

CANTON SCHOOL DISTRICT NO 41-1
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2021

CANTON SCHOOL DISTRICT NO 41-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2021

School Board

Christal Dietzenbach

Todd Gannon

Tanya Iverson

Josh Otkin

Robin Kappenman

Jennifer Skiles

Scott Larson

Business Manager

Nancy Thompson

Superintendent

Terry Gerber

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QUAM, BERGLIN & POST, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

School Board
Canton School District No. 41-1
Lincoln County, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton School District No. 41-1, Lincoln County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

The School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses/expenditures of the governmental activities, the general governmental fund and the aggregate remaining fund information is not reasonably determinable.

Qualified Opinions

In our opinion, except for the matters described in the "Basis for Qualified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general governmental fund and the aggregate remaining fund information of Canton School District No.41-1 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.

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, the capital outlay, special education, and bond redemption governmental funds and the food service enterprise fund of Canton 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.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Quam, Berglin & Post P.C.

Quam, Berglin & Post, P.C.
Certified Public Accountants

March 7, 2022

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 5,134,830.32	\$100,834.06	\$ 5,235,664.38
Taxes Receivable	2,607,285.05		2,607,285.05
Accounts Receivable		2,581.71	2,581.71
Due from Other Governments	321,425.66		321,425.66
Inventories	65,993.90	1,173.48	67,167.38
Net Pension Asset	9,031.19		9,031.19
Capital Assets:			
Land and Construction in Progress	376,839.04		376,839.04
Other Capital Assets, Net of Depreciation	<u>21,417,905.45</u>	<u>59,023.79</u>	<u>21,476,929.24</u>
TOTAL ASSETS	<u>29,933,310.61</u>	<u>163,613.04</u>	<u>30,096,923.65</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	<u>1,464,204.15</u>		<u>1,464,204.15</u>
LIABILITIES :			
Accounts Payable	158,810.31	42.71	158,853.02
Contracts and Benefits Payable	776,889.95		776,889.95
Unearned Revenue		16,948.01	16,948.01
Noncurrent Liabilities:			
Due Within One Year	767,276.51		767,276.51
Due in More than One Year	<u>9,919,445.19</u>		<u>9,919,445.19</u>
TOTAL LIABILITIES	<u>11,622,421.96</u>	<u>16,990.72</u>	<u>11,639,412.68</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	2,549,556.47		2,549,556.47
Pension Related Inflows	<u>1,188,015.03</u>		<u>1,188,015.03</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,737,571.50</u>		<u>3,737,571.50</u>
NET POSITION:			
Net Investment in Capital Assets	11,175,399.72	59,023.79	11,234,423.51
Restricted for:			
Capital Outlay	2,525,737.27		2,525,737.27
Special Education	161,014.89		161,014.89
Debt Service	132,419.73		132,419.73
SDRS Pension Purposes	285,220.31		285,220.31
Unrestricted	<u>1,757,729.38</u>	<u>87,598.53</u>	<u>1,845,327.91</u>
TOTAL NET POSITION	<u>\$ 16,037,521.30</u>	<u>\$ 146,622.32</u>	<u>\$ 16,184,143.62</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF ACTIVITIES
JUNE 30, 2021

<u>Functions/Programs</u>	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues		Primary Government		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:					
Governmental Activities:					
Instruction	\$ 6,068,111.87	\$ 28,954.62	\$ 1,314,141.38	\$ (4,725,015.87)	\$ (4,725,015.87)
Support Services	3,416,654.02			(3,416,654.02)	(3,416,654.02)
Nonprogrammed Charges	60,000.00			(60,000.00)	(60,000.00)
*Interest on Long-term Debt	259,885.47			(259,885.47)	(259,885.47)
Cocurricular Activities	305,601.08	61,929.35		(243,671.73)	(243,671.73)
Total Governmental Activities	10,110,252.44	90,883.97	1,314,141.38	(8,705,227.09)	(8,705,227.09)
Business-type Activities:					
Food Service	399,142.90	83,599.50	292,127.71	(23,415.69)	(23,415.69)
Total Primary Government	\$ 10,509,395.34	\$ 174,483.47	\$ 1,606,269.09	(8,705,227.09)	(8,728,642.78)
General Revenues:					
Taxes:					
Property Taxes			5,789,193.15		5,789,193.15
Utility Taxes			132,833.38		132,833.38
Revenue from State Sources:					
State Aid			3,212,238.83		3,212,238.83
Unrestricted Investment Earnings			50,400.23		50,400.23
Other General Revenues			68,908.18		68,908.18
Total General Revenues			9,253,573.77		9,253,573.77
Change in Net Position			548,346.68	(23,415.69)	524,930.99
Net Position-Beginning			15,489,174.62	170,038.01	15,659,212.63
NET POSITION - ENDING			\$ 16,037,521.30	\$ 146,622.32	\$ 16,184,143.62

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

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

**CANTON SCHOOL DISTRICT NO. 41-1
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,209,669.58	\$ 2,483,449.57	\$ 313,314.40	\$ 128,396.77	\$ 5,134,830.32
Taxes Receivable--Current	995,385.21	824,144.20	521,359.45	208,667.61	2,549,556.47
Taxes Receivable--Delinquent	29,684.55	15,355.07	8,666.00	4,022.96	57,728.58
Inventory	65,993.90				65,993.90
Due from Other Government	168,925.66	152,500.00			321,425.66
TOTAL ASSETS	\$ 3,469,658.90	\$ 3,475,448.84	\$ 843,339.85	\$ 341,087.34	\$ 8,129,534.93
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 49,660.14	\$ 87,709.53	\$ 21,440.64	\$	\$ 158,810.31
Contracts Payable	526,210.17		116,795.90		643,006.07
Payroll Deductions and Withholdings and Employer Matching Payable	111,154.91		22,728.97		133,883.88
Total Liabilities	687,025.22	87,709.53	160,965.51		935,700.26
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	995,385.21	824,144.20	521,359.45	208,667.61	2,549,556.47
Unavailable Revenue-Property Taxes	29,684.55	15,355.07	8,666.00	4,022.96	57,728.58
Total Deferred Inflows of Resources	1,025,069.76	839,499.27	530,025.45	212,690.57	2,607,285.05
Fund Balances:					
Nonspendable	65,993.90				65,993.90
Restricted		2,548,240.04	152,348.89	128,396.77	2,828,985.70
Assigned	433,881.63				433,881.63
Unassigned	1,257,688.39				1,257,688.39
Total Fund Balances	1,757,563.92	2,548,240.04	152,348.89	128,396.77	4,586,549.62
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,469,658.90	\$ 3,475,448.84	\$ 843,339.85	\$ 341,087.34	\$ 8,129,534.93

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

CANTON SCHOOL DISTRICT NO. 41-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds \$ 4,586,549.62

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:	\$ 31,956,699.93	
The accumulated depreciation is:	<u>(10,161,955.44)</u>	21,794,744.49

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

Capital Outlay Certificates Payable	(4,345,000.00)	
Bonds Payable	(5,915,000.00)	
Premium on Debt Issued	(359,344.77)	
Capital Leases Payable	(37,857.84)	
Accrued Leave Payable	<u>(29,519.09)</u>	(10,686,721.70)

Net Pension Asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	9,031.19
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Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.	1,464,204.15
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Pension related deferred inflows are components of pension liability and therefore are not reported in the funds	(1,188,015.03)
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Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures, are deferred in the funds.	<u>57,728.58</u>
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Net Position - Governmental Funds	<u>\$16,037,521.30</u>
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The notes to the financial statements are an integral part of this statement

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2021

Revenues:	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 2,204,617.01	\$ 1,902,083.46	\$ 1,175,445.36	\$ 458,946.32	\$ 5,741,092.15
Prior Years' Ad Valorem Taxes	14,233.29	11,058.45	6,461.02	2,794.45	34,547.21
Utility Taxes	132,833.38				132,833.38
Penalties and Interest on Taxes	6,327.85	2,690.78	1,582.48	645.06	11,246.17
Tuition and Fees:					
Regular Day School Tuition	28,954.62				28,954.62
Earnings on Investments and Deposits	50,400.23				50,400.23
Co-curricular Activities:					
Admissions	21,474.66				21,474.66
Rentals	1,000.00				1,000.00
Other Pupil Activity Income	39,454.69				39,454.69
Other Revenue from Local Sources:					
Rentals	3,250.00				3,250.00
Contributions and Donations	3,881.68	21,543.35			25,425.03
Charge for Services	9,574.52		51,055.46		60,629.98
Other	17,854.51				17,854.51
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	22,378.64				22,378.64
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	3,205,913.05				3,205,913.05
Restricted Grants-in-Aid		47,227.40	292,320.00		339,547.40
Other State Revenue	6,325.78				6,325.78
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-In-Aid Received From Federal Government Through the State	310,540.90	120,959.10			431,500.00
Restricted Grants-In-Aid Received From Federal Government Through the State					
Total Revenue	<u>278,760.00</u>	<u>196,533.00</u>	<u>7,171.00</u>	<u>462,385.83</u>	<u>482,464.00</u>
	<u>6,357,774.81</u>	<u>2,302,095.54</u>	<u>1,534,035.32</u>		<u>10,656,291.50</u>

Expenditures:

Instruction:			
Regular Programs:			
Elementary	1,608,703.94	253,038.78	1,861,742.72
Middle/Junior High	710,230.96	70,504.19	780,735.15
High School	1,025,286.75	88,315.95	1,113,602.70
Special Programs:			
Programs for Special Education		14,070.06	1,163,079.74
Programs for Educationally Deprived	181,070.06		181,070.06
Other Special Programs	56,029.48		56,029.48
Support Services:			
Pupils:			
Attendance and Social Work	69,152.77		69,152.77
Guidance	180,490.99		180,490.99
Health	51,853.10		118,481.94
Psychology		66,628.84	6,735.27
Speech Pathology		6,735.27	33,194.61
Student Therapy Services		33,194.61	66,066.06
Support Services - Instructional Staff:			
Improvement of Instruction	8,690.00		8,690.00
Educational Media	169,558.73	1,902.08	171,460.81
Support Services - General Administration:			
Board of Education	153,989.10		153,989.10
Executive Administration	198,772.24	247.75	199,019.99
Support Services - School Administration:			
Office of the Principal	433,669.12	164.00	433,833.12
Other	776.09		776.09
Support Services - Business:			
Fiscal Services	173,571.85		173,571.85
Facilities Acquisition and Construction		7,092.00	7,092.00
Operation and Maintenance of Plant	722,663.96	230,154.59	952,818.55
Pupil Transportation	356,569.45	59,000.00	415,569.45
Internal Services	9,599.86		9,599.86
Support Services - Special Education:			
Administrative Costs		113,728.75	113,728.75
Internal Services		9,600.00	9,600.00
Transportation Costs		63,000.97	63,000.97
Other Special Education Costs		545.00	545.00

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Nonprogrammed Charges					
Early Retirement Payments	30,000.00		30,000.00		60,000.00
Debt Services		521,160.00		487,146.25	1,008,306.25
Cocurricular Activities:					
Male Activities	94,339.19	29,901.07			124,240.26
Female Activities	48,879.44	7,096.20			55,975.64
Combined Activities	122,864.24	2,520.94			125,385.18
Capital Outlay		697,783.34			697,783.34
Total Expenditures	<u>6,406,761.32</u>	<u>1,992,550.95</u>	<u>1,528,909.18</u>	<u>487,146.25</u>	<u>10,415,367.70</u>
Excess of Revenue Over (Under) Expenditures	<u>(48,986.51)</u>	<u>309,544.59</u>	<u>5,126.14</u>	<u>(24,760.42)</u>	<u>240,923.80</u>
Other Financing Sources:					
Proceeds of Capital Leases		47,322.30			47,322.30
Total Other Financing Sources (Uses)		<u>47,322.30</u>			<u>47,322.30</u>
Net Change in Fund Balances	<u>(48,986.51)</u>	<u>356,866.89</u>	<u>5,126.14</u>	<u>(24,760.42)</u>	<u>288,246.10</u>
Fund Balance Beginning	<u>1,806,550.43</u>	<u>2,191,373.15</u>	<u>147,222.75</u>	<u>153,157.19</u>	<u>4,298,303.52</u>
FUND BALANCE - ENDING	<u>\$1,757,563.92</u>	<u>\$2,548,240.04</u>	<u>\$ 152,348.89</u>	<u>\$ 128,396.77</u>	<u>\$ 4,586,549.62</u>

CANTON SCHOOL DISTRICT NO. 41-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 288,246.10

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 depreciation expense exceeds capital outlays during this period.

Capital Outlays	\$ 697,783.34	
Depreciation Expense	<u>(713,251.63)</u>	(15,468.29)

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.

Capital Lease	<u>(47,322.30)</u>	(47,322.30)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayments.

General Obligation Bonds	335,000.00	
Capital Lease	9,464.46	
Capital Outlay Certificates	<u>380,000.00</u>	724,464.46

Governmental funds do not reflect the change in accrued leave, early retirement, due to other governments, and other post-employment benefits, but the statement of activities reflects the change in these benefits through expenses. (996.32)

When bonds are issued there is usually a premium or a discount involved. This premium or discount is amortized over the life of the bonds issued. 23,956.32

In both the government-wide and fund financial statements, revenues from property tax levies and are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements 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". 2,307.62

Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds. (426,840.91)

Change in Net Position of Governmental Activities	\$	<u>548,346.68</u>
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The notes to the financial statements are an integral part of this statement

**CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

	<u>Food Service Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 100,834.06
Accounts Receivable	2,581.71
Inventory of Donated Food	<u>1,173.48</u>
Total Current Assets	<u>104,589.25</u>
Capital Assets:	
Machinery and Equipment	213,255.28
Less: Accumulated Depreciation	<u>(154,231.49)</u>
Total Noncurrent Assets	<u>59,023.79</u>
TOTAL ASSETS	<u>163,613.04</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	42.71
Revenue Collected in Advance	<u>16,948.01</u>
Total Current Liabilities	<u>16,990.72</u>
NET POSITION:	
Net Investment in Capital Assets	59,023.79
Unrestricted Net Position	<u>87,598.53</u>
TOTAL NET POSITION	<u>\$ 146,622.32</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Food Service Fund</u>
Operating Revenue:	
Food Sales:	
To Pupils	\$ 81,447.45
To Adults	1,830.55
A la Carte	<u>321.50</u>
Total Operating Revenue	<u>83,599.50</u>
Operating Expenses:	
Food Service:	
Salaries	13,786.00
Employee Benefits	1,881.00
Purchased Services	333,089.91
Supplies	8,357.69
Cost of Sales-Donated Food	33,630.40
Depreciation	<u>8,397.90</u>
Total Operating Expenses	<u>399,142.90</u>
Operating Income (Loss)	<u>(315,543.40)</u>
Nonoperating Revenue (Expense):	
State Sources:	
Other Cash Payments	1,358.10
Federal Sources:	
Cash Reimbursements	260,799.37
Donated Food	<u>29,970.24</u>
Total Nonoperating Revenue (Expense)	<u>292,127.71</u>
Change in Net Position	(23,415.69)
Net Position- Beginning	<u>170,038.01</u>
NET POSITION - ENDING	<u>\$ 146,622.32</u>

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

CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2021

	<u>Food Service Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 82,813.34
Payments to Employees	(15,667.00)
Payments to Suppliers	<u>(344,347.34)</u>
Net Cash Provided (Used) by Operating Activities	<u>(277,201.00)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Subsidies	<u>262,157.47</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(6,519.01)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (21,562.54)</u>
Cash and Cash Equivalents at Beginning of Year	\$ 122,396.60
Cash and Cash Equivalents at End of Year	<u>100,834.06</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (21,562.54)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (315,543.40)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	8,397.90
Value of Commodities Used	33,630.40
Change in Assets and Liabilities:	
Accounts Payable	(2,899.74)
Accounts Receivable	2,483.90
Revenue Received in Advance	<u>(3,270.06)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (277,201.00)</u>
Noncash Investing, Capital and Financing Activities:	
Value of Commodities Received	\$ 29,970.24

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

**CANTON SCHOOL DISTRICT NO. 41-1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Custodial Funds</u>
ASSETS:	
Cash and Cash Equivalents	\$ 199,281.32
Accounts Receivable	<u>275.79</u>
TOTAL ASSETS	<u>199,557.11</u>
LIABILITIES:	
Amounts Held for Others	<u>\$ 199,557.11</u>

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

**CANTON SCHOOL DISTRICT NO. 41-1
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of Canton School District No. 41-1 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

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

Governmental Funds:

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

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

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

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

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

The Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary*

government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investments trust funds, or private-purpose trust funds. The School District maintains custodial funds for the following purposes: class funds, student organizations, and clearing accounts.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 does not exceed one bill-paying cycle, and for the Canton School District No. 41-1, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2021 are accounts receivable from various sources.

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

d. Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Government-Wide Financial Statements

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

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

The total June 30, 2021 balance of capital assets for governmental activities includes approximately 0.91% for which the costs were determined by estimates of original costs. The total June 30, 2021 balance of capital assets for business-type activities are valued at original cost. These estimated original costs were established by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	ALL	NA	NA
Improvements	\$ 10,000.00	Straight Line	15-25 yrs
Buildings	20,000.00	Straight Line	50 yrs
Equipment and Vehicles	2,500.00	Straight Line	5-20 yrs
Food Service Machinery and Equipment	1,000.00	Straight Line	5-20 yrs

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues

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

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (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 places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

l. Application of Net Position:

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

m. Deferred Inflows and Deferred Outflows of Resources:

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

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

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

A schedule of fund balances is provided as follows:

**CANTON SCHOOL DISTRICT NO. 41-1
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
<i>Nonspendable:</i>					
Inventory	\$ 65,993.90	\$	\$	\$	\$ 65,993.90
<i>Restricted for:</i>					
Capital Outlay		2,548,240.04			2,548,240.04
Special Education			152,348.89		152,348.89
Bond Redemption				128,396.77	128,396.77
<i>Assigned to:</i>					
Unemployment	127,226.63				127,226.63
Subsequent Budget	306,655.00				306,655.00
<i>Unassigned</i>	1,257,688.39				1,257,688.39
Total Fund Balances	<u>\$ 1,757,563.92</u>	<u>\$ 2,548,240.04</u>	<u>\$ 152,348.89</u>	<u>\$ 128,396.77</u>	<u>\$ 4,586,549.62</u>

o. Pensions:

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

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

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

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

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

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

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

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

NOTE 3 – RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

NOTE 4 - INVENTORY

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 5 - PROPERTY TAXES

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

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

property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTE 6 - CHANGES IN CAPITAL ASSETS

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

<i>Primary Government</i>	Balance 06/30/20	Increases	Decreases	Balance 06/30/21
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 328,488.04		\$	\$ 328,488.04
Construction in Progress	36,227.50	140,668.27	(128,544.77)	48,351.00
Totals	364,715.54	140,668.27	(128,544.77)	376,839.04
Capital Assets, depreciated:				
Library Books	390,087.03	2,483.82		392,570.85
Improvements	2,721,621.59	192,959.60		2,914,581.19
Buildings	26,059,958.16	128,544.77		26,188,502.93
Machinery and Equipment	1,722,534.27	361,671.65		2,084,205.92
Totals	30,894,201.05	685,659.84		31,579,860.89
Less Accumulated Depreciation:				
Library Books	378,454.62	2,806.26		381,260.88
Improvements	1,667,830.41	69,901.61		1,737,732.02
Buildings	6,313,989.28	520,740.03		6,834,729.31
Machinery and Equipment	1,088,429.50	119,803.73		1,208,233.23
Total Accumulated Depreciation	9,448,703.81	713,251.63		10,161,955.44
Total Capital Assets, being depreciated, net	21,445,497.24	(27,591.79)		21,417,905.45
Governmental Activities Capital Assets, net	\$ 21,810,212.78	\$ 113,076.48	\$ (128,544.77)	\$ 21,794,744.49
**Depreciation expense was charged to functions as follows:				
Governmental Activities:				
Instruction				\$ 485,011.11
Support Services				228,240.52
Total Depreciation expense-governmental activities				\$ 713,251.63

Business Type Activities:	Balance 6/30/20	Increases	Decreases	Balance 06/30/21
Capital Assets, depreciated:				
Machinery and Equipment	\$ 206,736.27	\$ 6,519.01	\$	\$ 213,255.28
Less Accumulated Depreciation:				
Machinery and Equipment	<u>145,833.59</u>	<u>8,397.90</u>		<u>154,231.49</u>
Business-type activity capital assets, net	<u>\$ 60,902.68</u>	<u>\$ (1,878.89)</u>	<u>\$ 0.00</u>	<u>\$ 59,023.79</u>

Depreciation expense was charged to functions as follows:

Business-type Activity

Total Depreciation expense-business-type activities \$ 8,397.90

Construction Work in Progress at June 30, 2021 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/2021</u>	<u>Committed</u>
Elementary Tile	\$ 37,420.00	\$ 12,000.00	\$ 25,420.00
Playground	<u>72,700.60</u>	<u>36,351.00</u>	<u>36,349.60</u>
Total Construction Work in Progress	<u>\$ 110,120.60</u>	<u>\$ 48,351.00</u>	<u>\$ 61,769.60</u>

NOTE 7 - LONG -TERM LIABILITIES

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

Primary Government

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 6,250,000.00	\$	\$ 335,000.00	\$ 5,915,000.00	\$ 335,000.00
Capital Outlay Certificates	4,725,000.00		380,000.00	4,345,000.00	390,000.00
Premium on Bonds Issued	383,301.09		23,956.32	359,344.77	23,956.32
Accrued Compensated Absences	28,522.77	36,306.05	35,309.73	29,519.09	8,855.73
Capital (Financing) Lease		<u>47,322.30</u>	<u>9,464.46</u>	<u>37,857.84</u>	<u>9,464.46</u>
Total Governmental Activities	<u>\$ 11,386,823.86</u>	<u>\$ 83,628.35</u>	<u>\$ 783,730.51</u>	<u>\$ 10,686,721.70</u>	<u>\$ 767,276.51</u>

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

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

	Copier Lease
Principal	\$ 47,322.30
Interest	<u>0.00</u>
Total	<u>\$ 47,322.30</u>

Liabilities payable at June 30, 2021, not including premiums on debt, are comprised of the following:

Primary Government

Limited Tax General Obligation Payable:

Series 2010A Limited Tax General Obligation Certificates dated June 15, 2010
Interest rates of 2.000% to 4.000%, depending on length to maturity; interest
payable semi-annually. Final maturity is June 2025. Payments to be made from
Capital Outlay Fund \$ 860,000.00

Series 2017A Limited Tax General Obligation Certificates dated January 5, 2017
Interest rates of 2.000% to 3.500%, depending on length to maturity; interest
payable semi-annually. Final maturity is December 2036. Payments to be made
from Capital Outlay Fund. 3,485,000.00

General Obligation Bonds Payable:

Series 2016A General Obligation Bonds dated September 15, 2016, Interest rates
of 0.650% to 3.000%, depending on length to maturity; interest payable semi-
annually. Final maturity is December 2035. Payments to be made from Bond
Redemption Fund. 5,915,000.00

Compensated Absences:

Vested annual leave. Payments are made from the General Fund. 29,519.09

Capital (Financing) Leases

Lease with Elite Business Systems for 8 copiers dated July, 2020. Final maturity is
June 30, 2025. Payments are made from the Capital Outlay Fund. 37,857.84

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

Year Ending June 30,	Capital	2010A Limited Tax G. O.		Premium on
	Copier Lease	Certificates		Debt Issued
	Principal	Principal	Interest	Principal
2022	\$ 9,464.46	\$ 205,000.00	\$ 33,452.50	\$ 23,956.32
2023	9,464.46	215,000.00	25,765.00	23,956.32
2024	9,464.46	225,000.00	17,487.50	23,956.32
2025	9,464.46	215,000.00	4,300.00	23,956.32
2026				23,956.32
2027-2031				119,781.60
2032-2036				119,781.57
2037-2041				
Totals	<u>\$ 37,857.84</u>	<u>\$ 860,000.00</u>	<u>\$ 81,005.00</u>	<u>\$ 359,344.77</u>

Year Ending June 30,	2016A G. O. Bonds		2017A C. O. Certificates		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 335,000.00	\$ 147,001.25	\$ 185,000.00	\$ 96,980.00	\$ 758,420.78	\$ 277,433.7
2023	340,000.00	139,985.00	185,000.00	94,436.25	773,420.78	260,186.2
2024	350,000.00	129,635.00	190,000.00	91,622.50	798,420.78	238,745.0
2025	360,000.00	121,505.00	190,000.00	88,250.00	798,420.78	214,055.0
2026	365,000.00	115,522.50	195,000.00	83,912.50	560,000.00	199,435.0
2027-2031	1,940,000.00	463,355.00	1,055,000.00	334,550.00	3,114,781.60	797,905.0
2032-2036	2,225,000.00	170,775.00	1,220,000.00	155,175.00	3,564,781.60	325,950.0
2037-2041			265,000.00	4,637.50	288,956.29	4,637.5
Totals	<u>\$ 5,915,000.00</u>	<u>\$ 1,287,778.75</u>	<u>\$ 3,485,000.00</u>	<u>\$ 949,563.75</u>	<u>\$ 10,657,202.61</u>	<u>\$ 2,318,347.5</u>

NOTE 8 – RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted by</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 2,525,737.27
Special Education Purposes	Law	161,014.89
Debt Services Purposes	Debt Covenants	132,419.73
SDRS Pension Purposes	Law	285,220.31
Total Restricted Net Position		<u>\$ 3,104,392.20</u>

NOTE 9 – PENSION PLAN

Plan Information:

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also

available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2021, 2020, and 2019 were \$282,104.21, \$273,831.57, and \$260,232.94, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 25,563,185.27
Less proportionate share of net pension restricted for pension benefits	<u>25,572,216.46</u>
Proportionate share of net pension liability (asset)	<u>\$ (9,031.19)</u>

At June 30, 2021, the School reported a liability (asset) of (9,031.19) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020 the School District's proportion was 0.20794920% which is an increase (decrease) of 0.0039288% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense (reduction of pension expense) of \$426,840.91. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 34,549.24	\$ 7,074.80
Changes in assumption	290,901.87	1,173,223.57
Net difference between projected and actual earnings on pension plan investments	839,405.18	
Changes in proportion and difference between School District contributions and proportionate share of contributions	17,243.65	7,716.66
School District contributions subsequent to the measurement date	282,104.21	
TOTAL	\$ 1,464,204.15	\$ 1,188,015.03

\$282,104.21 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

2022	\$ (104,245.04)
2023	(80,380.75)
2024	12,695.87
2025	156,487.84
TOTAL	\$ (15,442.08)

Actuarial Assumptions:

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

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

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

Mortality rates for disabled members were based on the RP-014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

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

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

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 3,503,504.33	\$ (9,031.19)	\$ (2,882,216.06)

Pension Plan Fiduciary Net Position:

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

NOTE 10 - JOINT VENTURES

The School District participates in the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

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

Alcester-Hudson	9.70%
Beresford	19.80%
Canton	25.10%
Elk Point-Jefferson	19.50%
Gayville-Volin	8.10%
Irene-Wakonda	8.10%
Viborg-Hurley	9.70%

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and for setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the net position of the co-op but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Southeast Area Cooperative.

At June 30, 2021, this joint venture had total assets of \$941,074.10, deferred outflows of \$376,924.66, total liabilities of \$213,606.73, deferred inflows of \$307,632.18, and total fund equity of \$796,759.85.

NOTE 11 – RISK MANAGEMENT

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

Employee Health Insurance

The School District joined the South Dakota School Districts Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its members.

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

Liability Insurance

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

years.

Worker's Compensation

The school district 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 provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's 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 worker's 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.

Unemployment Benefits

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

The School District has an assigned fund balance in the General Fund in the amount of \$127,226.63 for the payment of future unemployment benefits.

During the year ended June 30, 2021, 6 claims were filed for unemployment benefits in the amount of \$813.00. As of June 30, 2021, there were no outstanding claims for unemployment benefits. It is not anticipated that no additional claims for unemployment benefits will be filed in the next fiscal year.

NOTE 12 - SIGNIFICANT CONTINGENCIES - LITIGATION

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

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,161,138.00	2,161,138.00	\$ 2,204,617.01	\$ 43,479.01
Prior Years' Ad Valorem Taxes	15,000.00	15,000.00	14,233.29	(766.71)
Utility Taxes	158,000.00	158,000.00	132,833.38	(25,166.62)
Penalties and Interest on Taxes	6,000.00	6,000.00	6,327.85	327.85
Tuition and Fees:				
Regular Day School Tuition	25,000.00	25,000.00	28,954.62	3,954.62
Earnings on Investments/ Deposits	35,000.00	35,000.00	50,400.23	15,400.23
Cocurricular Activities:				
Admissions	36,500.00	36,500.00	21,474.66	(15,025.34)
Rentals, Cocurricular Activities	1,000.00	1,000.00	1,000.00	
Other Pupil Activity Income	9,000.00	9,000.00	39,454.69	30,454.69
Other Revenue from Local Sources:				
Rentals	2,000.00	2,000.00	3,250.00	1,250.00
Contributions	8,000.00	8,000.00	3,881.68	(4,118.32)
Charges for Services	5,000.00	5,000.00	9,574.52	4,574.52
Other	15,000.00	15,000.00	17,854.51	2,854.51
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	30,000.00	30,000.00	22,378.64	(7,621.36)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	3,124,505.00	3,124,505.00	3,205,913.05	81,408.05
Other State Revenue			6,325.78	6,325.78
Revenue from Federal Sources:				
Unrestricted Grants-In-Aid Received From Federal Government Through the State			310,540.90	310,540.90
Restricted Grants-In-Aid Received From Federal Government Through the State	<u>171,192.00</u>	<u>579,748.00</u>	<u>278,760.00</u>	<u>(300,988.00)</u>
Total Revenue	<u>5,802,335.00</u>	<u>6,210,891.00</u>	<u>6,357,774.81</u>	<u>146,883.81</u>

**REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary School	1,483,756.93	1,614,591.65	1,608,703.94	5,887.71
Middle/Junior High	762,674.92	762,674.92	710,230.96	52,443.96
High School	1,006,823.00	1,060,021.48	1,025,286.75	34,734.73
Special Programs:				
Educationally Deprived	163,821.17	193,536.96	181,070.06	12,466.90
Other Special Programs	40,441.20	40,441.20	56,029.48	(15,588.28)
Support Services:				
Pupils:				
Attendance and Social Work	101,766.81	101,766.81	69,152.77	32,614.04
Guidance	182,931.52	182,931.52	180,490.99	2,440.53
Health	54,121.00	54,121.00	51,853.10	2,267.90
Support Services - Instructional Staff:				
Improvement of Instruction	14,660.00	14,660.00	8,690.00	5,970.00
Educational Media	165,991.45	165,991.45	169,558.73	(3,567.28)
Support Services - General Administration:				
Board of Education	135,065.55	135,065.55	153,989.10	(18,923.55)
Executive Administration	197,022.86	197,022.86	198,772.24	(1,749.38)
Support Services - School Administration:				
Office of the Principal	434,823.52	434,823.52	433,669.12	1,154.40
Other			776.09	(776.09)
Support Services - Business:				
Fiscal Services	176,906.89	176,906.89	173,571.85	3,335.04
Operation and Maintenance of Plant	701,939.47	741,611.48	722,663.96	18,947.52
Pupil Transportation	382,500.00	382,500.00	356,569.45	25,930.55
Internal Services	12,000.00	12,000.00	9,599.86	2,400.14
Nonprogrammed Charges				
Early Retirement Payments			30,000.00	(30,000.00)
Cocurricular Activities:				
Male Activities	89,954.61	89,954.61	94,339.19	(4,384.58)
Female Activities	50,296.64	50,296.64	48,879.44	1,417.20
Combined Activities	114,730.75	114,730.75	122,864.24	(8,133.49)
Total Expenditures	6,272,228.29	6,525,649.29	6,406,761.32	118,887.97
Excess of Revenue Over (Under)				
Expenditures	(469,893.29)	(314,758.29)	(48,986.51)	265,771.78
Other Financing Sources:				
Transfers In	250,000.00	250,000.00		(250,000.00)
Net Change in Fund Balances	(219,893.29)	(64,758.29)	(48,986.51)	15,771.78
Fund Balance - July 1, 2020	1,806,550.43	1,806,550.43	1,806,550.43	
FUND BALANCE - JUNE 30, 2021	\$ 1,586,657.14	\$ 1,741,792.14	\$ 1,757,563.92	\$ 15,771.78

**REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,878,124.00	\$ 1,878,124.00	\$ 1,902,083.46	\$ 23,959.46
Prior Years' Ad Valorem Taxes	6,000.00	6,000.00	11,058.45	5,058.45
Penalties and Interest on Taxes	2,500.00	2,500.00	2,690.78	190.78
Other Revenue from Local Sources:				
Contributions and Donations	10,000.00	10,000.00	21,543.35	11,543.35
Revenue from State Sources:				
Restricted Grants-in-Aid		47,200.00	47,227.40	27.40
Revenue from Federal Sources:				
Unrestricted Grants-in-Aid Received from Federal Government through the State			120,959.10	120,959.10
Restricted Grants-in-Aid Received from Federal Government through the Stat		164,995.00	196,533.00	31,538.00
Total Revenue	1,896,624.00	2,108,819.00	2,302,095.54	193,276.54
Expenditures:				
Instruction				
Regular programs:				
Elementary	95,900.00	253,900.00	271,218.78	(17,318.78)
Middle/Junior High	48,440.00	48,440.00	70,504.19	(22,064.19)
High School	192,030.00	192,030.00	121,027.52	71,002.48
Special Programs:				
Programs for Special Education	12,300.00	12,300.00	14,070.06	(1,770.06)
Other Special Programs	12,000.00	12,000.00		12,000.00
Support Services-Instructional Staff:				
Educational Media	90,550.00	90,550.00	4,385.90	86,164.10
Support Services - General Administration:				
Executive Administration			247.75	(247.75)
Support Services- School Administration:				
Office of Principal			164.00	(164.00)

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
JUNE 30, 2021

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	Original	Final		
Support Services - Business:				
Facilities Acquisition and Construction	17,275.00	17,275.00	99,409.27	(82,134.27)
Operation and Maintenance of Plant	1,143,500.00	1,295,495.00	782,245.27	513,249.73
Pupil Transportation	59,000.00	59,000.00	59,000.00	
Food Services		7,500.00		7,500.00
Internal Services	11,000.00	11,000.00	9,600.00	1,400.00
Debt Services	521,914.00	521,914.00	521,160.00	754.00
Cocurricular Activities:				
Male Activities	22,440.00	22,440.00	29,901.07	(7,461.07)
Female Activities	8,640.00	8,640.00	7,096.20	1,543.80
Combined Activities	35,110.00	35,110.00	2,520.94	32,589.06
Total Expenditures	<u>2,270,099.00</u>	<u>2,587,594.00</u>	<u>1,992,550.95</u>	<u>595,043.05</u>
Excess of Revenue Over (Under)				
Expenditures	(373,475.00)	(478,775.00)	309,544.59	788,319.59
Other Financing Sources:				
Transfers (Out)	(250,000.00)	(250,000.00)		250,000.00
Proceeds of Capital Leases			47,322.30	47,322.30
Total Other Financing Sources	<u>(250,000.00)</u>	<u>(250,000.00)</u>	<u>47,322.30</u>	<u>297,322.30</u>
Net Change in Fund Balances	(623,475.00)	(728,775.00)	356,866.89	1,085,641.89
Fund Balance - July 1, 2020	<u>2,191,373.15</u>	<u>2,191,373.15</u>	<u>2,191,373.15</u>	
FUND BALANCE - JUNE 30, 2021	<u>\$ 1,567,898.15</u>	<u>\$ 1,462,598.15</u>	<u>\$ 2,548,240.04</u>	<u>\$ 1,085,641.89</u>

REQUIRED SUPPLEMENTARY INFORMATION
CANTON SCHOOL DISTRICT NO. 41-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,151,176.00	\$ 1,151,176.00	\$ 1,175,445.36	\$ 24,269.36
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	6,461.02	2,461.02
Penalties and Interest on Taxes	1,200.00	1,200.00	1,582.48	382.48
Other Revenue from Local Sources:				
Charges for Services	8,800.00	48,800.00	51,055.46	2,255.46
Revenue from State Sources:				
Restricted Grants-in-Aid	169,604.00	169,604.00	292,320.00	122,716.00
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government through state		7,170.00	7,171.00	1.00
Total Revenue	<u>1,334,780.00</u>	<u>1,381,950.00</u>	<u>1,534,035.32</u>	<u>152,085.32</u>
Expenditures:				
Special Programs:				
Programs for Special Education	1,302,663.00	1,302,663.00	1,149,009.68	153,653.32
Support Services				
Pupils:				
Health	96,000.00	96,000.00	66,628.84	29,371.16
Psychological	8,000.00	8,000.00	6,735.27	1,264.73
Speech Pathology	30,500.00	30,500.00	33,194.61	(2,694.61)
Student Therapy Services	67,000.00	67,000.00	66,066.06	933.94
Support Services - Special Education				
Administrative Costs	113,875.00	113,875.00	113,728.75	146.25
Transportation Costs	64,000.00	64,000.00	63,000.97	999.03
Other Special Education Costs	1,500.00	1,500.00	545.00	955.00
Nonprogrammed Charges				
Early Retirement Payments	30,000.00	30,000.00	30,000.00	
Total Expenditures	<u>1,713,538.00</u>	<u>1,713,538.00</u>	<u>1,528,909.18</u>	<u>184,628.82</u>
Net Change in Fund Balances	(378,758.00)	(331,588.00)	5,126.14	336,714.14
Fund Balance - July 1, 2020	<u>147,222.75</u>	<u>147,222.75</u>	<u>147,222.75</u>	
FUND BALANCE - JUNE 30, 2021	<u>\$ (231,535.25)</u>	<u>\$ (184,365.25)</u>	<u>\$ 152,348.89</u>	<u>\$ 336,714.14</u>

CANTON SCHOOL DISTRICT NO. 41-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
And for each major Special Revenue Fund with a legally required budget

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

NOTE 2 – GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

Schedule of Required Supplementary Information
CANTON SCHOOL DISTRICT NO. 41-1

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

South Dakota Retirement System

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability (asset)	0.2138941%	0.2093070%	0.2077615%	0.2120982%	0.2046398%	0.2040204%	0.2079492%
District's proportionate share of net pension liability (asset)	\$(1,541,020)	\$ (889,527)	\$ 701,798	\$ (19,248)	\$ (4,773)	\$ (21,621)	\$ (9,031)
District's covered-employee payroll	\$ 3,741,393	\$ 3,829,077	\$ 3,949,417	\$ 4,307,171	\$ 4,253,030	\$ 4,337,218	\$ 4,562,703
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.19%	-23.23%	17.77%	-0.45%	-0.11%	-0.50%	-0.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.30%	104.10%	96.89%	100.10%	100.02%	100.09%	100.04%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Required Supplementary Information

CANTON SCHOOL DISTRICT NO. 41-1

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ <u>224,163</u>	\$ <u>229,745</u>	\$ <u>237,035</u>	\$ <u>258,430</u>	\$ <u>255,182</u>	\$ <u>260,233</u>	\$ <u>273,832</u>	\$ <u>282,104</u>
Contributions in relation to the contractually required contribution	\$ <u>224,163</u>	\$ <u>229,745</u>	\$ <u>237,035</u>	\$ <u>258,430</u>	\$ <u>255,182</u>	\$ <u>260,233</u>	\$ <u>273,832</u>	\$ <u>282,104</u>
Contribution deficiency (excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
District's covered-employee payroll	\$ 3,741,393	\$ 3,829,077	\$ 3,949,417	\$ 4,307,171	\$ 4,253,030	\$ 4,337,218	\$ 4,562,703	\$ 4,701,742
Contributions as a percentage of covered-employee payroll	5.99%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CANTON SCHOOL DISTRICT NO. 41-1
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of the Proportional Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

CHANGES FROM PRIOR VALUATION

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

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

BENEFIT PROVISION CHANGES

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

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

ACTUARIAL ASSUMPTION CHANGES

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

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

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before 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.

**CANTON SCHOOL DISTRICT #41-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Amount 2021</u>
U.S. Department of Agriculture:			
Pass Through the SD Department of Education:			
Child Nutrition Cluster: (Note 4)			
Non-cash Assistance (Commodities)			
National School Lunch Program	10.555	NSLP-41001-21	\$ 29,970.24
Cash Assistance: (Note 3)			
School Breakfast Program	10.553	NSLP-41001-21	20,289.17
National School Lunch Program	10.555	NSLP-41001-21	<u>240,510.20</u>
Total U.S. Department of Agriculture			<u>290,769.61</u>
 <u>US Department of the Treasure:</u>			
Pass-Through State of South Dakota:			
Coronavirus Relief Fund (Note 3)(Note 4)	21.019	CRF-41001-21	431,500.00
 <u>U.S. Department of Education</u>			
Pass Through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-41001-21	133,543.00
Title IV Transfer	84.424A	TIV-41001-21	13,372.00
Improving Teacher Quality State Grants	84.367	TIIA-41001-21	43,397.00
Elementary & Secondary School			
Emergency Relief Fund - ESSER I	84.425D	ESF-41001-21	<u>292,152.00</u>
Total U.S. Department of Education			<u>482,464.00</u>
 Grand Total			<u><u>\$ 1,204,733.61</u></u>

CANTON SCHOOL DISTRICT #41-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

Note 1: *Basis of Presentation*

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

Note 2: *Summary of Significant Accounting Policies*

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

Note 3: *Federal Reimbursement*

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

Note 4: *Major Federal Financial Assistance Program*

This represents a Major Federal Financial Assistance Program.

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

School Board
Canton School District No. 41-1
Lincoln County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton School District No. 41-1, Lincoln County, South Dakota, as of June 30, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 7, 2022, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*.

Internal Control Over Financial Reporting

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

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

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

in internal control, described in the accompanying Schedule of Current Audit Findings as Finding 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reported as Finding 2021-002 in the Schedule of Current Audit Findings.

School District's Response to Findings

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

Purpose of this Report

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



Quam, Berglin & Post, P.C.
Certified Public Accountants
Elk Point, SD

March 7, 2022

QUAM, BERGLIN & POST, P.C.

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

School Board
Canton School District No. 41-1
Lincoln County, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Canton School District No. 41-1, South Dakota (School District) compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The Canton School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Canton School District No. 41-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Quam, Berglin & Post P.C.

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

March 7, 2022

**CANTON SCHOOL DISTRICT NO. 41-1
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

PRIOR AUDIT FINDINGS:

Prior Finding Number 2020-001:

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated as a significant deficiency under current audit finding number 2021-001.

Prior Finding Number 2020-002:

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund. This finding has not been corrected and is being restated under current audit finding number 2021-002.

**CANTON SCHOOL DISTRICT NO. 41-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS:

Financial Statements

a. An unmodified opinion was issued on the financial statements of the business-type activities and the capital outlay, special education and bond redemption governmental funds and food service enterprise fund. A qualified opinion for not implementing GASB Statement No. 84 *Fiduciary Activities* was issued for the statements of the governmental activities, the general governmental fund and the aggregate remaining fund information.

b. A significant deficiency was disclosed by our audit of the financial statements for a lack of segregation of duties.

c. Our audit did disclose a noncompliance that was material to the financial statements.

Federal Awards

d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a).

f. The federal awards tested as major programs were:

	<u>CFDA #</u>
Department of Treasury	
Coronavirus Relief Fund	21.019
US Department of Agriculture	
National School Lunch Program Cluster	10.555

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.00.

h. Canton School District did not qualify as a low-risk auditee.

**CANTON SCHOOL DISTRICT NO. 41-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

CURRENT FEDERAL AUDIT FINDINGS:

There are no current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Significant Deficiency:

Audit Finding Number 2021-001:

There is a significant deficiency resulting from a lack of segregation of duties for revenues.

Criteria:

In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect:

The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation:

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

Corrective Action Plan:

Nancy Thompson, Business Manager for Canton School District is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on the following page.

Compliance Related Finding:

Audit Finding Number 2021-002:

Criteria:

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund.

Condition, Cause and Effect:

SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district adopted a budget that did not reflect the means of finance. As a result, this transaction resulted in the use of fund balance in excess of available fund balance, creating a negative fund balance budget for the special education fund.

Recommendation:

We recommend that Canton School District officials be aware of and adhere to the budgetary requirements and supplement budgets when necessary in the future.

Corrective Action Plan:

Nancy Thompson, Business Manager for Canton School District is the contact person responsible for the corrective action plan for this comment. The School District is aware of this problem and has prepared a response to this finding found in the Corrective Action Plan on the following page.



Canton School District 41-1

800 N. Main St., Canton, SD 57013

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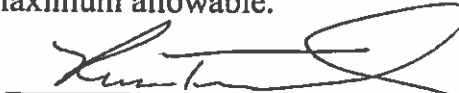
CORRECTIVE PLAN OF ACTION JUNE 30, 2021

Canton School District No. 41-1 has considered the lack of segregation of duties for the revenues function. At this time, it is not cost effective for Canton School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Canton School District to decrease the likelihood that financial data is adversely affected.

The Canton School District's Board will continue to monitor the necessity to have segregation of duties for revenues and implement such a segregation as budget dollars and board authority allow.

The Canton School District's Board will continue to monitor the budgets, and, if the expenditures are anticipated to exceed the annual appropriation, and/or the fund balance the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to the maximum allowable.


Business Manager


Superintendent