

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1

AUDIT REPORT

For the Fiscal Year Ended June 30, 2022

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHOOL DISTRICT OFFICIALS
June 30, 2022

Board Members:

Suzanne Rogers
Tessa Allen
Tim Madsen
Amber Diers
Amber Vogt

Superintendent:

Dr. Erik Person

Business Manager:

Margie Rantapaa

LEAD-DEADWOODSCHOOL DISTRICT NO. 40-1
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RUSSELL A. OLSON
AUDITOR GENERAL

**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***

Independent Auditor's Report

School Board
Lead-Deadwood School District No. 40-1
Lead, 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 Lead-Deadwood School District No. 40-1, South Dakota (School District), as of June 30, 2022, 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 April 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson
Auditor General

April 17, 2023



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RUSSELL A. OLSON
AUDITOR GENERAL

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

Independent Auditor's Report

School Board
Lead-Deadwood School District No. 40-1
Lead, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lead-Deadwood School District No. 40-1, 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 the School District's major federal programs for the year ended June 30, 2022. The 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.

In our opinion, the Lead-Deadwood School District No. 40-1 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson
Auditor General

April 17, 2023

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Section I - Summary of the Auditor's Results

Financial Statements

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

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:
 - 1. ESSER CFDA # 84.425D
 - 2. ESSER CFDA # 84.425U
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Lead-Deadwood School District No. 40-1 did qualify as a low-risk auditee.

Section II – Financial Statement Findings

There are no written current financial statement audit findings to report.

Section III – Federal Award Findings and Questioned Costs

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



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RUSSELL A. OLSON
AUDITOR GENERAL

Independent Auditor's Report

School Board
Lead-Deadwood School District No. 40-1
Lead, South Dakota

Report on the Audit of the Financial Statements

Opinions

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 Lead-Deadwood School District No. 40-1, South Dakota (School District), as of June 30, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lead-Deadwood School District No. 40-1 as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District Pension Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the 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 April 17, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Russell A. Olson
Auditor General

April 17, 2023

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF NET POSITION
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 546,483.08	\$ 190,159.47	\$ 736,642.55
Investments	9,249,422.35		9,249,422.35
Taxes Receivable	4,362,433.44		4,362,433.44
Inventories		3,245.40	3,245.40
Other Assets	923,457.46	5,962.04	929,419.50
Net Pension Asset	1,907,074.67		1,907,074.67
Capital Assets:			
Land, Improvements and Construction in Progress	1,908,458.11		1,908,458.11
Other Capital Assets, Net of Depreciation	9,963,208.16	31,862.45	9,995,070.61
TOTAL ASSETS	\$ 28,860,537.27	\$ 231,229.36	\$ 29,091,766.63
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	\$ 2,637,357.15	\$	\$ 2,637,357.15
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 2,637,357.15	\$ 0.00	\$ 2,637,357.15
LIABILITIES:			
Accounts Payable	\$ 490,194.53	\$ 1,770.11	\$ 491,964.64
Other Current Liabilities	885,273.18	10,112.45	895,385.63
Unearned Revenue		26,374.11	26,374.11
Noncurrent Liabilities:			
Due Within One Year	337,812.94		337,812.94
Due in More than One Year	2,946,003.05	1,845.00	2,947,848.05
TOTAL LIABILITIES	\$ 4,659,283.70	\$ 40,101.67	\$ 4,699,385.37
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Future Period	\$ 4,361,104.99	\$	\$ 4,361,104.99
Pension Related Deferred Inflows	3,684,329.72		3,684,329.72
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 8,045,434.71	\$ 0.00	\$ 8,045,434.71
NET POSITION:			
Net Investment in Capital Assets	\$ 11,871,666.27	\$ 31,862.45	\$ 11,903,528.72
Restricted For: (See Note 9)			
Capital Outlay Purposes	1,811,899.81		1,811,899.81
Special Education Purposes	577,739.89		577,739.89
Jensen Estate Bequest Purposes	735,859.39		735,859.39
SDRS Pension Purposes	860,102.11		860,102.11
Other Purposes	83,506.57		83,506.57
Unrestricted	2,852,401.97	159,265.24	3,011,667.21
TOTAL NET POSITION	\$ 18,793,176.01	\$ 191,127.69	\$ 18,984,303.70

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instruction	\$ 5,887,784.93	\$ 20,196.61	\$ 1,371,448.43	(4,496,139.89)	\$	\$ (4,496,139.89)
Support Services	5,094,175.29	3,101.00	14,924.14	(5,076,150.15)		(5,076,150.15)
Interest on Long-term Debt	85,283.33			(85,283.33)		(85,283.33)
Cocurricular Activities	426,248.86	27,273.73	9,130.00	(389,845.13)		(389,845.13)
**Depreciation-Unallocated	104,631.50			(104,631.50)		(104,631.50)
Total Governmental Activities	11,598,123.91	50,571.34	1,395,502.57	(10,152,050.00)	0.00	(10,152,050.00)
Business-Type Activities:						
Food Service	354,363.85	17,071.35	383,254.56		45,962.06	45,962.06
Drivers Education	4,845.82	5,400.00			554.18	554.18
Total Business-Type Activities	359,209.67	22,471.35	383,254.56	0.00	46,516.24	46,516.24
Total Primary Government	\$ 11,957,333.58	\$ 73,042.69	\$ 1,778,757.13	(10,152,050.00)	46,516.24	(10,105,533.76)
General Revenues:						
Taxes:						
Property Taxes				10,142,974.06		10,142,974.06
Utility Taxes				61,201.27		61,201.27
Revenue from State Sources:						
State Aid				294,867.41		294,867.41
Other				68,801.62		68,801.62
Revenue from Federal Sources				111,704.34		111,704.34
Unrestricted Investment Earnings				18,313.32		18,313.32
Other General Revenues				169,345.10		169,345.10
Total General Revenues				10,867,207.12	0.00	10,867,207.12
Change in Net Position				715,157.12	46,516.24	761,673.36
Net Position - Beginning				18,078,018.89	144,611.45	18,222,630.34
NET POSITION - ENDING				\$ 18,793,176.01	\$ 191,127.69	\$ 18,984,303.70

**This amount excludes the depreciation that is included in the direct expenses of the various functions. (See Note 7)

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Jensen Estate Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 5,341.67	\$ 5,065.48	\$ 536,069.68	\$ 6.25	\$ 546,483.08
Investments	3,821,073.36	4,662,495.85	30,000.00	735,853.14	9,249,422.35
Taxes Receivable--Current	2,502,643.35	1,083,172.67	775,288.97		4,361,104.99
Taxes Receivable--Delinquent	840.85	295.60	192.00		1,328.45
Accounts Receivable, Net	9,662.84		553.00		10,215.84
Due from Other Governments	424,525.19	211,446.87	276,046.33		912,018.39
Prepaid Expenses	1,223.23				1,223.23
TOTAL ASSETS	\$ 6,765,310.49	\$ 5,962,476.47	\$ 1,618,149.98	\$ 735,859.39	\$ 15,081,796.33
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 95,358.78	\$ 387,403.99	\$ 7,431.76	\$	\$ 490,194.53
Contracts Payable	507,791.58		81,965.80		589,757.38
Payroll Deductions and Withholdings and Employer Matching Payable	240,672.24		53,043.56		293,715.80
Unearned Revenue	1,800.00				1,800.00
Total Liabilities	845,622.60	387,403.99	142,441.12	0.00	1,375,467.71
Deferred Inflows of Resources:					
Taxes Levied for Future Period	2,502,643.35	1,083,172.67	775,288.97		4,361,104.99
Unavailable Revenue-Property Taxes	840.85	295.60	192.00		1,328.45
Unavailable Revenue-Utility Taxes	46,507.79				46,507.79
Total Deferred Inflows of Resources	2,549,991.99	1,083,468.27	775,480.97	0.00	4,408,941.23
Fund Balances:					
Restricted:					
Capital Outlay Purposes		4,491,604.21			4,491,604.21
Special Education Purposes			700,227.89		700,227.89
Jensen Estate Bequest Purposes				735,859.39	735,859.39
Job Corp Purposes	80,483.55				80,483.55
Student Services Purposes	575.80				575.80
Hall of Fame	2,447.22				2,447.22
Assigned	87,540.00				87,540.00
Unassigned	3,198,649.33				3,198,649.33
Total Fund Balances	3,369,695.90	4,491,604.21	700,227.89	735,859.39	9,297,387.39
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,765,310.49	\$ 5,962,476.47	\$ 1,618,149.98	\$ 735,859.39	\$ 15,081,796.33

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Fund Balances - Governmental Funds	\$ 9,297,387.39
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	1,907,074.67
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	11,871,666.27
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	2,637,357.15
Long-term liabilities, consisting of accrued longevity payable and capital outlay certificates payable are not due and payable in the current period and therefore are not reported in the funds.	(3,283,815.99)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and therefore are deferred in the funds.	47,836.24
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(3,684,329.72)
Net Position - Governmental Activities	<u><u>\$ 18,793,176.01</u></u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Jensen Estate Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 5,764,720.54	\$ 2,549,999.47	\$ 1,776,785.97	\$	\$ 10,091,505.98
Prior Years' Ad Valorem Taxes	2,366.94	1,046.83	628.26	\$	4,042.03
Tax Deed Revenue	34,991.05				34,991.05
Utility Taxes	67,394.00				67,394.00
Penalties and Interest on Taxes	8,871.54	4,032.07	2,507.11		15,410.72
Earnings on Investments and Deposits	12,854.81	4,848.92		609.59	18,313.32
Cocurricular Activities:					
Admissions	25,080.73				25,080.73
Bookstore Sales	2,321.00				2,321.00
Other Student Activity Income	2,193.00				2,193.00
Other Revenue from Local Sources:					
Rentals	2,728.69				2,728.69
Contributions and Donations	10,719.32	33,615.00		45,207.77	89,542.09
Services Provided Other LEAs	780.00				780.00
Refund of Prior Years' Expenditures	87.50				87.50
Judgements	56.14				56.14
Charges for Services	17,696.61		2,500.00		20,196.61
Other	3,496.32				3,496.32
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	144,068.30				144,068.30
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	294,867.41				294,867.41
Restricted Grants-in-Aid	2,000.00				2,000.00
Other State Revenue	68,801.62				68,801.62
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid					
Received from Federal Government Through State	855.52				855.52
Unrestricted Grants-in-Aid					
Received from Federal Government Through an Intermediate Source	110,848.82				110,848.82

Restricted Grants-in-Aid Received from Federal Government Through the State	777,600.34	233,516.00	292,788.00		1,303,904.34
Total Revenues	7,355,400.20	2,827,058.29	2,075,209.34	45,817.36	12,303,485.19

Expenditures:

Instruction:

Regular Programs:

Elementary	1,695,859.78	88,426.49		1,784,286.27
Middle/Junior High	1,040,344.05	65,784.70		1,106,128.75
High School	1,227,343.04	284,669.91		1,512,012.95

Special Programs:

Programs for Special Education		6,964.50	1,328,977.68	1,335,942.18
Educationally Deprived	340,510.20			340,510.20
Other Special Programs	114,756.91			114,756.91

Support Services:

Pupils:

Attendance and Social Work	2,748.73			2,748.73
Guidance	291,245.41			291,245.41
Health	113,783.03			113,783.03
Psychological		345.65	146,334.90	146,680.55
Speech Pathology		399.00	92,039.36	92,438.36
Student Therapy Services			30,493.38	30,493.38

Support Services - Instructional Staff:

Improvement of Instruction	149,155.72			149,155.72
Educational Media	306,840.33	9,640.72		316,481.05

Support Services - General Administration:

Board of Education	83,412.60			83,412.60
Executive Administration	170,446.44	2,943.56		173,390.00

Support Services - School Administration:

Office of the Principal	532,801.95	9,711.51		542,513.46
Other	1,216.68			1,216.68

Support Services - Business:

Fiscal Services	260,409.19	14,922.13		275,331.32
Operation and Maintenance of Plant	1,235,557.32	1,229,297.31		2,464,854.63
Pupil Transportation	257,165.32			257,165.32
Food Services	22,055.83	3,750.28		25,806.11
Internal Services	8,281.56	30,373.27		38,654.83

Support Services - Central:

Planning	3,600.00			3,600.00
Information	1,000.00	16,800.00		17,800.00
Staff	155.46			155.46

Support Services - Special Education:

Administrative Costs			61,769.29	61,769.29
Transportation Costs			38,588.76	38,588.76
Other Special Education Costs			71,367.18	71,367.18

Debt Service

	370,283.33			370,283.33
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Cocurricular Activities:

Male Activities	85,542.01	12,749.75		98,291.76
Female Activities	70,291.39	7,180.09		77,471.48

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022
(Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Jensen Estate Fund	Total Governmental Funds
Transportation	14,292.38				14,292.38
Combined Activities	219,652.67	15,130.26			234,782.93
Capital Outlay		202,181.79			202,181.79
Total Expenditures	<u>8,248,468.00</u>	<u>2,371,554.25</u>	<u>1,769,570.55</u>	<u>0.00</u>	<u>12,389,592.80</u>
Excess of Revenues Over (Under) Expenditures	<u>(893,067.80)</u>	<u>455,504.04</u>	<u>305,638.79</u>	<u>45,817.36</u>	<u>(86,107.61)</u>
Other Financing Sources (Uses):					
Transfers In	1,002,267.18				1,002,267.18
Transfers Out		(1,002,267.18)			(1,002,267.18)
Sale of Surplus Property	4,186.61	14,010.00			18,196.61
Compensation for Loss of General Capital Assets	<u>767.68</u>				<u>767.68</u>
Total Other Financing Sources (Uses)	<u>1,007,221.47</u>	<u>(988,257.18)</u>	<u>0.00</u>	<u>0.00</u>	<u>18,964.29</u>
Net Change in Fund Balance	114,153.67	(532,753.14)	305,638.79	45,817.36	(67,143.32)
Fund Balance - Beginning	<u>3,255,542.23</u>	<u>5,024,357.35</u>	<u>394,589.10</u>	<u>690,042.03</u>	<u>9,364,530.71</u>
FUND BALANCE - ENDING	<u><u>\$ 3,369,695.90</u></u>	<u><u>\$ 4,491,604.21</u></u>	<u><u>\$ 700,227.89</u></u>	<u><u>\$ 735,859.39</u></u>	<u><u>\$ 9,297,387.39</u></u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ (67,143.32)
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Amounts reported for governmental activities in the Statement of
Activities are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	237,070.46
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This amount represents the current year depreciation expense reported in the Statement of Activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(210,327.63)
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In the Statement of Activities, gains of and losses of on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(2,973.16)
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Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the Statement of Net Position.	285,000.00
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In both the government-wide and fund financial statements, revenues from property tax levies 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."	(2,975.72)
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The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."	(6,192.73)
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Governmental funds recognize expenditures for amounts of longevity benefits actually paid to employees with current financial resources during the fiscal year. Amounts of longevity benefits earned by employees are not recognized in the funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn longevity credits.	(14,704.84)
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Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	497,404.06
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Change in Net Position of Governmental Activities	\$ 715,157.12
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The notes to the financial statements are an integral part of this statement.

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Drivers Education Funds	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 181,266.79	\$ 8,892.68	\$ 190,159.47
Accounts Receivable, Net	432.85		432.85
Due from State Government	5,529.19		5,529.19
Inventory of Supplies	1,722.60		1,722.60
Inventory of Stores Purchased for Resale	1,522.80		1,522.80
Total Current Assets	190,474.23	8,892.68	199,366.91
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	104,638.99		104,638.99
Less: Accumulated Depreciation (Credit)	(72,776.54)		(72,776.54)
Total Noncurrent Assets	31,862.45	0.00	31,862.45
TOTAL ASSETS	\$ 222,336.68	\$ 8,892.68	\$ 231,229.36
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 1,274.83	\$ 495.28	\$ 1,770.11
Contracts Payable	1,112.10	993.64	2,105.74
Payroll Deductions and Withholdings and Employer Matching Payable	7,871.07	135.64	8,006.71
Unearned Revenue	26,374.11		26,374.11
Total Current Liabilities	36,632.11	1,624.56	38,256.67
Noncurrent Liabilities:			
Accrued Leave Payable	1,845.00		1,845.00
TOTAL LIABILITIES	\$ 38,477.11	\$ 1,624.56	\$ 40,101.67
NET POSITION:			
Investment in Capital Assets	\$ 31,862.45	\$	\$ 31,862.45
Unrestricted Net Position	151,997.12	7,268.12	159,265.24
TOTAL NET POSITION	\$ 183,859.57	\$ 7,268.12	\$ 191,127.69

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Drivers Education Funds	Total
Operating Revenues:			
Food Sales:			
Student	\$ 4.70	\$	\$ 4.70
Adults	8,421.00		8,421.00
Ala Carte	8,518.15		8,518.15
Other Charges for Goods and Services	127.50	5,400.00	5,527.50
Total Operating Revenues	17,071.35	5,400.00	22,471.35
Operating Expenses:			
Salaries	107,285.08	3,274.17	110,559.25
Employee Benefits	65,664.73	446.93	66,111.66
Purchased Services	9,874.53	495.28	10,369.81
Supplies	6,395.29	532.44	6,927.73
Cost of Sales - Purchased	128,411.45		128,411.45
Cost of Sales - Donated	27,670.23		27,670.23
Other	5,330.23	97.00	5,427.23
Depreciation	3,732.31		3,732.31
Total Operating Expenses	354,363.85	4,845.82	359,209.67
Operating Income (Loss)	(337,292.50)	554.18	(336,738.32)
Nonoperating Revenues:			
State Grants	843.05		843.05
Federal Grants	354,741.28		354,741.28
Donated Food	27,670.23		27,670.23
Total Nonoperating Revenues	383,254.56	0.00	383,254.56
Change in Net Position	45,962.06	554.18	46,516.24
Net Position - Beginning	137,897.51	6,713.94	144,611.45
NET POSITION - ENDING	\$ 183,859.57	\$ 7,268.12	\$ 191,127.69

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Funds		
	Food Service Fund	Drivers Education Funds	Total
Cash Flows from Operating Activities:			
Cash Receipts from Customers	\$ 29,945.82	\$ 5,400.00	\$ 35,345.82
Cash Payments to Employees for Services	(171,769.11)	(2,591.82)	(174,360.93)
Cash Payments to Suppliers of Goods or Services	(151,686.13)	(1,332.17)	(153,018.30)
Net Cash Provided (Used) by Operating Activities	(293,509.42)	1,476.01	(292,033.41)
Cash Flows from Noncapital Financing Activities:			
Operating Grants	356,000.39		356,000.39
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 62,490.97	\$ 1,476.01	\$ 63,966.98
Cash and Cash Equivalents at Beginning of Year	\$ 118,775.82	\$ 7,416.67	\$ 126,192.49
CASH AND CASH EQUIVALENTS AT END OF YEAR	181,266.79	8,892.68	190,159.47
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 62,490.97	\$ 1,476.01	\$ 63,966.98
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (337,292.50)	\$ 554.18	\$ (336,738.32)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,732.31		3,732.31
Value of Donated Commodities Used	27,670.23		27,670.23
Change in Assets and Liabilities:			
Receivables	673.11		673.11
Inventories	(1,101.15)		(1,101.15)
Accounts and Other Payables	(573.48)	(207.45)	(780.93)
Accrued Wages Payable	1,488.20	1,129.28	2,617.48
Accrued Leave Payable	(307.50)		(307.50)
Unearned Revenue	12,201.36		12,201.36
Net Cash Provided (Used) by Operating Activities	\$ (293,509.42)	\$ 1,476.01	\$ (292,033.41)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 27,670.23		\$ 27,670.23

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,667.29	\$ 94,910.17
Investments	<u>144,828.23</u>	
TOTAL ASSETS	<u><u>\$ 147,495.52</u></u>	<u><u>\$ 94,910.17</u></u>
LIABILITIES:		
TOTAL LIABILITIES	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.00</u></u>
NET POSITION:		
Restricted For:		
Individuals, Organizations, and Other Governments	\$	\$ 94,910.17
Held in Trust for Scholarships and Student Medical	<u>147,495.52</u>	
TOTAL NET POSITION	<u><u>\$ 147,495.52</u></u>	<u><u>\$ 94,910.17</u></u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS:		
Contributions and Donations	\$ 6,950.00	\$
Investment Earnings:		
Interest and Dividends	10.00	10.74
Other Investments Earnings	13,038.61	
Total Investment Earnings	13,048.61	10.74
Less Investment Costs:		
Investment Activity Costs	1,900.80	
Other Investment Costs	38,979.07	
Net Investment Earnings	(27,831.26)	10.74
Other Additions		108,141.27
Total Additions	(20,881.26)	108,152.01
DEDUCTIONS:		
Trust Deductions for Scholarships and Student Medical	10,320.00	
Payments for Student Activities		115,630.16
Total Deductions	10,320.00	115,630.16
Change in Net Position	(31,201.26)	(7,478.15)
Net Position - Beginning	178,696.78	102,388.32
NET POSITION - ENDING	<u><u>\$ 147,495.52</u></u>	<u><u>\$ 94,910.17</u></u>

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

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lead-Deadwood 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 Lead-Deadwood School District No. 40-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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 minus liabilities 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 recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Jensen Estate Fund – The Lead-Deadwood School District was the beneficiary of the Jensen Estate. Mary Jensen was a former graduate of the district. The funds from the estate are to be used to train male and female students in acquiring business skills. The School District has elected to report as 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. The School District has elected to report as a major fund.

The Drivers Education Fund – A fund used to record financial transactions related to driver education operations. This fund is financed by user fees. The School District has elected to report as a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust funds:

Scholarship Funds – To account for donations and interest earned on the interest-bearing accounts to be awarded to various students going onto post-secondary education as scholarships.

Medical Trust Fund – To account for the donations from individuals and the interest earned on the donations. Only the interest earned is used to pay for prescriptions for students who cannot afford them.

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, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

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 for the School District is 30 days. The revenues which are accrued at June 30, 2022 are grant program reimbursements, rural electric utility taxes, telephone gross receipt taxes, property taxes, and charges for good and services.

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. 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 primarily 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.

e. 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.

The total June 30, 2022 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land	All Reported	----N/A-----	----N/A-----
Improvements	\$ 25,000	Straight-line	10-75 years
Buildings	\$ 50,000	Straight-line	33-150 years
Machinery and Equipment	\$ 5,000	Straight-line	10-100 years

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.

f. 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 longevity benefits payable 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.

g. 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.

h. 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.

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported

enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide 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 placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

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

Major Special Revenue Fund	Revenue Source
Capital Outlay	Property Taxes
Special Education	Property Taxes and Grants
Jensen Estate	Donation

n. 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.

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

Fair Value Measurement – The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2022:

	Level 1
Exchange Traded Funds	\$ 140,828.23

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

As of June 30, 2022, the School District had the following investments which may have a credit risk exposure:

Investment	Credit Rating	Maturities	Fair Value
Exchange Traded Funds	Unrated	N/A	\$ 40,639.62
External Investment Pools:			
SDFIT	Unrated		<u>9,249,422.35</u>
TOTAL INVESTMENTS			<u>\$ 9,290,061.97</u>

For the mutual funds, the School District has not evaluated the holding of these investments as to the potential risk; however, these investments may expose the School District to potential credit risk.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2022, the District's deposits in financial institutions were not exposed to custodial credit risk.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School District has no formal deposit policy specific to custodial credit risk. At June 30, 2022, investments in the amount of \$140,828.23 were uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent, but not in the School District's name.

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 deposits and investments to the General Fund, except for the private-purpose trust funds, the Food Service Fund and the Drivers Education Fund which retains its investment

income. 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.

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.

4. INVENTORY

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is current cost, First-In-First-Out (FIFO) basis. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

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 inflow of resources-property taxes levied for future period 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."

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 is as follows:

Primary Government

	Balance 7/01/2021	Increases	Decreases	Balance 6/30/2022
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,832,186.86	\$	\$	\$ 1,832,186.86
Construction In Progress		76,271.25		76,271.25
Total Capital Assets not being Depreciated:	1,832,186.86	76,271.25	0.00	1,908,458.11
Capital Assets being Depreciated:				
Buildings	10,672,454.95			10,672,454.95
Improvements Other Than Buildings	1,665,907.87	47,969.91		1,713,877.78
Machinery and Equipment	1,379,333.82	109,673.48	(122,967.40)	1,366,039.90
Library Books	385,605.04	9,213.35	(17,336.89)	377,481.50
Total Capital Assets being Depreciated	14,103,301.68	166,856.74	(140,304.29)	14,129,854.13
TOTAL CAPITAL ASSETS	\$ 15,935,488.54	\$ 243,127.99	\$ (140,304.29)	\$ 16,038,312.24
Less Accumulated Depreciation for:				
Buildings	\$ (2,744,239.80)	\$ (85,395.25)	\$	\$ (2,829,635.05)
Improvements Other Than Buildings	(261,786.76)	(25,789.32)		(287,576.08)
Machinery and Equipment	(774,618.64)	(81,626.65)	113,936.72	(742,308.57)
Library Books	(306,946.75)	(17,516.41)	17,336.89	(307,126.27)
Total Accumulated Depreciation	(4,087,591.95)	(210,327.63)	131,273.61	(4,166,645.97)
Total Capital Assets being Depreciated, Net	10,015,709.73	(43,470.89)	(9,030.68)	9,963,208.16
Governmental Activity Capital Assets, Net	\$ 11,847,896.59	\$ 32,800.36	\$ (9,030.68)	\$ 11,871,666.27

Depreciation expense was charged to functions as follows:

Instruction	\$ 11,033.40
Support Services	79,125.03
Cocurricular Activities	15,537.70
Unallocated	104,631.50
Total Depreciation Expense-Governmental Activities	\$ 210,327.63

	Balance 7/01/2021	Increases	Decreases	Balance 6/30/2022
Business-Type Activities:				
Capital Assets being Depreciated:				
Machinery and Equipment	\$ 104,638.99	\$	\$	\$ 104,638.99
Less Accumulated Depreciation for:				
Machinery and Equipment	(69,044.23)	(3,732.31)		(72,776.54)
Business-Type Activity Capital Assets, Net	\$ 35,594.76	\$ (3,732.31)	\$ 0.00	\$ 31,862.45

Depreciation expense was charged to functions as follows:

Food Services	<u>\$ 3,732.31</u>
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7. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	<u>Balance 7/01/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2022</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Other Liabilities:					
Capital Outlay Certificates	\$ 2,965,000.00	\$	\$ (285,000.00)	\$ 2,680,000.00	\$ 265,000.00
Longevity Benefits Payable	589,111.15	93,599.44	(78,894.60)	603,815.99	72,812.94
Business-Type Activities:					
Other Liabilities:					
Longevity Benefits Payable	2,152.50	1,575.00	(1,882.50)	1,845.00	0.00
Total Primary Government	<u>\$ 3,556,263.65</u>	<u>\$ 95,174.44</u>	<u>\$ (365,777.10)</u>	<u>\$ 3,285,660.99</u>	<u>\$ 337,812.94</u>

Longevity benefits payable for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

Liabilities payable at June 30, 2022 are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Capital Outlay Certificates:

2020 Capital Outlay Certificates, Maturing August 1, 2030, Interest rate of 2% to 3%, Paid from the Capital Outlay Fund.	\$ 2,680,000.00
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Longevity Benefits Payable:

Payable to an employee who resigns or retirees after ten consecutive years of employment. Payments to be made by the fund that the payroll expenditures are charged to.	\$ 605,660.99
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The annual debt service requirements to maturity, except for longevity benefits payable, for all debt outstanding as of June 30, 2022 are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2022

Year Ending June 30,	Capital Outlay Certificates Payable	
	Principal	Interest
2023	\$ 265,000.00	\$ 63,725.00
2024	275,000.00	55,625.00
2025	280,000.00	47,300.00
2026	290,000.00	38,750.00
2027	300,000.00	29,900.00
2028-2030	1,270,000.00	51,300.00
Totals	<u>\$ 2,680,000.00</u>	<u>\$ 286,600.00</u>

8. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

This requirement is effectively met by the statements in this report because the two enterprise funds maintained by the school district, the Food Service Fund and Drivers Education Fund have been reported separately, and therefore, the required segment information has already been disclosed in the fund basic financial statements. Neither fund has any debt that is secured by revenues of the respective funds.

9. RESTRICTED NET POSITION

Restricted Net Position for the year ended June 30, 2022 was as follows:

Major Purposes:	Restricted By	
Capital Outlay Purposes	Law	\$ 1,811,899.81
Special Education Purposes	Law	577,739.89
Jensen Estate Bequest Purposes	Donor	735,859.39
SDRS Pension Purposes	Law	<u>860,102.11</u>
 Other Purposes:		
Job Corp Purposes		80,483.55
Student Services Purposes		575.80
Hall of Fame Purposes		<u>2,447.22</u>
Total Other Purposes		<u>83,506.57</u>
 Total Restricted Net Position		 <u>\$ 4,069,107.77</u>

These balances are restricted due to federal grant, donor, and statutory requirements.

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022 were as follows:

	<u>Transfer To:</u>
	General
<u>Transfers From:</u>	<u>Fund</u>

Major Funds:

Capital Outlay Fund \$ 1,002,267.18

SDCL 13-16-6 allows for 45% of tax revenue generated in the Capital Outlay Fund to be transferred to General Fund.

11. TAX ABATEMENTS

The Municipality of Deadwood has created tax increment districts under the authority granted by South Dakota Codified Law (SDCL) section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the Municipality through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The county, municipal, and other local general property taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The Municipality of Deadwood has four (4) active tax increments districts, which are considered economic development tax increment districts. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to Lead-Deadwood School District No. 40-1 during the life of the tax increment district.

Based on the percentage of Lead-Deadwood School District No. 40-1 property tax levy in relation to the total levy, the amount of general property taxes related to the tax increment districts not available to the School District was approximately \$452,000 for the fiscal year ended June 30, 2022.

Based on SDCL 13-13-10.2, tax increment districts created for economic development purposes the assessed value for state-aid purposes is only the base value as certified by the State. Any increment value is not considered in the state-aid to education formula. The effect is that all real property owners across the entire state pay slightly higher school taxes to make up for the reduction in local effort.

12. 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 survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020 were \$352,599.77, \$339,065.00, and \$325,650.10, respectively, equal to the required contributions each year.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 34,530,173.70
Less proportionate share of net pension restricted for pension benefits	<u>36,437,248.37</u>
Proportionate share of net pension asset	<u>\$ (1,907,074.67)</u>

At June 30, 2022, the School District reported an asset of \$(1,907,074.67) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.2490210%, which is an increase (decrease) of 0.0017205% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense (reduction of expense) of \$(480,947.41). At June 30, 2022 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 68,468.96	\$ 4,999.95
Changes in assumption	2,193,116.45	955,035.44
Net Difference between projected and actual earnings on pension plan investments		2,724,294.33
Changes in proportion and difference between District contributions and proportionate share of contributions	23,171.97	
School District contributions subsequent to the measurement date	<u>352,599.77</u>	<u></u>
TOTAL	<u>\$ 2,637,357.15</u>	<u>\$ 3,684,329.72</u>

\$352,599.77 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 in the year ending June 30, 2023. 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,	
2023	\$ (335,073.27)
2024	(232,118.98)
2025	(65,983.24)
2026	(766,396.84)
TOTAL	<u>\$ (1,399,572.33)</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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 asset 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)	\$ 3,088,028.36	\$ (1,907,074.67)	\$ (5,961,935.56)

Pension Plan Fiduciary Net Position:

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

13. JOINT VENTURES

The School District participates in the joint venture known as the Black Hills Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

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

Oelrichs School District No. 23-3	8.33%
Lead-Deadwood School District No. 40-1	8.33%
Spearfish School District No. 40-2	8.33%
Meade School District No. 46-1	8.33%
Rapid City School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%

Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

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

The School District retains no equity in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Black Hills Special Services Cooperative, Sturgis, South Dakota.

At June 30, 2022, this joint venture had total assets of \$11,278,139.22, total liabilities of \$4,058,495.42, and net position of \$7,219,643.80.

14. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for 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 the members. The coverage also includes a \$5,000,000 lifetime maximum payment per person.

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 switched insurance carriers in July 2020. The District is insured by EMC for Property and Liability Insurance. The objective of EMC is to administer and provide risk management services and risk sharing facilities to the insured and to defend and protect against liability, to advise on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with EMC to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under an occurrence based policy. The School District pays an annual premium to the pool to provide coverage for: general liability, automobile liability, school board errors and omissions, employee benefits liability, crime and property damage.

The agreement with the EMC provides that the above coverage's will be provided to a \$1,000,000.00 per occurrence and 2,000,000.00 per aggregate. Limit for Buildings and Contents damage is based on Statement of Values. Limit for Automobile damage is subject to market value at the time of loss. Varying amounts for Crime Coverage is \$25,000.00 to \$250,000.00 per employee basis. Deductibles for Automobile Coverage is \$1,000.00; School Board Liability coverage \$1,000.00; Property/Building

Content coverage \$5,000.00; Wind/Hail coverage \$25,000.00; Crime Coverage \$1,000.00 with a separate deductible for Employee of \$2,500.00.

Worker's Compensation:

First Dakota Indemnity provides the School District with Workers Compensation Insurance. 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. The policy provides Employers Liability Insurance with a limit of \$1,000,000.00.

Unemployment Benefits:

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

During the year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

15. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2022, the School District was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 5,794,569.00	\$ 5,794,569.00	\$ 5,764,720.54	\$ (29,848.46)
Prior Years' Ad Valorem Taxes	8,500.00	8,500.00	2,366.94	(6,133.06)
Tax Deed Revenue	0.00	0.00	34,991.05	34,991.05
Utility Taxes	52,700.00	52,700.00	67,394.00	14,694.00
Penalties and Interest on Taxes	8,500.00	8,500.00	8,871.54	371.54
Earnings on Investments and Deposits	27,000.00	27,000.00	12,854.81	(14,145.19)
Cocurricular Activities:				
Admissions	19,800.00	19,800.00	25,080.73	5,280.73
Bookstore Sales	2,950.00	2,950.00	2,321.00	(629.00)
Other Student Activity Income	900.00	900.00	2,193.00	1,293.00
Other Revenue from Local Sources:				
Rentals	2,000.00	2,000.00	2,728.69	728.69
Contributions and Donations	6,700.00	6,700.00	10,719.32	4,019.32
Services Provided Other School Districts	0.00	0.00	780.00	780.00
Refund of Prior Years' Expenditures	0.00	0.00	87.50	87.50
Judgements	0.00	0.00	56.14	56.14
Charges for Services	15,400.00	15,400.00	17,696.61	2,296.61
Other	6,000.00	6,000.00	3,496.32	(2,503.68)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	97,000.00	97,000.00	144,068.30	47,068.30
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	257,585.00	257,585.00	294,867.41	37,282.41
Restricted Grants-in-Aid	2,000.00	2,000.00	2,000.00	0.00
Other State Revenue	50,450.00	50,450.00	68,801.62	18,351.62
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
Received from Federal				
Government Through State	1,300.00	1,300.00	855.52	(444.48)
Unrestricted Grants-in-Aid				
Received from Federal Government				
Through an Intermediate Source	75,000.00	75,000.00	110,848.82	35,848.82
Restricted Grants-in-Aid				
Received from Federal				
Government Through the State	899,692.00	899,692.00	777,600.34	(122,091.66)
Total Revenues	7,328,046.00	7,328,046.00	7,355,400.20	27,354.20
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	1,708,413.20	1,708,413.20	1,695,859.78	12,553.42
Middle/Junior High	1,031,026.80	1,031,026.80	1,040,344.05	(9,317.25)
High School	1,254,498.00	1,254,498.00	1,227,343.04	27,154.96
Special Programs:				
Educationally Deprived	340,715.00	340,715.00	340,510.20	204.80
Other Special Programs	151,762.00	151,762.00	114,756.91	37,005.09
Support Services:				
Pupils:				
Attendance and Social Work	1,625.00	1,625.00	2,748.73	(1,123.73)
Guidance	294,856.00	294,856.00	291,245.41	3,610.59
Health	91,795.29	91,795.29	113,783.03	(21,987.74)

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Support Services - Instructional Staff:				
Improvement of Instruction	236,694.33	236,694.33	149,155.72	87,538.61
Educational Media	311,370.00	311,370.00	306,840.33	4,529.67
Support Services - General Administration:				
Board of Education	78,615.00	78,615.00	83,412.60	(4,797.60)
Executive Administration	178,510.00	178,510.00	170,446.44	8,063.56
Support Services - School Administration:				
Office of the Principal	535,392.42	535,392.42	532,801.95	2,590.47
Other	1,100.00	1,100.00	1,216.68	(116.68)
Support Services - Business:				
Fiscal Services	262,778.00	262,778.00	260,409.19	2,368.81
Operation and Maintenance of Plant	1,217,249.00	1,217,249.00	1,235,557.32	(18,308.32)
Pupil Transportation	242,872.00	242,872.00	257,165.32	(14,293.32)
Food Services	19,630.00	19,630.00	22,055.83	(2,425.83)
Internal Services	12,000.00	12,000.00	8,281.56	3,718.44
Support Services - Central:				
Planning	3,600.00	3,600.00	3,600.00	0.00
Information	12,513.00	12,513.00	1,000.00	11,513.00
Staff	1,000.00	1,000.00	155.46	844.54
Cocurricular Activities:				
Male Activities	85,196.00	85,196.00	85,542.01	(346.01)
Female Activities	72,172.00	72,172.00	70,291.39	1,880.61
Transportation	10,765.00	10,765.00	14,292.38	(3,527.38)
Combined Activities	217,718.96	217,718.96	219,652.67	(1,933.71)
Total Expenditures	<u>8,373,867.00</u>	<u>8,373,867.00</u>	<u>8,248,468.00</u>	<u>125,399.00</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(1,045,821.00)</u>	<u>(1,045,821.00)</u>	<u>(893,067.80)</u>	<u>152,753.20</u>
Other Financing Sources (Uses):				
Transfers In	1,003,600.00	1,003,600.00	1,002,267.18	(1,332.82)
Sale of Surplus Property	1,200.00	1,200.00	4,186.61	2,986.61
Compensation for Loss of General Capital Assets	0.00	0.00	767.68	767.68
Total Other Financing Sources (Uses)	<u>1,004,800.00</u>	<u>1,004,800.00</u>	<u>1,007,221.47</u>	<u>2,421.47</u>
Net Change in Fund Balance	(41,021.00)	(41,021.00)	114,153.67	155,174.67
Fund Balance - Beginning	<u>3,255,542.23</u>	<u>3,255,542.23</u>	<u>3,255,542.23</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 3,214,521.23</u>	<u>\$ 3,214,521.23</u>	<u>\$ 3,369,695.90</u>	<u>\$ 155,174.67</u>

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 2,555,872.00	\$ 2,555,872.00	\$ 2,549,999.47	\$ (5,872.53)
Prior Years' Ad Valorem Taxes	6,400.00	6,400.00	1,046.83	(5,353.17)
Penalties and Interest on Taxes	4,500.00	4,500.00	4,032.07	(467.93)
Earnings on Investments and Deposits	3,800.00	3,800.00	4,848.92	1,048.92
Other Revenue from Local Sources:				
Contributions and Donations	0.00	0.00	33,615.00	33,615.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received from Federal Government Through the State	10,885.00	10,885.00	233,516.00	222,631.00
Total Revenues	2,581,457.00	2,581,457.00	2,827,058.29	245,601.29
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	59,668.00	59,668.00	88,426.49	(28,758.49)
Middle/Junior High	39,505.00	39,505.00	68,402.70	(28,897.70)
High School	252,449.00	252,449.00	287,286.91	(34,837.91)
Special Programs:				
Programs for Special Education	6,927.00	6,927.00	6,964.50	(37.50)
Support Services:				
Pupils:				
Psychological	350.00	350.00	345.65	4.35
Speech Pathology	429.00	429.00	399.00	30.00
Support Services - Instructional Staff:				
Educational Media	19,527.00	19,527.00	18,854.07	672.93
Support Services - General Administration:				
Executive Administration	5,000.00	5,000.00	2,943.56	2,056.44
Support Services - School Administration:				
Office of the Principal	8,330.00	8,330.00	9,711.51	(1,381.51)
Support Services - Business:				
Fiscal Services	15,414.00	15,414.00	14,922.13	491.87
Facilities Acquisition and Construction	0.00	0.00	52,347.97	(52,347.97)
Operation and Maintenance of Plant	2,241,031.00	2,241,031.00	1,317,267.22	923,763.78
Student Transportation Services	0.00	0.00	7,777.00	(7,777.00)
Food Services	7,725.00	7,725.00	27,673.56	(19,948.56)
Internal Services	35,000.00	35,000.00	30,373.27	4,626.73
Support Services - Central:				
Information	16,800.00	16,800.00	16,800.00	0.00
Debt Service	370,684.00	370,684.00	370,283.33	400.67
Cocurricular Activities:				
Male Activities	21,000.00	21,000.00	21,765.75	(765.75)
Female Activities	12,550.00	12,550.00	7,180.09	5,369.91
Combined Activities	17,780.00	17,780.00	21,829.54	(4,049.54)
Total Expenditures	3,130,169.00	3,130,169.00	2,371,554.25	758,614.75
Excess of Revenues Over (Under) Expenditures	(548,712.00)	(548,712.00)	455,504.04	1,004,216.04

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses):				
Transfers Out	(1,003,600.00)	(1,003,600.00)	(1,002,267.18)	1,332.82
Sale of Surplus Property	0.00	0.00	14,010.00	14,010.00
Total Other Financing Sources (Uses)	<u>(1,003,600.00)</u>	<u>(1,003,600.00)</u>	<u>(988,257.18)</u>	<u>15,342.82</u>
Net Change in Fund Balance	(1,552,312.00)	(1,552,312.00)	(532,753.14)	1,019,558.86
Fund Balance - Beginning	<u>5,024,357.35</u>	<u>5,024,357.35</u>	<u>5,024,357.35</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 3,472,045.35</u>	<u>\$ 3,472,045.35</u>	<u>\$ 4,491,604.21</u>	<u>\$ 1,019,558.86</u>

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,783,175.00	\$ 1,783,175.00	\$ 1,776,785.97	\$ (6,389.03)
Prior Years' Ad Valorem Taxes	3,500.00	3,500.00	628.26	(2,871.74)
Penalties and Interest on Taxes	3,000.00	3,000.00	2,507.11	(492.89)
Other Revenue from Local Sources:				
Charges for Services	2,200.00	2,200.00	2,500.00	300.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid				
Received from Federal				
Government Through the State	333,155.00	333,155.00	292,788.00	(40,367.00)
Total Revenues	<u>2,125,030.00</u>	<u>2,125,030.00</u>	<u>2,075,209.34</u>	<u>(49,820.66)</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	1,453,079.00	1,453,079.00	1,328,977.68	124,101.32
Support Services:				
Pupils:				
Psychological	167,196.00	167,196.00	146,334.90	20,861.10
Speech Pathology	94,539.00	94,539.00	92,039.36	2,499.64
Student Therapy Services	33,073.00	33,073.00	30,493.38	2,579.62
Support Services - Special Education:				
Administrative Costs	63,565.00	63,565.00	61,769.29	1,795.71
Transportation Costs	41,956.00	41,956.00	38,588.76	3,367.24
Other Special Education Costs	75,885.00	75,885.00	71,367.18	4,517.82
Total Expenditures	<u>1,929,293.00</u>	<u>1,929,293.00</u>	<u>1,769,570.55</u>	<u>159,722.45</u>
Net Change in Fund Balance	195,737.00	195,737.00	305,638.79	109,901.79
Fund Balance - Beginning	<u>394,589.10</u>	<u>394,589.10</u>	<u>394,589.10</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 590,326.10</u>	<u>\$ 590,326.10</u>	<u>\$ 700,227.89</u>	<u>\$ 109,901.79</u>

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
JENSEN ESTATE FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Earnings on Investments and Deposits	\$ 0.00	\$ 0.00	\$ 609.59	\$ 609.59
Other Revenue from Local Sources:				
Contributions and Donations	0.00	0.00	45,207.77	45,207.77
Total Revenues	0.00	0.00	45,817.36	45,817.36
Expenditures	0.00	0.00	0.00	0.00
Net Change in Fund Balance	0.00	0.00	45,817.36	45,817.36
Fund Balance - Beginning	690,042.03	690,042.03	690,042.03	0.00
FUND BALANCE - ENDING	<u>\$ 690,042.03</u>	<u>\$ 690,042.03</u>	<u>\$ 735,859.39</u>	<u>\$ 45,817.36</u>

LEAD-DEADWOODSCHOOL DISTRICT NO. 40-1
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

1. Budgets and Budgetary Accounting:

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

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

2. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay

expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

**REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS**

South Dakota Retirement System

*Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 352,600.00	\$ 339,065.00	\$ 325,650.10	\$ 308,743.99	\$ 319,481.77	\$ 319,339.61	\$ 307,519.91	\$ 302,741.59
Contributions in relation to the contractually required contribution	<u>352,600.00</u>	<u>339,065.00</u>	<u>325,650.10</u>	<u>308,743.99</u>	<u>319,481.77</u>	<u>319,339.61</u>	<u>307,519.91</u>	<u>302,741.59</u>
Contribution deficiency (excess)	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
District's covered-employee payroll	\$ 5,883,828.35	\$ 5,651,092.72	\$ 5,432,675.09	\$ 5,145,210.32	\$ 5,325,093.81	\$ 5,322,320.86	\$ 5,125,310.01	\$ 5,045,674.61
Contributions as a percentage of covered-employee payroll	5.99%	6.00%	5.99%	6.00%	6.00%	6.00%	6.00%	6.00%

5 * Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

*Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.2490210%	0.2473005%	0.2420148%	0.2561301%	0.2619524%	0.2695414%	0.2763682%	0.2795901%
District's proportionate share of net pension liability (asset)	\$ (1,907,074.67)	\$ (10,740.21)	\$ (25,646.94)	\$ (5,973.55)	\$ (23,772.45)	\$ 910,484.37	\$ (1,172,156.51)	\$ (2,014,332.33)
District's covered employer payroll	\$ 5,651,092.72	\$ 5,432,675.09	\$ 5,145,210.32	\$ 5,325,093.81	\$ 5,322,321.86	\$ 5,125,310.01	\$ 5,045,674.61	\$ 4,889,244.06
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
5 Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.29%

* 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 previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

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% (0.5% prior to 2021) 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, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION
LEAD-DEADWOOD SCHOOL DISTRICT NO. 40-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures FY 2022
Child Nutrition Cluster:				
US Department of Agriculture Pass-Through Programs From:				
SD Department of Education:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	203SD531N8503	\$	\$ 27,670.23
Cash Assistance:				
School Breakfast Program (Note 3)	10.553	203SD531N8503		277,123.78
National School Lunch Program (Note 3)	10.555	203SD531N8503		54,591.89
National School Lunch Program (Note 3) (Supply Chain Assistance)	10.555	213SD310N1099		3,527.52
Summer Food Service Program for Children	10.559	213SD310N1099		17,060.26
COVID-19 Summer Food Service Program for Children	10.559	213SD310N1099		2,437.83
Total for Child Nutrition Cluster			0.00	382,411.51
Forest Service Schools and Roads Cluster:				
US Department of Agriculture Pass-Through Programs From:				
Lawrence County:				
Schools and Roads - Grants to States (Note 3)	10.665	N/A		110,848.82
Total for Forest Service Schools and Roads Cluster			0.00	110,848.82
US Department of Agriculture Pass-Through Programs From:				
SD Department of Education:				
Fresh Fruit and Vegetable Program	10.582	213SD371L1603		22,055.83
Subtotal US Department of Agriculture - Pass-Through Programs			0.00	22,055.83
Total US Department of Agriculture			0.00	515,316.16
US Department of the Interior - Pass-Through Programs From:				
SD Department of Education:				
Distribution of Receipts to State and Local Governments (Note 3)	15.227	N/A		855.52
Total US Department of the Interior			0.00	855.52
Special Education Cluster:				
US Department of Education - Pass-Through Programs From:				
SD Department of Education:				
Special Education - Grants to States (IDEA, Part B)	84.027	H027A200091		196,140.00
COVID-19 Special Education - Grants to States (American Rescue Plan, Part IDEA 611)	84.027X	H027X210091		45,955.00
Special Education - Preschool Grants (IDEA Preschool)	84.173	H173A210091		6,204.00
Total for Special Education Cluster			0.00	248,299.00
US Department of Education - Pass-Through Programs From:				
SD Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A200041		263,852.00
Career and Technical Education - Basic Grants to States	84.048	V048A200041		6,511.51
Supporting Effective Instruction State Grants	84.367	S367A200039		67,240.00
Student Support and Academic Enrichment Grants	84.424	S424A200043		28,239.00
Elementary and Secondary School Emergency Relief Fund (Note 4)	84.425D	S425D200050		372,089.00
American Rescue Plan Elementary and Secondary School Emergency Relief (Note 4)	84.425U	S425U210050		295,618.00
Subtotal US Department of Education - Pass-Through Programs			0.00	1,033,549.51
Total US Department of Education			0.00	1,033,549.51
GRAND TOTAL			\$ 0.00	\$ 1,798,020.19

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not 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 not 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.