

**LEOLA SCHOOL DISTRICT NO. 44-2
LEOLA, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2023**

LEOLA SCHOOL DISTRICT NO. 44-2
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CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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
Leola School District No. 44-2
McPherson County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2, South Dakota (School District) as of June 30, 2023 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 November 29, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, items 2023-001, 2023-002, 2023-003, 2023-004, and 2023-005 that we consider to be material weaknesses.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

P.O. Box 669 • Mobridge, SD 57601-0669 • Fax (605) 845-2517 • Phone (605) 845-2927 • Toll Free 1-800-244-8436

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School Board
Leola School District No. 44-2
Page 2
Report on Internal Control and Compliance

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Leola School District No. 44-2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit. The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Prior and Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Calvin Bauer

Mobridge, South Dakota
November 29, 2023

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023**

PRIOR FINANCIAL STATEMENT AUDIT FINDINGS

Finding Number 2022-001:

Internal control over financial reporting and compliance is not adequate.

Current Status

Condition still exists, see current audit finding number 2023-001.

Finding Number 2022-002:

The District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Current Status

Condition still exists, see current audit finding number 2023-002.

Finding Number 2022-003:

Internal control does not provide for identifying material misstatements.

Current Status

Condition still exists, see current audit finding number 2023-003.

Finding Number 2022-004:

The School District's internal control did not monitor that timely file claims for its grant reimbursements were being made.

Current Status

This condition has been corrected.

PRIOR FEDERAL AUDIT FINDINGS

Finding Number 2022-005:

A material weakness was reported for a lack of internal controls over the School District's federal awards for the following compliance requirements: procurement, suspension, and debarment.

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023**

Current Status

This condition has been corrected.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number 2023-001:

Criteria

The internal control system of a School can help assist in achieving its performance targets and prevent the loss of resources. It helps to ensure reliable financial reporting and the compliance with laws and regulations.

Condition Found

The School District has a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions because of a lack of segregation duties.

Identification of Repeat Finding

This has been a repeat finding for several years in a row.

Cause and Effect

The School District has one employee who prepares all the accounting records. This condition increases the risk that fraud or errors might occur in the financial reporting process.

Recommendation

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. Compensating controls should be implemented as necessary.

Views of Responsible Officials

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023

Finding Number 2023-002:

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Condition Found

The School does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Identification of Repeat Finding

This has been a repeat finding for several years in a row.

Cause and Effect

The control deficiency could result in a misstatement of the financial statements. This condition may affect the School's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

The business manager, Kayla Casey, is the contact person responsible for this comment. The School is continuing its work on correcting this deficiency.

Finding Number 2023-003:

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023

Condition Found

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Identification of Repeat Finding

This has been a repeat finding for several years in a row.

Cause and Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Views of Responsible Officials

The business manager, Kayla Casey, is the contact person responsible for this comment. The School is continuing its work on correcting this deficiency.

Finding Number 2023-004:

Criteria

A School District is required to properly allow eligible employees to participate in the SD Retirement System benefit plan.

Condition Found

The School District had an employee who was hired as a temporary employee during the year. The employee's status changed and became full time, at that time the employee was not properly contributing and receiving matching SDRS retirement contributions.

LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023

Cause and Effect

The School District does not have an internal control system in place to identify deficiencies in its payroll process that could lead to errors and/or miscalculations.

Recommendation

The School District should implement a review process for payroll that can identify errors and/or miscalculations in payroll.

Views of Responsible Officials

The business manager, Kayla Casey, is the contact person responsible for this comment. The School is continuing its work on correcting this deficiency.

Finding 2023-005

Criteria

A School District must publish a full account of the unapproved proceedings of each board meeting within 20 days after the meeting.

Condition Found

The School District has two meetings which the required publishings were not made within the required 20 days which is a violation of SDCL 13-8-35.

Cause and Effect

The School District does not have an internal control system in place to ensure minute meetings are timely published which could lead the public to not be properly informed of ongoing School District issues.

Recommendation

We recommend the School Board take a more active role in the oversight of the School District's compliance with publishing of the School District's meetings.

Views of Responsible Officials

The business manager, Kayla Casey, is the contact person responsible for this comment. The School is continuing its work on correcting this deficiency.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

School Board

Leola School District No. 44-2

McPherson County, 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 Leola School District No. 44-2, as of June 30, 2023 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 Leola School District No. 44-2 as of June 30, 2023, 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.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

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P.O. Box 669 • Mobridge, SD 57601-0669 • Fax (605) 845-2517 • Phone (605) 845-2927 • Toll Free 1-800-244-8436

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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:

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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.
4. 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.
5. 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Carroll Bowen

Mobridge, South Dakota
November 29, 2023

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 868,655	\$ 535	\$ 869,190
Investments	1,935,395	-	1,935,395
Taxes receivable	1,341,572	-	1,341,572
Inventories	-	13,015	13,015
Other assets	137,731	36,769	174,500
Net pension asset	7,410	253	7,663
Capital assets			
Land, improvements	18,000	-	18,000
Other capital assets, net depreciation	4,582,177	60,425	4,642,602
TOTAL ASSETS	8,890,940	110,997	9,001,937
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	725,000	24,743	749,743
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 725,000	\$ 24,743	\$ 749,743

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 47,827	\$ 17,418	\$ 65,245
Other current liabilities	170,447	1,343	171,790
Noncurrent liabilities:			
Due within one year	221,205	-	221,205
Due in more than one year	1,581,076	-	1,581,076
TOTAL LIABILITIES	2,020,555	18,761	2,039,316
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	435,820	14,874	450,694
TOTAL DEFERRED INFLOWS OF RESOURCES	435,820	14,874	450,694
NET POSITION			
Net Investment in			
Capital Assets	2,861,291	60,425	2,921,716
Restricted for:			
Capital Outlay	1,268,523	-	1,268,523
Special Education	751,026	-	751,026
SDRS Pension Purposes	296,590	10,122	306,712
Unrestricted	1,982,135	31,558	2,013,693
TOTAL NET POSITION	\$ 7,159,565	\$ 102,105	\$ 7,261,670

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government						
Governmental activities						
Instruction	\$ 2,150,712	\$ 11,000	\$ 100,097	\$ (2,039,615)	\$ -	\$ (2,039,615)
Support services	1,345,184	2,714	53,378	(1,289,092)	-	(1,289,092)
Curricular activities	163,013	20,672	-	(142,341)	-	(142,341)
** Interest on long term debt	40,535	-	-	(40,535)	-	(40,535)
Total governmental activities	3,699,444	34,386	153,475	(3,511,583)	-	(3,511,583)
Business-type activities						
Food services	296,961	46,203	198,580	-	(52,178)	(52,178)
Other enterprise funds	3,163	675	-	-	(2,488)	(2,488)
Total business-type activities	300,124	46,878	198,580	-	(54,666)	(54,666)
Total primary government	\$ 3,999,568	\$ 81,264	\$ 352,055	\$ (3,511,583)	\$ (54,666)	\$ (3,566,249)
** The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.						
General Revenues						
Taxes						
Property taxes				2,626,604	-	2,626,604
Utility taxes				62,915	-	62,915
Revenue from state sources:						
State Aid				1,009,924	-	1,009,924
Unrestricted investments earnings				30,214	-	30,214
Other general revenues				93,443	-	93,443
Transfers				(74,200)	74,200	-
Total general revenues and transfers				3,748,900	74,200	3,823,100
Change in net position				237,317	19,534	256,851
Net position - beginning				6,919,825	82,571	7,002,396
Implementation of new accounting standard (See Note 16)				2,423	-	2,423
Net position - ending				\$ 7,159,565	\$ 102,105	\$ 7,261,670

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

LEOLA SCHOOL DISTRICT NO. 44-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 72,710
Investments	1,379,919
Taxes-receivables	621,182
Taxes-delinquent	7,991
Due from state government	62,915
Due from federal government	74,816
TOTAL ASSETS	\$ 2,219,533
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 17,463
Contracts payable	99,691
Amounts held for others	5,614
Payroll deductions and withholdings payable and employer matching payable	12,349
Total Liabilities	135,117
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	612,384
Total Deferred Inflows of Resources	612,384
Fund Balances:	
Restricted	
Capital outlay	-
Special education	-
Assigned	
School foundation	70,363
Unassigned	1,401,669
Total Fund Balance	1,472,032
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,219,533

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

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	400,638	\$	395,307	\$	868,655
	500,000		55,476		1,935,395
	378,636		327,632		1,327,450
	3,370		2,761		14,122
	-		-		62,915
	-		-		74,816
\$	1,282,644	\$	781,176	\$	4,283,353
\$	14,121	\$	16,243	\$	47,827
	-		12,413		112,104
	-		-		5,614
	-		1,494		13,843
	14,121		30,150		179,388
	372,709		322,479		1,307,572
	372,709		322,479		1,307,572
	895,814		-		895,814
	-		428,547		428,547
	-		-		70,363
	-		-		1,401,669
	895,814		428,547		2,796,393
\$	1,282,644	\$	781,176	\$	4,283,353

LEOLA SCHOOL DISTRICT NO. 44-2
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds	\$	2,796,393
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.		7,410
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$6,999,365 and the accumulated depreciation/amortization is (\$2,399,188) for a net amount of \$4,600,177.		4,600,177
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		725,000
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$30,621, capital outlay certificates of \$1,700,000, technology subscription liability of \$4,132, lease liability of \$67,528, unamortized bond premium of \$21,405, and accrued interest of \$17,481.		(1,841,167)
Governmental funds report property tax revenue on the modified accrual basis of accounting recognizing revenue in the period for which the levy was made subject to meeting availability criteria which results in deferral of some revenue recognition while the statement of net position recognizes property tax revenue in the period for which it was levied without regard to availability criteria.		1,307,572
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(435,820)
Total net position - governmental funds	\$	<u>7,159,565</u>

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
REVENUES:	
Revenue from local sources:	
Taxes:	
Ad valorem taxes	\$ 1,171,263
Prior years' ad valorem taxes	18,269
Utility taxes	62,915
Penalties and interest on taxes	4,579
Tuition and fees:	
Regular Day School Tuition	11,000
Earnings on investments and deposits	30,214
Cocurricular activities:	
Admissions	18,807
Other pupil activity income	1,865
Other revenue from local sources:	
Rentals	3,480
Contributions and donations	73,790
Charges for services	2,471
Other	8,376
Total revenue from local sources	1,407,029
Revenue from intermediate sources	
County sources:	
County appointment	7,797
Total revenue from intermediate sources	7,797
Revenue from state sources:	
Grants-in-aid:	
Unrestricted grants-in-aid	1,009,924
Total revenue from state sources	1,009,924
Revenue from federal sources:	
Grants-in-aid:	
Restricted grants-in-aid directly from fed govt	7,074
Restricted grants-in-aid thru state	146,401
Total revenue from federal sources	153,475
Total revenues	\$ 2,578,225

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	705,727	\$	617,256	\$	2,494,246
	12,423		8,824		39,516
	-		-		62,915
	3,471		2,493		10,543
	-		-		11,000
	-		-		30,214
	-		-		18,807
	-		-		1,865
	-		-		3,480
	-		-		73,790
	-		243		2,714
	-		-		8,376
	721,621		628,816		2,757,466
	-		-		7,797
	-		-		7,797
	-		-		1,009,924
	-		-		1,009,924
	-		-		7,074
	-		-		146,401
	-		-		153,475
\$	721,621	\$	628,816	\$	3,928,662

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
Expenditures:	
Instruction:	
Regular programs:	
Elementary	\$ 755,014
Middle/junior high	212,549
High school	331,363
Preschool	72,210
Special programs:	
Programs for special education	-
Educationally deprived	90,194
Other special programs	66,791
Total instruction	1,528,121
Support services:	
Pupils:	
Guidance	37,991
Health	1,235
Psychological	-
Speech pathology	-
Student therapy services	5,421
Instructional staff:	
Improvement of instruction	37,853
Educational media	65,449
General administration:	
Board of education	97,327
Executive administration	54,710
School administration:	
Office of the principal	122,917
Other	136
Business:	
Fiscal services	123,034
Operation and maintenance of plant	314,169
Pupil transportation	86,694
Food services	5,928
Central:	
Staff	496
Special education:	
Administrative costs	-
Transportation costs	-
Other	-
Total support services	\$ 953,360

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	112,012	\$	-	\$	867,026
	14,751		-		227,300
	9,056		-		340,419
	-		-		72,210
	-		433,425		433,425
	10,121		-		100,315
	-		-		66,791
	145,940		433,425		2,107,486
	3,483		-		41,474
	-		-		1,235
	-		5,487		5,487
	-		14,216		14,216
	-		32,361		37,782
	-		-		37,853
	15,859		-		81,308
	-		-		97,327
	92		-		54,802
	3,119		-		126,036
	-		-		136
	8,769		-		131,803
	40,512		-		354,681
	-		-		86,694
	-		-		5,928
	-		-		496
	-		8,347		8,347
	-		2,273		2,273
	-		132,398		132,398
\$	71,834	\$	195,082	\$	1,220,276

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
Debt services	\$ -
Cocurricular activities:	
Male activities	20,258
Female activities	21,575
Transportation	22,118
Combined activities	68,230
Total cocurricular activities	132,181
Total expenditures/expenses	2,613,662
Other financing sources (uses)	
Transfers in	193,056
Transfers out	(74,200)
Total other financing sources (uses)	118,856
Net change in fund balances	83,419
Fund balance - beginning	1,388,613
Fund balance - ending	\$ 1,472,032

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

Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 254,880	\$ -	\$ 254,880
474	-	20,732
275	-	21,850
-	-	22,118
706	-	68,936
1,455	-	133,636
474,109	628,507	3,716,278
-	-	193,056
(193,056)	-	(267,256)
(193,056)	-	(74,200)
54,456	309	138,184
841,358	428,238	2,658,209
\$ 895,814	\$ 428,547	\$ 2,796,393

LEOLA SCHOOL DISTRICT NO. 44-2
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$	138,184
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlay expense.		(157,713)
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".		82,299
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		(1,301)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses consist of the change in amortization of bond premiums of \$2,595, change in accrued interest of \$1,750, and reduction of pension expense of \$27,676.		32,021
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.		222,359
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		(78,532)
Change in net position of governmental activities	\$	<u>237,317</u>

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 523	\$ 12	\$ 535
Accounts receivable	115	-	115
Due from federal government	36,654	-	36,654
Inventory of supplies	1,066	-	1,066
Inventory of store purchased for resale	3,671	-	3,671
Inventory of donated foods	8,278	-	8,278
Total Current Assets	<u>50,307</u>	<u>12</u>	<u>50,319</u>
Noncurrent assets			
Pension asset	253	-	253
Capital assets			
Machinery and equipment	151,529	-	151,529
Accumulated depreciation	(91,104)	-	(91,104)
Total Noncurrent Assets	<u>60,678</u>	<u>-</u>	<u>60,678</u>
TOTAL ASSETS	<u>110,985</u>	<u>12</u>	<u>110,997</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	24,743	-	24,743
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>24,743</u>	<u>-</u>	<u>24,743</u>
LIABILITIES			
Current liabilities			
Accounts payable	17,418	-	17,418
Contracts payable	750	-	750
Benefits payable	91	-	91
Unearned revenue	502	-	502
Total Current Liabilities	<u>18,761</u>	<u>-</u>	<u>18,761</u>
TOTAL LIABILITIES	<u>18,761</u>	<u>-</u>	<u>18,761</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	14,874	-	14,874
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,874</u>	<u>-</u>	<u>14,874</u>
NET POSITION			
Net investment in capital assets	60,425	-	60,425
Restricted for SDRS	10,122	-	10,122
Unrestricted	31,546	12	31,558
TOTAL NET POSITION	<u>\$ 102,093</u>	<u>\$ 12</u>	<u>\$ 102,105</u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
OPERATING REVENUES			
Sales			
To pupils	\$ 31,253	\$ -	\$ 31,253
To adults	8,071	-	8,071
A la carte	6,879	-	6,879
Other charges for goods and services	-	675	675
Total operating revenues	<u>46,203</u>	<u>675</u>	<u>46,878</u>
OPERATING EXPENSES			
Salaries	77,522	2,713	80,235
Employee benefits	10,755	370	11,125
Purchased services	94,858	-	94,858
Supplies	9,924	80	10,004
Cost of sales - purchased food	72,681	-	72,681
Cost of sales - donated food	10,680	-	10,680
Other	1,080	-	1,080
Depreciation	19,461	-	19,461
Total operating expenses	<u>296,961</u>	<u>3,163</u>	<u>300,124</u>
Operating income/(loss)	<u>(250,758)</u>	<u>(2,488)</u>	<u>(253,246)</u>
NONOPERATING REVENUES			
State sources			
State grants	364	-	364
Federal sources			
Cash reimbursements	185,914	-	185,914
Donated food	12,302	-	12,302
Total nonoperating revenues	<u>198,580</u>	<u>-</u>	<u>198,580</u>
Net income/(loss) before transfers	<u>(52,178)</u>	<u>(2,488)</u>	<u>(54,666)</u>
Transfers in	<u>73,000</u>	<u>1,200</u>	<u>74,200</u>
Change in net position	20,822	(1,288)	19,534
Total net position - July 1, 2022	<u>81,271</u>	<u>1,300</u>	<u>82,571</u>
Total net position - June 30, 2023	<u>\$ 102,093</u>	<u>\$ 12</u>	<u>\$ 102,105</u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 47,467	\$ 675	\$ 48,142
Payments to employees for services	(89,893)	(4,461)	(94,354)
Payments to suppliers of goods and services	(199,548)	(80)	(199,628)
Net cash used by operating activities	<u>(241,974)</u>	<u>(3,866)</u>	<u>(245,840)</u>
CASH FLOWS FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital improvements	<u>(13,854)</u>	<u>-</u>	<u>(13,854)</u>
Net cash used by capital and related financing activities	<u>(13,854)</u>	<u>-</u>	<u>(13,854)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the general fund	73,000	1,200	74,200
Operating grants	177,351	-	177,351
Net cash provided by noncapital financing activities	<u>250,351</u>	<u>1,200</u>	<u>251,551</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,477)	(2,666)	(8,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,000</u>	<u>2,678</u>	<u>8,678</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 523</u></u>	<u><u>\$ 12</u></u>	<u><u>\$ 535</u></u>

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF CASH FLOWS - Page 2
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

RECONCILIATION OF OPERATING INCOME TO NET
CASH USED BY OPERATING ACTIVITIES

Operating income/(loss)	\$ (250,758)	\$ (2,488)	\$ (253,246)
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ADJUSTMENTS TO RECONCILE OPERATING
INCOME/(LOSS) TO NET CASH PROVIDED/(USED)
BY OPERATING ACTIVITIES

Depreciation expense	19,461	-	19,461
Value of donated commodities used	10,680	-	10,680
Change in assets and liabilities			
Receivables	2,078	-	2,078
Inventories	(841)	-	(841)
Accounts and other payables	(20,464)	(1,378)	(21,842)
Change in pension asset/(liability)	(1,316)	-	(1,316)
Unearned revenues	(814)	-	(814)

Net cash provided/(used) by operating activities	<u>\$ (241,974)</u>	<u>\$ (3,866)</u>	<u>\$ (245,840)</u>
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Noncash investing, capital and financing activities:

Value of commodities received	<u>\$ 12,302</u>	<u>\$ -</u>	<u>\$ 12,302</u>
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LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 2,494	\$ 36,775
TOTAL ASSETS	2,494	36,775
NET POSITION		
Restricted for student activities	-	36,775
Restricted for scholarships	2,494	-
TOTAL NET POSITION	\$ 2,494	\$ 36,775

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Collections for student activities	\$ -	\$ 56,356
Other additions	540	-
Total additions	540	56,356
DEDUCTIONS		
Payments for student activities	-	45,159
Other deductions	12,050	-
Total deductions	12,050	45,159
Change in net position	(11,510)	11,197
Total net position - July 1, 2022	14,004	25,578
Total net position - June 30, 2023	\$ 2,494	\$ 36,775

**LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(See Independent Auditors' Report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of the Leola School District No. 44-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

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

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

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

Governmental Funds

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

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

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.

NOTES TO FINANCIAL STATEMENTS - Page 3
(See Independent Auditors' Report)

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.

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

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

The Driver's Education Fund is an enterprise fund maintained by the School District. This is a not major fund.

Fiduciary Funds

Fiduciary funds consist of the following sub-categories and are never considered to be a 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: Jean Scholarship Fund.

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension 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.

NOTES TO FINANCIAL STATEMENTS - Page 4
(See Independent Auditors' Report)

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 type funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and similar fiduciary funds.

Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Leola School District No. 44-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2023 are expected state reimbursements, utility taxes, federal reimbursements, and miscellaneous reimbursements.

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

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

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

All Proprietary Funds and Fiduciary Fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications

Government Wide Financial Statements

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

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

e. Deposits and Investments

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

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

f. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

Government-Wide Statements

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

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 10 percent for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities includes approximately 8 percent for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets were determined by reviewing applicable historical costs and basing the estimations thereon.

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/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ 1,000	N/A	N/A
Improvements, other than buildings	15,000	Straight-line	12-50 years
Buildings	50,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Intangible lease assets	5,000	Straight-line	Various
Intangible subscription assets	5,000	Straight-line	Various
Food service equipment	1,000	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

Fund Financial Statements

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

g. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-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 capital outlay certificates, subscription liabilities, lease liabilities, and compensated absences.

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

h. Leases

Lessee:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses the US Treasury rate that represents the length of the lease.

NOTES TO FINANCIAL STATEMENTS - Page 8
(See Independent Auditors' Report)

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

i. Subscription-Based Information Technology Arrangements

The School District has entered into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. The School District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscription include how the School District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses the US Treasury rate that represents the length of the subscription period.

The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

The School District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

j. 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.

k. 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.

l. 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.

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m. 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.

n. 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 (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) 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.

o. 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.

p. 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.

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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 Government does not have a formal minimum fund balance policy.

q. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions/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 asset are recognized on an accrual basis of accounting.

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, accounting for subscription-based information technology arrangements. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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, 2023, the School District had the following investments. Except for the investment in certificates of deposit, for the general and special education funds, all investments are in an internal deposit and investment pool.

Investment	Credit Rating	Maturities	Fair Value
US Treasury Bills	N/A	\$ 774,000	\$ 767,655
SD FIT	Unrated	1,004,240	1,004,240
Total SD Fit Investments		<u>\$ 1,778,240</u>	<u>\$ 1,771,895</u>

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.

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 to the General Fund.

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NOTE 4 - RECEIVABLES AND PAYABLES

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

NOTE 5 - INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out. 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.

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

NOTE 6 - 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 April 30 and October 31 of the following year. The county bills and collects the School District's taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore and not susceptible to accrual has been reported as deferred revenue in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, have been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

NOTE 7 - INDIVIDUAL FUND INTERFUND BALANCES AND INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 were as follows:

<u>6/30/2023</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Total</u>
General Fund	\$ 193,056	\$ (74,200)	\$ 118,856
Capital Outlay Fund	-	(193,056)	(193,056)
Drivers Education Fund	1,200	-	1,200
Food Service Fund	73,000	-	73,000
Total	<u>\$ 267,256</u>	<u>\$ (267,256)</u>	<u>\$ -</u>

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Transfers from the Capital Outlay Fund to the General Fund are permitted under SDCL 13-16-6. Transfers from the General Fund to the Food Service and Drivers Education Funds are due to revenues being insufficient to support fund activities. These interfund transfers are not violations of the statutory restrictions

NOTE 8 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for year ended June 30, 2023 is as follows:

	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Primary Government				
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total capital assets, not being depreciated/amortized	18,000	-	-	18,000
Capital assets, being depreciated/amortized				
Buildings	4,471,022	-	-	4,471,022
Improvements other than buildings	1,334,357	-	-	1,334,357
Machinery and equipment	1,087,567	-	-	1,087,567
Intangible lease assets	-	78,532	-	78,532
Intangible subscription assets	9,887	-	-	9,887
Total capital assets, being depreciated/amortized	6,902,833	78,532	-	6,981,365
Less accumulated depreciation/amortization for				
Buildings	1,158,514	79,748	-	1,238,262
Improvements other than buildings	471,810	51,591	-	523,401
Machinery and equipment	530,642	91,148	-	621,790
Intangible lease assets	-	11,780	-	11,780
Intangible subscription assets	1,977	1,978	-	3,955
Total accumulated depreciation/amortization	2,162,943	236,245	-	2,399,188
Total capital assets, being depreciated/amortized, net	4,739,890	(157,713)	-	4,582,177
Governmental activity capital assets, net	\$ 4,757,890	\$ (157,713)	\$ -	\$ 4,600,177

Depreciation/amortization expense was charged to functions as follows:

	06/30/2023
Governmental activities	
Instructional	\$ 61,789
Support Services	144,447
Cocurricular	30,009
Total depreciation/amortization expense - governmental activities	\$ 236,245

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	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	145,622	13,854	\$ (7,947)	\$ 151,529
Total capital assets, being depreciated	145,622	13,854	(7,947)	151,529
Less accumulated depreciation for				
Machinery and equipment	79,590	19,461	(7,947)	91,104
Total accumulated depreciation	79,590	19,461	(7,947)	91,104
 Total business-type activities, capital assets, being depreciated, net	 66,032	 (5,607)	 -	 60,425
 Business-type activities capital assets, net	 \$ 66,032	 \$ (5,607)	 \$ -	 \$ 60,425

Depreciation expense was charged to functions as follows:

	06/30/2023
Business-type activities	
Food Service	\$ 19,461

NOTE 9 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Beginning Balance 07/01/2022	Additions	Deletions	Ending Balance 06/30/2023	Due Within One Year
Primary government					
Governmental activities					
Capital outlay certificates 2017	\$ 1,910,000	\$ -	\$ (210,000)	\$ 1,700,000	\$ 205,000
Subscription based technology	5,487	-	(1,355)	4,132	1,366
Leases	-	78,532	(11,004)	67,528	14,839
Compensated absences	29,320	11,729	(10,428)	30,621	-
 Total governmental activities	 \$ 1,944,807	 \$ 90,261	 \$ (232,787)	 \$ 1,802,281	 \$ 221,205

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Liabilities payable at June 30, 2023, is comprised of the following:

Capital Outlay Certificates, Series 2017, maturing August 2031, 2.20% interest, semi annual interest payments and annual principal payments, made from the Capital Outlay Fund.	\$1,700,000
Liability payable for a time clock subscription software, maturing July 1, 2025, payments made from the Capital Outlay Fund.	4,132
Liability payable for lease of copiers, maturing September 13, 2027, payments made from the Capital Outlay Fund.	67,528
Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within.	<u>30,621</u>
Total long-term liabilities	<u><u>\$1,802,281</u></u>

Annual requirements to Maturity for Long-Term Liabilities as of June 30, 2023:

Capital Outlay Certificates

Year Ending June 30, 2023	Principal	Interest
2024	\$ 205,000	\$ 39,905
2025	200,000	35,855
2026	180,000	32,055
2027	175,000	28,417
2028	180,000	22,800
2029-2031	760,000	31,725
	<u>\$1,700,000</u>	<u>\$ 190,757</u>

Technology Subscription

Leases

Year Ending June 30, 2023	Principal	Interest	Principal	Interest
2024	\$ 1,366	\$ 34	\$ 14,839	\$ 2,516
2025	1,377	23	15,465	1,890
2026	1,389	11	16,117	1,238
2027	-	-	16,798	557
2028	-	-	4,309	30
	<u>\$ 4,132</u>	<u>\$ 68</u>	<u>\$ 67,528</u>	<u>\$ 6,231</u>

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NOTE 10 - RESTRICTED NET POSITION

<u>Fund</u>	<u>Restricted By</u>	<u>6/30/2023</u>
Special Education	Law	\$ 751,026
Capital Outlay	Law	1,268,523
SDRS Pension Purposes	Law	306,712
Total Restricted Net Position		<u>\$2,326,261</u>

These balances are restricted due to statutory requirements.

NOTE 11 - 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 hybrid 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 four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation 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.

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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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022, and 2021 was \$112,444, \$115,740, and \$109,137, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 11,445,755
Less proportionate share of net pension restricted for pension benefits	<u>11,453,418</u>
Proportionate share of net pension asset	<u>\$ (7,663)</u>

At June 30 2023, the School District reported an asset of \$7,663 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was .0810800% which is an increase of .0076021% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$27,624. At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 145,863	\$ 497
Changes in assumption	487,009	426,799
Net difference between projected and actual earnings on pension plan investments	-	18,363
Changes in proportion and difference between District contributions and proportionate share of contributions	4,427	5,035
School district contributions subsequent to the measurement date	<u>112,444</u>	<u>-</u>
Total	<u>\$ 749,743</u>	<u>\$ 450,694</u>

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\$112,444 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, 2024. 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:	
2024	51,658
2025	105,120
2026	(121,806)
2027	151,633
<hr/>	
TOTAL	\$ 186,605

Actuarial Assumptions:

The total pension asset in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	2.7%

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, as well as what the School 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)	\$ 1,591,062	\$ (7,663)	\$(1,314,243)

Pension Plan Fiduciary Net Position:

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

NOTE 11 - JOINT VENTURES

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing Special Education Services to the member School Districts. Each member district has an equal interest in the cooperative.

The members of the co-op are as follows:

Doland School District No. 56-2	12.5%
Frederick Area School District No. 6-2	12.5%
Groton Area School District No. 6-6	12.5%
Hitchcock Tulare School District No. 56-6	12.5%
Langford Area School District No. 45-5	12.5%
Leola School District No. 44-2	12.5%
Northwestern Area School District No. 56-7	12.5%
Warner School District No. 6-5	12.5%

The North Central Special Education Cooperative governing board is composed of one representative from each member School District, who is elected by the local School Board. The Board is responsible for adopting the joint ventures 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 North Central Special Education Cooperative.

NOTES TO FINANCIAL STATEMENTS - Page 23
(See Independent Auditors' Report)

At June 30, 2023, this joint venture had total assets of \$365,945, net position of \$365,945 (unaudited), and no long-term debt outstanding.

The School District also participates in the joint venture known as Northern High Technology Module Consortium formed for the purpose of providing technological equipment to the member School Districts. Each member district has an equal interest in the consortium (unaudited).

The members of the co-op are as follows:

Edmunds Central School District No. 22-5	14.3%
Eureka School District No. 44-1	14.3%
Groton School District No. 6-3	14.3%
Leola School District No. 44-2	14.3%
Warner School District No.6-5	14.3%
Selby Area School District No. 62-5	14.3%
Ipswich School District No. 22-3	14.2%

The Northern High Technology Module Consortium governing board is composed of the superintendents from each member School District. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

Angie Vetter performs the recordkeeping for this consortium.

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 Angie Vetter.

At June 30, 2023 this joint venture had total assets of \$466, total liabilities of \$2,582, and net position deficit of (\$2,116) and no reported long-term debt outstanding.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2023, the School District managed its risks as follows:

Employee Health Insurance

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

NOTES TO FINANCIAL STATEMENTS - Page 24
(See Independent Auditors' Report)

Liability Insurance

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

During the year ended June 30, 2023, no claims for these matters were paid. At June 30, 2023 no claims had been filed for these matters and none are anticipated.

Unemployment Benefits

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

The School District appropriates an amount each year in the General Fund to provide resources for potential claims for unemployment benefits.

During the fiscal year ended June 30, 2023, no unemployment claims were paid. At June 30, 2023, the School District does not anticipate that any substantive additional claims will be paid in the subsequent fiscal year.

Workmen's Compensation

The School District participates with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

NOTES TO FINANCIAL STATEMENTS - Page 25
(See Independent Auditors' Report)

NOTE 13 - LITIGATION

At June 30, 2023, the School District was not involved in any litigation.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 15 - IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2023, the School District implemented GASB Statement No. 96, accounting for subscription based information technology arrangements. The School District restated the net position to appropriately reflect the July 1, 2022 balance as follows:

Net Position at June 30, 2022, as previously stated	\$ 6,919,825
Restatement - Implementation of GASB 96	<u>2,423</u>
Net Position at July 1, 2022, as restated	<u><u>\$ 6,922,248</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES:				
1000 Revenue from Local Sources:				
1100 Taxes:				
1110 Ad Valorem Taxes	\$ 1,212,055	\$ 1,212,055	\$ 1,171,263	\$ (40,792)
1120 Prior Years' Ad Valorem Taxes	8,500	8,500	18,269	9,769
1130 Tax Deed Revenue	2,000	2,000	-	(2,000)
1140 Utility Taxes	59,000	59,000	62,915	3,915
1190 Penalties and Interest on Taxes	4,500	4,500	4,579	79
1300 Tuition and Fees				
1310 Regular Day School Tuition	11,000	11,000	11,000	-
1510 Interest	1,500	1,500	30,214	28,714
1700 Cocurricular Activities:				
1710 Admissions	5,700	5,700	18,807	13,107
1790 Other	1,500	1,500	1,865	365
1900 Other Revenue from Local Sources:				
1910 Rentals	3,000	3,000	3,480	480
1920 Contributions and Donations	-	-	73,790	73,790
1970 Charges for Services	1,800	1,800	2,471	671
1990 Other	4,000	4,000	8,376	4,376
2000 Revenue from Intermediate Sources:				
2100 County Sources:				
2110 County Apportionment	19,000	19,000	7,797	(11,203)
3000 Revenue from State Sources:				
3110 Unrestricted Grants-in-Aid	941,211	941,211	1,009,924	68,713
4000 Revenue from Federal Sources:				
4140 Restricted Grants-in-Aid Received Directly from				
4199 Restricted Grants-in-Aid Received Directly from Federal Government Through the State	5,995	5,995	7,074	1,079
	161,844	161,844	146,401	(15,443)
Total Revenue	\$ 2,442,605	\$ 2,442,605	\$ 2,578,225	\$ 135,620

(Continued on next page)

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
1000 Instruction:				
1100 Regular Programs:				
1111 Elementary	\$ 774,453	\$ 791,273	\$ 755,014	\$ 36,259
1120 Middle/Junior High	214,186	217,659	212,549	5,110
1130 High School	313,051	331,335	331,363	(28)
1140 Preschool	78,700	78,700	72,210	6,490
1200 Special Programs:				
1270 Educationally Deprived	92,928	92,928	90,194	2,734
1290 Other Special Programs	52,644	61,132	66,791	(5,659)
2000 Support Services:				
2100 Pupils:				
2120 Guidance	40,472	44,550	37,991	6,559
2130 Health Services	750	750	1,235	(485)
2170 Student Therapy Services	5,000	7,868	5,421	2,447
2200 Support Services-Instructional Staff:				
2210 Improvement of Instruction	12,225	28,407	37,853	(9,446)
2220 Educational Media	58,879	66,978	65,449	1,529
2300 Support Services-General Administration:				
2310 Board of Education	78,916	98,567	97,327	1,240
2321 Executive Administration	54,459	54,459	54,710	(251)
2400 Support Services - School Administration:				
2410 Office of the Principal	135,840	140,133	122,917	17,216
2490 Other	250	250	136	114
2500 Support Services-Business:				
2520 Fiscal Services	119,452	128,651	123,034	5,617
2540 Operation & Maintenance of Plant	251,790	313,359	314,169	(810)
2550 Pupil Transportation	85,160	85,160	86,694	(1,534)
2560 Food Service	5,400	5,400	5,928	(528)
2600 Support Services-Central:				
2640 Staff	500	500	496	4
6000 Cocurricular Activities				
6100 Male Activities	14,732	14,732	20,258	(5,526)
6200 Female Activities	10,882	10,882	21,575	(10,693)
6500 Transportation	17,925	17,925	22,118	(4,193)
6900 Combined Activities	48,894	68,946	68,230	716
Total Expenditures	\$ 2,467,488	\$ 2,660,544	\$ 2,613,662	\$ 46,882

(Continued on next page)

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Excess Revenue Over/Under Expenditures	\$ (24,883)	\$ (217,939)	\$ (35,437)	\$ 182,502
Other Financing Sources				
5110 Transfer In			193,056	193,056
8110 Transfer Out	-	-	(74,200)	(74,200)
Total Other Financing Sources	-	-	118,856	118,856
Net Change in Fund Balances	(24,883)	(217,939)	83,419	301,358
Fund Balance - Beginning	1,388,613	1,388,613	1,388,613	-
Fund Balance - Ending	\$ 1,363,730	\$ 1,170,674	\$ 1,472,032	\$ 301,358

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data		Budgeted Amounts		Actual Amounts	
		Original	Final	(Budgetary Basis)	Variance with Final Budget
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 740,000	\$ 740,000	\$ 705,727	\$ (34,273)
1120	Prior Years' Ad Valorem Taxes	4,300	4,300	12,423	8,123
1130	Tax Deed Revenue	450	450	-	(450)
1190	Penalties and Interest on Taxes	2,875	2,875	3,471	596
Total Revenue		\$ 747,625	\$ 747,625	\$ 721,621	\$ (26,004)
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 123,362	\$ 123,362	\$ 112,012	\$ 11,350
1120	Middle/Junior High	12,060	12,060	14,751	(2,691)
1130	High School	9,000	9,000	9,056	(56)
1200	Special Programs:				
1270	Educationally Deprived	7,877	7,877	10,121	(2,244)
2000	Support Services:				
2100	Pupils:				
2120	Guidance	2,000	2,000	3,483	(1,483)
2200	Support Services-Instructional Staff:				
2220	Educational Media	6,964	6,964	15,859	(8,895)
2300	Support Services-General Administration:				
2321	Executive Administration	3,443	3,443	92	3,351
2400	Support Services-School Administration:				
2410	Office of the Principal	3,125	3,125	3,119	6
2500	Support Services-Business				
2520	Fiscal Services	4,125	4,125	8,769	(4,644)
2530	Facilities Acquisition and Construction	15,000	15,000	-	15,000
2540	Operation & Maintenance of Plant	235,643	235,643	40,512	195,131
2550	Pupil Transportation	15,000	15,000	-	15,000
5000	Debt Services	297,705	297,705	254,880	42,825

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
6000 Cocurricular Activities				
6100 Male Activities	5,171	5,171	474	4,697
6200 Female Activities	1,650	1,650	275	1,375
6900 Combined Activities	5,500	5,500	706	4,794
Total Expenditures	\$ 747,625	\$ 747,625	\$ 474,109	\$ 273,516
Excess Revenue Over/Under Expenditures	-	-	247,512	247,512
Other Financing Sources				
8110 Transfer Out	-	-	(193,056)	(193,056)
Total Other Financing Sources	-	-	(193,056)	(193,056)
Net Change in Fund Balances	-	-	54,456	54,456
Fund Balance - Beginning	841,358	841,358	841,358	-
Fund Balance - Ending	\$ 841,358	\$ 841,358	\$ 895,814	\$ 54,456

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 647,182	\$ 647,182	\$ 617,256	\$ (29,926)
1120	Prior Years' Ad Valorem Taxes	2,500	2,500	8,824	6,324
1130	Tax Deed Revenue	250	250	-	(250)
1190	Penalties and Interest on Taxes	1,500	1,500	2,493	993
1900	Other Revenue from Local Sources:				
1970	Charges for Services	9,600	9,600	243	(9,357)
Total Revenue		\$ 661,032	\$ 661,032	\$ 628,816	\$ (32,216)
EXPENDITURES:					
1200	Special Programs:				
1220	Programs for Special Education	\$ 485,987	\$ 485,987	\$ 433,425	\$ 52,562
2000	Support Services:				
2100	Pupils:				
2140	Psychological Services	5,282	5,282	5,487	(205)
2150	Speech	12,402	12,402	14,216	(1,814)
2170	Student Therapy Services	35,000	35,000	32,361	2,639
2700	Special Education:				
2710	Administrative Costs	-	-	8,347	(8,347)
2730	Transportation Costs	500	500	2,273	(1,773)
2750	Other Special Education Costs	121,861	121,861	132,398	(10,537)
Total Expenditures		661,032	661,032	628,507	32,525
Excess Revenue Over/Under Expenditures		-	-	309	309
Net Change in Fund Balances		-	-	309	309
Fund Balance - Beginning		428,238	428,238	428,238	-
Fund Balance - Ending		\$ 428,238	\$ 428,238	\$ 428,547	\$ 309

LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular board meeting in May of each year the School Board prepares a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
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 Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0810800%	0.0800490%	0.07344779%	0.0678952%	0.0765042%	0.0726197%	0.0665721%	0.0644733%	0.0743679%
District's proportionate share of net pension liability (asset)	\$ (7,663)	\$ (613,038)	\$ (3,191)	\$ (7,195)	\$ (1,784)	\$ (6,590)	\$ 224,874	\$ (273,450)	\$ (535,790)
District's covered-employee payroll	\$1,928,993	\$1,818,945	\$1,607,257	\$1,443,857	\$1,590,457	\$1,447,824	\$1,253,353	\$1,152,405	\$1,300,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.40%	-33.70%	-0.20%	-0.50%	-0.11%	-0.46%	17.94%	-23.73%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	105.25%	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.

LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 112,444	\$ 115,740	\$ 109,137	\$ 96,757	\$ 86,616	\$ 95,427	\$ 88,529	\$ 75,201	\$ 69,144
Contributions in relation to the contractually required contribution	\$ 112,444	\$ 115,740	\$ 109,137	\$ 96,757	\$ 86,616	\$ 95,427	\$ 88,529	\$ 75,201	\$ 69,144
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$1,874,061	\$1,928,993	\$1,818,945	\$1,612,617	\$1,443,857	\$1,590,457	\$1,475,483	\$1,253,353	\$1,152,405
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS

Changes from prior valuation

The June 30, 2022, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2023
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.