2021-001 Auditor Preparation of Financial Statements, Audit Adjustments, Passed Audit Adjustments, and Restatement
Material Weakness**

Criteria: The School District’s internal control structure should be designed to provide for the preparation of the financial statements, including required footnote disclosures and schedule of expenditures of federal awards (SEFA), which includes having an adequate internal control system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: As the auditor, we prepared the financial statements and required footnote disclosures for the year ended June 30, 2021. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments and adjustments to the SEFA, some of which were material, that were not identified by the School District’s current internal controls. We also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management. Lastly, we identified certain errors in previously issued financial statements resulting in a restatement of beginning fund balance and net position that were not identified by management in the prior year.

Cause: The School District’s internal controls, as currently designed, did not identify and detect the misstatements noted during our audit, resulting in proposed audit adjustments and identified passed audit adjustments, as well as the need to restate prior-year financial statements. Additionally, the auditor was requested to prepare the complete financial statements and related required footnotes.

Effect: The presence of identified audit adjustments and passed audit adjustments may affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present in the financial statements. The auditor’s preparation of the financial statements and footnotes may also affect the School District’s ability to summarize and report financial data consistent with the assertions of management.

Recommendation: We recommend management perform a thorough review of the auditor-prepared financial statements, audit adjustments and adjustments made to the SEFA, as well as account balances in each fund to ensure all necessary adjustments are reflected in the financial statements in accordance with generally accepted accounting principles. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the auditor’s role in preparation of the financial statements and footnotes.

Views of Responsible Officials: Management agrees with the finding.

**Finding 2021-002 Review of Account Balance Reconciliations, Manual Adjusting Entries, and Significant Estimates
Material Weakness**

Criteria: The School District's internal control structure should be designed to provide for the review and approval of significant account balance reconciliations, manual adjusting entries, and management-derived significant estimates. To implement adequate internal controls, this review should be performed by an individual with sufficient knowledge and expertise that is separate from the preparer of the reconciliation, manual adjustment, or significant estimate.

Condition: During our audit procedures we noted that certain asset and liability balances reconciled were not reviewed to ensure they were reconciled accurately and any needed adjustment was appropriate. We also noted that manual adjusting journal entries posted to the financial statement accounts were not being reviewed by someone other than the preparer to ensure the entry was accurate, supported, and had a valid purpose. Lastly, we noted that certain account balances subject to accounting estimate, deemed by the auditor to be significant in nature, were not reviewed for reasonableness and potential bias by an individual other than who prepared and recorded the estimate.

Cause: The School District's internal control structure was not designed to facilitate and ensure a review of asset and liability account reconciliations, manual adjusting entries, and financial statement significant estimates be performed by someone other than the preparer.

Effect: Lack of a review control in these areas increases the risk and likelihood of material misstatements in the financial statements, increases the risk of potential fraud through posting of unsupported or illegitimate manual adjusting entries, and increases the risk that financial statement estimates are biased or unreasonable given the facts and circumstances.

Recommendation: We recommend management review the current internal control structure and incorporate within the accounting process a review control in each of these areas and to physically document the review control occurring to be used as audit evidence.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2021-003 **Department of Education**
Student Financial Aid Cluster
CFDA # 84.268 – Federal Direct Student Loans
2020-2021 Award Year

Special Tests and Provisions – Enrollment Reporting
Material Weakness in Internal Controls over Compliance and Non-Compliance

Criteria: 34 CFR 685.309 sets forth the criteria for administrative and fiscal control and fund accounting requirements for schools participating in the Direct Loan Program in regard to enrollment reporting requirements.

Condition: 27 of the 60 students selected for testing the reporting of student status changes had status change certification dates outside of the required 60 days from the effective date based on NSLDS Enrollment Reporting guidance. 10 of the 60 students selected for testing the reporting of student status changes were reported with the incorrect enrollment status based on NSLDS Enrollment Reporting guidance. 5 of the 60 students selected for testing the reporting of student status changes were reported to NSLDS with an incorrect status effective date based on NSLDS Enrollment Reporting guidance.

Cause: For the students with certification dates outside of the required 60 days timeframe, information files were not provided timely to the third-party provider to submit to NSLDS for reporting. For other reporting issues, errors in information were caused by entry errors by the various departments for incorrect dates or programs. That information is then used to report to NSLDS, so information was reported incorrectly.

Effect: The errors in reporting resulted in reporting dates outside of the required reporting timeframe or other information to be reported incorrectly.

Questioned Costs: None.

Context/Sampling: A nonstatistical sample of 60 students with a change in status out of 778 students with a change in status were selected for testing of enrollment reporting requirements.

Repeat Finding from Prior Year(s): No.

Recommendation: We recommend the financial aid and registrar's offices review controls over information being entered into the software for dates and other academic information that is required to be reported to ensure that status changes and other academic information are certified within 60 days of the effective date. We also recommend that a monitoring system be put into place to track status changes and reporting of those status changes that can be monitored by financial aid or the registrar's office.

Views of Responsible Officials: Management agrees with the finding.

2021-004 **Department of Education**
Student Financial Aid Cluster
CFDA # 84.033 – Federal Workstudy Program
CFDA # 84.007 – Federal Supplemental Educational Opportunity Grants (FSEOG)
CFDA # 84.038 – Federal Perkins Loan Program
2019-2020 Award Year

Reporting – Special Reporting – Fiscal Operations Report and Application to Participate (FISAP)
Significant Deficiency in Internal Controls over Compliance

Criteria: OMB No. 1845-0030 is the valid OMB control number for the FISAP and responding to this collection is mandatory in accordance with 34 CFR 674.19, 34 CFR 675.19, and 34 CFR 676.19. The FISAP report itself identifies the relevant criteria and information requested in this information collection.

Condition: In testing key line items as indicated in the compliance supplement, we noted 4 line items for which amounts reported in the FISAP did not agree to supporting records and documentation that were provided during testing.

Cause: Proper supporting documentation did not agree to numbers in the FISAP or lines were missed when the submission was completed.

Effect: Lack of supporting documentation for amounts reported in the FISAP or supporting documentation that does not agree to amounts reported can lead to incorrect information being reported or bring into question accuracy of amounts reported.

Questioned Costs: None reported.

Context/Sampling: Sampling was not used.

Repeat Finding from Prior Year(s): No.

Recommendation: We recommend that financial aid staff take greater care in compiling the FISAP. Additionally, we recommend the School District reassess existing controls and procedures over the review of the FISAP prior to submission.

Views of Responsible Officials: Management agrees with the finding.



WATERTOWN SCHOOL DISTRICT No. 14-4

Business Office

P.O. Box 730 Watertown, SD 57201-0730

Ph. (605) 882-6314 Fax (605) 882-6327

HEIDI CLAUSEN
Business Manager
Heidi.Clausen@k12.sd.us

MICHELE KRUSE
Executive Assistant
Michele.Kruse@k12.sd.us

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2021

Prepared by Management of

Watertown School District #14-4

Summary Schedule of Prior Audit Findings

Finding 2020-001

Initial Fiscal Year Finding Occurred: 1991

Finding Summary: Lack of segregation of duties for the revenue, expenditure, and payroll functions.

Status: Resolved.

Finding 2020-002

Initial Fiscal Year Finding Occurred: 2020

Finding Summary: The School District overspent the budget in the Self-Insurance Fund for the year ended June 30, 2020.

Status: Resolved.

Finding 2021-001

Finding Summary:

Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments and adjustments to the SEFA, some of which were material, that were not identified by the School District's current internal controls. They also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management. Lastly, they identified certain errors in previously issued financial statements resulting in a restatement of beginning fund balance and net position that were not identified by management in the prior year.

Responsible Individuals:

Heidi Clausen, Business Manager

Corrective Action Plan:

It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We request that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Finding 2021-002

Finding Summary:

During audit procedures, it was noted that certain asset and liability balances reconciled were not reviewed to ensure they were reconciled accurately and any needed adjustment was appropriate. The auditors also noted that manual adjusting journal entries posted to the financial statement accounts were not being reviewed by someone other than the preparer to ensure the entry was accurate, supported, and had a valid purpose. Lastly, it was noted that certain account balances subject to accounting estimate, deemed by the auditor to be significant in nature, were not reviewed for reasonableness and potential bias by an individual other than who prepared and recorded the estimate

Responsible Individuals:

Heidi Clausen, Business Manager

Corrective Action Plan:

The Business Manager and Assistant Business Manager have implemented a procedure in which provides additional review and oversight over adjustments to the financial statements. Management will sign off on monthly adjusting journal entries to ensure that entries are accurate, supported, and have a valid purpose.

Anticipated Completion Date: Corrections completed by December 31, 2021. New process is ongoing.

Finding 2021-003

Federal Agency Name: Department of Education

Program Name: Student Financial Aid Cluster

CFDA # 84.268 Federal Direct Student Loans

Finding Summary: 27 of the 60 students selected for testing the reporting of student status changes had status change certification dates outside of the required 60 days from the effective date based on NSLDS Enrollment Reporting guidance. 10 of the 60 students selected for testing the reporting of student status changes were reported with the incorrect enrollment status based on NSLDS Enrollment Reporting guidance. 5 of the 60 students selected for testing the reporting of student status changes were reported to NSLDS with an incorrect status effective date based on NSLDS Enrollment Reporting guidance.

Responsible Individuals: Eric Schultz, Director of Enrollment and Marlene Seeklander, Director of Financial Aid

Corrective Action Plan:

Student Status Changes - Certification Date for Graduates (30 days)

With the requirement to report the graduation certification date to the National Student Clearinghouse (NSC) within 30 days of graduation, LATC adjusted the graduate audit processes to comply with this timeline.

1. The Director of Enrollment will conduct training to the program supervisors and administrative assistants on the proper ways to ensure audits are accurate.
2. The previous process required three checks on these graduation audits: the administrative assistant, program supervisors, and Registrar's office reviewed graduate files.
 - a. The new process allows a 7 day deadline for the program to audit their graduates. After review, the program supervisor submits the graduate file to the Registrar's office for review within 7-14 days to ensure accuracy. The graduate file will be sent to NSC no later than Day 28.
 - b. For the remaining graduates who complete coursework after the 30 day compliance window, LATC will manually enter the graduation information in NSC's Student Look-up once the graduate is conferred.

Enrollment File – Graduates being reported as Withdraws to NSC/NSLDS

LATC currently runs a SQL database script against the enrollment file before sending it to NSC. This script checks for missing and erroneous data (race/ethnicity, non-degree seeking majors, anticipated grad dates, etc.) in the file and updates it to correct values. The Director of Enrollment worked with the Database Administrator to add a section to identify graduates who are not marked as such in the enrollment file. The Registrar's office will manually investigate these records and (if necessary) updated before sending the file to NSC.

Additional Steps to Ensure Accuracy of Data

1. Every 30 days, representatives from the Financial Aid and the Registrar's departments will pull 10 randomly selected student files to compare information in National Student Clearinghouse, PowerFacts, and NSLDS.
2. The Director of Enrollment will work the error reports that the National Student Clearinghouse sends to LATC after every enrollment file upload with the assistance of the Database Administrator to ensure data submitted is compliant with DOE regulations.

Anticipated Completion Date: Corrections complete by December 31, 2021. New process is ongoing.

Finding 2021-004

Federal Agency Name: Department of Education

Program Name: Student Financial Aid Cluster

CFDA # 84.033 – Federal Work-study Program, #84.007 – Federal Supplemental Educations Opportunity Grants, and #84.038 – Federal Perkins Loan Program

Finding Summary: In testing key line items as indicated in the compliance supplement, the auditors noted 4 line items for which amounts reported in the FISAP did not agree to supporting records and documentation that were provided during testing.

Responsible Individuals: Marlene Seeklander, Director of Financial Aid

Corrective Action Plan:

In response to this deficiency, the following has been completed:

- On January 26, 2022, a Change Request was submitted to the Department of Education for the “Report: Award Year July 1, 2019 through June 30, 2020; Application: Award Year July 1, 2021 through June 30, 2022.”
- The Change Request was to update the four fields that were inadvertently left as \$0 that should have had figures per the report from UAS. This is Section B – Annual Activity During the 2019-20 Award Year, questions 9a, 9b, 10a, and 10b. (11a and 11b were \$0).
- On February 10, 2022, notification of the accepted Change Request was received from the Department of Education.

The UAS Reports and the cumulative information on the FISAP for certain line items have not agreed in over 15 years. Since the Federal Perkins Loan Program is no longer an active Title IV program, we are considering the following:

- Hiring Blue Icon Advisors Consulting, which is the financial aid consulting service offered by NASFAA (National Association of Student Financial Aid Administrators), and have them review and provide recommendations on the line items not in agreement. Another college in South Dakota recently hired them to provide guidance on the Federal Perkins Loan cumulative section of their FISAP and they were satisfied with the results provided.
- In the next couple of years, liquidate the Federal Perkins Loan portfolio held by Lake Area Technical College. This would then assign all of our Federal Perkins Loans to the Department of Education. After the completed assignment process occurs and all final reporting is complete, there would be no reporting required for the Federal Perkins Loan Program section of the FISAP.

Anticipated Completion Date: Corrections complete by January 31, 2022. New process is ongoing.