MARION SCHOOL DISTRICT NO. 60-3
OF TURNER COUNTY

AUDIT REPORT

FISCAL YEAR JULY 1, 2021, TO JUNE 30, 2022

Schoenfish & Co., Inc.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MARION SCHOOL DISTRICT NO. 60-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2022

BOARD MEMBERS:

Larry Langerock – President
Scott Tieszen – Vice-President
Matt Donlan
Jared Schmidt
Amanda Zick

SUPERINTENDENT:

Brad Berens

BUSINESS MANAGER:

Crystal Longe

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

School Board
Marion School District No. 60-3
Turner County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marion School District No. 60-3 South Dakota (School District), as of June 30, 2022 and for the year in the period 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 July 5, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2022-001 and 2022-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2022-003.

School District's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the School District's responses 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 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.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
July 5, 2023

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDING:

Internal Control Over Revenues:

Finding Number 2021-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This comment has not been corrected and is restated as current audit finding number 2022-001.

Finding Number 2021-002:

The General Fund and Special Education Fund spent money in excess of amounts budgeted without sufficiently amending the budget in Fiscal Year 2020. The Special Education Fund spent money in excess of amounts budgeted without sufficiently amending the budget in Fiscal Year 2021. This comment has not been corrected and is restated as current audit finding number 2022-003.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2022-001:

Condition:
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since fiscal year 1998.

Criteria:
Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Cause:
A limited number of employees process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:
As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:
1. We recommend that the Marion School District No. 60-3 officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:
The Marion School District No. 60-3 Board President, Scott Tieszen, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Marion School District No. 60-3, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

Finding Number 2022-002:

Condition:
Errors and omissions were noted in the annual financial statements prepared by school officials due to inadequate accounting records controls. This is the first audit in which this comment has occurred.

Criteria:
Accurate and complete financial information must be presented in accordance with the generally accepted accounting principles established by the Governmental Accounting Standards Board to be useful to the users of these financial statements.

SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Cause:
Some of the more significant errors and omissions noted affecting the annual financial statements are as follows:

a. Grant reimbursements have not been claimed in a timely manner. All remaining Federal REAP and ESSER are unclaimed and outstanding at year-end.
b. Year-end inventory should be adjusted to reflect the actual values on the financial statements.
c. Donated foods were not recorded on the financial statements, resulting in no Cost of Goods were reported on the financial statements.
d. Outstanding taxes should be reconciled to the county auditor and adjusted for both current and delinquent taxes payable at year-end.
e. Accrued leave should be adjusted to actual at year end.
f. Accounts payable were posted to the wrong period for all funds and a significant account payable was unrecorded in the Special Education Fund.
g. A check for $72,813.00 was not voided properly, resulting in an understatement of cash.
h. Benefits Payable should be adjusted to actual at year-end.
i. General Capital Assets and Food Service Fund Capital Assets should be adjusted to actual at year end. Equipment purchased through the Capital Outlay Fund for the Food Service Fund should be recorded as a capital contribution.

Effect:
As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties, and improper records were maintained for the Marion School District No. 60-3.

Recommendation:
2. We recommend adequate accounting records controls be implemented and followed to ensure future annual financial statements be completely, accurately, and consistently prepared in accordance with generally accepted accounting principles.

Management's Response:
The Marion School District Board President, Scott Tieszen, is the contact person responsible for the corrective action plan for this comment. The School District will be more careful to properly follow generally accepted accounting principles and resolve any discrepancies in accounting controls in accordance with the School's adopted internal control policy.

Compliance – Related Finding:

Finding Number 2022-003:

Condition:
The Special Education Fund was budgeted to spend more than available. This has been a continuing audit comment since fiscal year 2021.

SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Criteria:
SDCL 13-11 states in part, "the school board shall prepare a proposed budgeted for the next fiscal year according to the budgeting standards prescribed by the auditor general for consideration not later than the regular meeting the month of May.....Before October first, every school shall approve a budget for the anticipated obligations of each fund, except trust and agency funds, for the school fiscal year.

Cause:
The School District budgeted to spend more than available, which is not allowed as stated in SDCL 13-11-2.

Effect:
Budgets are not being properly adopted in accordance with budgetary guidelines.

RECOMMENDATION:
3. We recommend that budgets be adopted in accordance with SDCL 13-11-2.

Management's Response:
The Marion School District No. 60-3 Board President, Scott Tieszen, is the contact person responsible for the corrective action plan for this comment. The School District will be more careful to follow budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the officials during the course of the audit and with the board president, superintendent, and business manager on January 12, 2023.

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INDEPENDENT AUDITOR'S REPORT

School Board
Marion School District No. 7-2
Marion, 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 Marion School District No. 60-3, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marion School District No. 60-3 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the School District Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.

Schoenfish & Co., Inc.
Certified Public Accountants
July 5, 2023

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF NET POSITION
As of June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	2,244,629.05	31,070.22	2,275,699.27
Investments	220,675.82		220,675.82
Taxes Receivable	1,033,015.15		1,033,015.15
Other Assets	327,608.93	4,045.82	331,654.75
Inventories		1,035.82	1,035.82
Restricted Assets:			
Deposits	25,123.00		25,123.00
Net Pension Asset	524,370.67		524,370.67
Capital Assets:			
Land	154,679.61		154,679.61
Other Capital Assets, Net of Depr./Amort.	2,760,869.13	29,563.70	2,790,432.83
TOTAL ASSETS	7,290,971.36	65,715.56	7,356,686.92
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	731,120.08		731,120.08
TOTAL DEFERRED OUTFLOWS OF RESOURCES	731,120.08	0.00	731,120.08
LIABILITIES :			
Accounts Payable	78,659.86		78,659.86
Other Current Liabilities	258,864.02	238.12	259,102.14
Unearned Revenue		8,458.56	8,458.56
Noncurrent Liabilities:			
Due Within One Year	23,137.32		23,137.32
Due in More than One Year	22,545.41		22,545.41
TOTAL LIABILITIES	383,206.61	8,696.68	391,903.29
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes Levied for Future Period	1,033,015.15		1,033,015.15
Pension Related Deferred Inflows	1,017,278.23		1,017,278.23
TOTAL DEFERRED INFLOWS OF RESOURCES	2,050,293.38	0.00	2,050,293.38
NET POSITION:			
Net Investment in Capital Assets	2,900,630.82	29,563.70	2,930,194.52
Restricted for:			
Capital Outlay Purposes	1,649,681.94		1,649,681.94
SDRS Pension Purposes	238,212.52		238,212.52
Insurance Reserve	25,123.00		25,123.00
Unrestricted	774,943.17	27,455.18	802,398.35
TOTAL NET POSITION	5,588,591.45	57,018.88	5,645,610.33

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	1,853,454.14		274,242.77		(1,579,211.37)		(1,579,211.37)
Support Services	1,248,520.45	31,649.32	27,800.00		(1,189,071.13)		(1,189,071.13)
Cocurricular Activities	164,415.86	10,169.66			(154,246.20)		(154,246.20)
Total Governmental Activities	3,266,390.45	41,818.98	302,042.77	0.00	(2,922,528.70)		(2,922,528.70)
Business-type Activities:							
Food Service	184,318.84	10,780.25	178,967.37			5,428.78	5,428.78
Driver's Education	2,134.25	4,200.00				2,065.75	2,065.75
Total Business-type Activities	186,453.09	14,980.25	178,967.37	0.00	0.00	7,494.53	7,494.53
Total Primary Government	3,452,843.54	56,799.23	481,010.14	0.00	(2,922,528.70)	7,494.53	(2,915,034.17)
General Revenues:							
Taxes:							
Property Taxes					2,202,398.37		2,202,398.37
Utility Taxes					309,514.93		309,514.93
Revenue from State Sources:							
State Aid					536,213.02		536,213.02
Revenue from Federal Sources					7,652.00		7,652.00
Grants and Contributions not Restricted to Specific Programs					2,367.12		2,367.12
Unrestricted Investment Earnings					6,061.45		6,061.45
Other General Revenues					39,907.31		39,907.31
Transfers					(16,494.70)	16,494.70	0.00
Total General Revenues & Transfers					3,087,619.50	16,494.70	3,104,114.20
Change in Net Position					165,090.80	23,989.23	189,080.03
Net Position - Beginning					5,423,500.65	33,029.65	5,456,530.30
NET POSITION - ENDING					5,588,591.45	57,018.88	5,645,610.33

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

MARION SCHOOL DISTRICT NO. 60-3
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	514,669.02	1,651,941.65	78,018.38	2,244,629.05
Investments	220,675.82			220,675.82
Taxes Receivable--Current	530,985.28	286,539.68	210,801.68	1,028,326.64
Taxes Receivable--Delinquent	2,922.35	987.28	778.88	4,688.51
Due from Other Government	327,608.93			327,608.93
Deposits	20,977.10		4,145.90	25,123.00
TOTAL ASSETS	1,617,838.50	1,939,468.61	293,744.84	3,851,051.95
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	13,728.54	2,256.74	62,674.58	78,659.86
Contracts Payable	181,500.91		15,057.16	196,558.07
Payroll Deductions, Withholdings and Employer Matching Payable	58,174.43		4,131.52	62,305.95
Total Liabilities	253,403.88	2,256.74	81,863.26	337,523.88
Deferred Inflows of Resources				
Unavailable Revenue - Property Taxes	2,922.35	987.28	778.88	4,688.51
Property Taxes Levied for a Future Period	530,985.28	286,539.68	210,801.68	1,028,326.64
Total Deferred Inflows of Resources	533,907.63	287,526.96	211,580.56	1,033,015.15
Fund Balances:				
Nonspendable				
Insurance Reserve	20,977.10		4,145.90	25,123.00
Restricted:				
Capital Outlay		1,649,684.91		1,649,684.91
Unassigned	809,549.89		(3,844.88)	805,705.01
Total Fund Balances	830,526.99	1,649,684.91	301.02	2,480,512.92
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,617,838.50	1,939,468.61	293,744.84	3,851,051.95

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

MARION SCHOOL DISTRICT NO. 60-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds	2,480,512.92
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.	524,370.67
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	2,915,548.74
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	731,120.08
Long-term liabilities, including Right-to-use leases and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	(45,682.73)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(1,017,278.23)
Net Position - Governmental Activities	5,588,591.45

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,130,890.20	607,119.27	452,114.31	2,190,123.78
Prior Years' Ad Valorem Taxes	4,974.72	2,135.30	1,303.51	8,413.53
Utility Taxes	309,514.93			309,514.93
Penalties and Interest on Taxes	2,083.27	1,054.27	723.52	3,861.06
Earnings on Investments and Deposits	6,061.45			6,061.45
Cocurricular Activities:				
Admissions	7,828.48			7,828.48
Rentals	1,897.30			1,897.30
Other Student Activity Income	443.88			443.88
Other Revenue from Local Sources:				
Rentals	105.00			105.00
Contributions and Donations	2,367.12			2,367.12
Charges for Services	5,051.04		26,598.28	31,649.32
Other	1,906.08			1,906.08
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	11,010.84			11,010.84
Revenue In Lieu of Taxes	2,150.40			2,150.40
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	536,213.02			536,213.02
Restricted Grants-in-Aid	2,088.50		170,181.00	172,269.50
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid Received Directly from Federal Government	7,652.00			7,652.00
Restricted Grants-in-Aid Received from Federal Government Through the State	129,773.27			129,773.27
Total Revenue	2,162,011.50	610,308.84	650,920.62	3,423,240.96

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	573,436.78	16,687.71		590,124.49
Middle/Junior High	265,755.47	24,396.13		290,151.60
High School	420,069.55	24,091.79		444,161.34
Preschool Services	24,016.37			24,016.37
Special Programs:				
Programs for Special Education			493,547.91	493,547.91
Culturally Different	4,596.19			4,596.19
Educationally Deprived	66,517.95			66,517.95
Other Special Programs	1,056.92			1,056.92
Support Services:				
Students:				
Guidance	46,107.70			46,107.70
Health	164.98		7,183.00	7,347.98
Psychological			2,672.64	2,672.64
Speech Pathology			61,695.87	61,695.87
Student Therapy Services			43,987.74	43,987.74
Instructional Staff:				
Improvement of Instruction	8,713.52			8,713.52
Educational Media	54,896.60	1,910.00		56,806.60
General Administration:				
Board of Education	62,200.70		2,639.88	64,840.58
Executive Administration	123,065.18	349.98		123,415.16
School Administration:				
Office of the Principal	107,942.66	530.00		108,472.66
Other	421.46			421.46
Business:				
Fiscal Services	180,100.98	8,423.37	4,252.00	192,776.35
Facilities Acquisition and Construction		33,361.81		33,361.81
Operation and Maintenance of Plant	312,408.87	36,366.71		348,775.58
Student Transportation	45,467.05	185.76		45,652.81
Food Services	6,046.35			6,046.35

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures (Cont.):				
Support Services:				
Central:				
Planning		8,900.00		8,900.00
Staff	1,120.25			1,120.25
Special Education:				
Administrative Costs			1,827.24	1,827.24
Transportation Costs			57,257.10	57,257.10
Debt Services		7,459.43		7,459.43
Cocurricular Activities:				
Male Activities	29,297.69			29,297.69
Female Activities	23,684.78			23,684.78
Transportation	17,244.85			17,244.85
Combined Activities	69,177.77	5,270.05		74,447.82
Capital Outlay		176,139.11		176,139.11
Total Expenditures	2,443,510.62	344,071.85	675,063.38	3,462,645.85
Excess of Revenue Over (Under) Expenditures	(281,499.12)	266,236.99	(24,142.76)	(39,404.89)
Other Financing Sources:				
Transfers In	235,000.00			235,000.00
Transfers Out		(235,000.00)		(235,000.00)
Sale of Surplus Property	2,404.99	2,325.00		4,729.99
Compensation for Loss of General Capital Assets	20,005.00			20,005.00
Total Other Financing Sources (Uses)	257,409.99	(232,675.00)	0.00	24,734.99
Net Change in Fund Balances	(24,089.13)	33,561.99	(24,142.76)	(14,669.90)
Fund Balance - Beginning	854,616.12	1,616,122.92	24,443.78	2,495,182.82
FUND BALANCE - ENDING	830,526.99	1,649,684.91	301.02	2,480,512.92

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

MARION SCHOOL DISTRICT NO. 60-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	(14,669.90)
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 depr./amort. expense. This is the amount by which capital outlay exceeded depr./amort. in the current period.	45,257.14
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.	7,459.43
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.	(6,675.04)
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. (pension expense)	76.93
Changes in the pension related deferred outflows/inflows are direct components of pension liability (assets) and are not reflected in the governmental funds.	133,642.24
Change in Net Position of Governmental Activities	165,090.80

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2022

	Enterprise Funds		
	Food Service Fund	Driver's Education/ After School Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	25,014.72	6,055.50	31,070.22
Accounts Receivable, Net	4,045.82		4,045.82
Inventory of Supplies	303.00		303.00
Inventory of Stores Purchased for Resale	507.00		507.00
Inventory of Donated Food	225.82		225.82
Total Current Assets	30,096.36	6,055.50	36,151.86
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	87,533.86		87,533.86
Less: Accumulated Depreciation	(57,970.16)		(57,970.16)
Total Noncurrent Assets	29,563.70	0.00	29,563.70
TOTAL ASSETS	59,660.06	6,055.50	65,715.56
LIABILITIES:			
Current Liabilities:			
Payroll Deductions and Withholdings and Employer Matching Payable	238.12		238.12
Unearned Revenue	8,458.56		8,458.56
TOTAL LIABILITIES	8,696.68	0.00	8,696.68
NET POSITION:			
Net Investment in Capital Assets	29,563.70		29,563.70
Unrestricted Net Position	21,399.68	6,055.50	27,455.18
TOTAL NET POSITION	50,963.38	6,055.50	57,018.88

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Fund		
	Food Service Fund	Driver's Education/ After School Fund	Totals
Operating Revenue:			
Food Sales:			
Student	2,278.74		2,278.74
Adult	3,807.30		3,807.30
Ala Carte	4,025.90		4,025.90
Other	668.31		668.31
Driver's Education		4,200.00	4,200.00
Total Operating Revenue	10,780.25	4,200.00	14,980.25
Operating Expenses:			
Food Service:			
Salaries	68,009.79		68,009.79
Employee Benefits	26,280.78		26,280.78
Purchased Services	2,126.62		2,126.62
Supplies	1,849.54		1,849.54
Cost of Sales - Purchased	71,991.93		71,991.93
Cost of Sales - Donated	10,461.88		10,461.88
Other	269.50		269.50
Depreciation	3,328.80		3,328.80
Driver's Education		2,134.25	2,134.25
Total Operating Expenses	184,318.84	2,134.25	186,453.09
Operating Income (Loss)	(173,538.59)	2,065.75	(171,472.84)
Nonoperating Revenue:			
State Grants	315.58		315.58
Federal Grants	168,095.77		168,095.77
Donated Food	10,556.02		10,556.02
Total Nonoperating Revenue (Expense)	178,967.37	0.00	178,967.37
Income (Loss) Before Contributions	5,428.78	2,065.75	7,494.53
Capital Contributions	16,494.70		16,494.70
Change in Net Position	21,923.48	2,065.75	23,989.23
Net Position - Beginning	29,039.90	3,989.75	33,029.65
NET POSITION - ENDING	50,963.38	6,055.50	57,018.88

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

MARION SCHOOL DISTRICT 60-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Enterprise Fund		
	Food Service Fund	Driver's Education/ After School Fund	Totals
Cash Flows from Operating Activities:			
Cash Receipts from Customers	9,173.97	4,200.00	13,373.97
Cash Payments to Employees for Services	(94,052.45)	(2,015.75)	(96,068.20)
Cash Payments to Suppliers for Goods or Services	(74,748.59)	(256.50)	(75,005.09)
Net Cash Provided (Used) by Operating Activities	(159,627.07)	1,927.75	(157,699.32)
Cash Flows from Noncapital Financing Activities:			
Operating Grants	192,937.63		192,937.63
Interfund Loan	(8,295.84)		(8,295.84)
Net Cash Provided (Used) from Noncapital Financing Activities	184,641.79	0.00	184,641.79
Net Increase (Decrease) in Cash and Cash Equivalents	25,014.72	1,927.75	26,942.47
Cash and Cash Equivalents at Beginning of Year	0.00	4,127.75	4,127.75
CASH AND CASH EQUIVALENTS AT END OF YEAR	25,014.72	6,055.50	31,070.22
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(173,538.59)	2,065.75	(171,472.84)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,328.80		3,328.80
Value of Donated Commodities Used	10,461.88		10,461.88
(Increase) decrease in Receivables	(1,606.28)		(1,606.28)
(Increase) decrease in Inventories	1,489.00		1,489.00
(Decrease) increase in Accounts and Other Payables		(138.00)	(138.00)
(Decrease) increase in Accrued Wages Payable	238.12		238.12
Net Cash Provided (Used) by Operating Activities	(159,627.07)	1,927.75	(157,699.32)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	10,556.02		10,556.02
Equipment Purchased by Capital Outlay Fund	16,494.70		16,494.70

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2022

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	36,979.75
TOTAL ASSETS	36,979.75
LIABILITIES:	
Accounts Payable and Other Payables	3,740.00
TOTAL LIABILITIES	3,740.00
NET POSITION:	
Restricted for:	
Organizations	40,554.79
Individuals	(7,315.04)
TOTAL NET POSITION	33,239.75

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

MARION SCHOOL DISTRICT NO. 60-3
STATEMENT OF CHANGES IN NET POSITON
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	Custodial Funds
ADDITIONS:	
Contributions and Donations	2,470.00
Collections for Student Activities	26,520.96
Other Additions	18,705.79
Total Additions	47,696.75
DEDUCTIONS:	
Payments for Student Activities	36,545.39
Other Deductions	26,058.62
Total Deductions	62,604.01
Change in Net Position	(14,907.26)
Net Position - Beginning	48,147.01
NET POSITON - ENDING	33,239.75

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

NOTES TO THE FINANCIAL STATEMENTS

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 Marion School District No. 60-3 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds, may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified 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 Fund Types – special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

Proprietary Funds:

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

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Driver's Education/After School Time Fund – A fund used to record financial transactions related to the driver's education operations and after school program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are held for student classes and activities and employee medical and daycare flex plans.

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 fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 all the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Marion School District No. 60-3, the length of that cycle is 60 days. The revenues that were accrued at June 30, 2022, were grants from the State of South Dakota and utility taxes.

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 liabilities which are recognized when due.

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

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, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

e. Deposits and Investments:

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

f. Capital Assets:

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

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

Government-Wide Statements

All capital assets are valued at historical cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

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

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/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	$ 1.00	-----N/A------	------N/A------
Improvements	$ 2,000.00	Straight-line	25-100 yrs.
Buildings	$ 2,000.00	Straight-line	100-150 yrs.
Machinery & Equipment	$ 2,000.00	Straight-line	5-25 yrs.
Food Service Equipment	$ 2,000.00	Straight-line	12 yrs.

Land is an inexhaustible capital asset and is not depreciated. Intangible leased assets do not have a capitalization threshold, but the School Districts policy is to amortize over the life of the lease.

Fund Financial Statements

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

g. Leases:

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 right to use lease liabilities that are deemed material.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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 its estimated incremental borrowing rate as the discount rate for leases.

- 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 intangible assets and lease liabilities are reported with long-term liabilities on the statement of net position.

h. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences and a right to use lease payable.

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

i. 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, applications, 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

j. 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 inflow of resources until the applicable future period.

k. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues and expenses.

l. Cash and Cash Equivalents:

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

m. Equity Classifications:

Government-wide Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

n. 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 is available.

o. Fund Balance Classification Policies and Procedures:

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

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

The Nonspendable Fund Balance is comprised of the following:
- Amount reported in non-spendable form such as prepaid expenses.
- Amount legally or contractually required to be maintained intact such as Insurance Reserve.

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 School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

Major Special Revenue Fund:	Revenue Source:
Capital Outlay Fund	Real Estate Taxes
Special Education Fund	Real Estate Taxes and Grants

p. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2022, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases accounting standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

3. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

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

As of June 30, 2022, the School District did not have any investments. The investments reported in the financial statements consist only of certificates of deposit.

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

5. INVENTORY

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

In the Government-wide 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 fund financial statements, inventories in the General Fund, special revenue funds, and proprietary funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed in the General Fund, special revenue funds, and the proprietary funds. At June 30, 2022, the supplies inventory on hand was not material in the General Fund and special revenue funds.

6. PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property as of the following January 1 and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.
School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 07/01/21	Increases	Decreases	Balance 06/30/22
Governmental Activities:				
Capital Assets, not being depreciated/amortized:				
Land	154,679.61			154,679.61
Total, not being depreciated/amortized	154,679.61	0.00	0.00	154,679.61
Capital Assets, being depreciated/amortized:				
Improvements	215,186.95	5,405.11		220,592.06
Buildings	3,111,122.48	52,331.00		3,163,453.48
Machinery & Equipment	1,022,266.77	118,403.00		1,140,669.77
Intangible Lease Asset	40,686.60			40,686.60
Total, being depreciated/amortized	4,389,262.80	176,139.11	0.00	4,565,401.91
Less Accumulated Depreciation/Amortization for:				
Improvements	(41,841.88)	(10,470.46)		(52,312.34)
Buildings	(935,370.48)	(56,310.23)		(991,680.71)
Machinery & Equipment	(688,401.13)	(60,082.62)		(748,483.75)
Intangible Lease Asset	(8,037.32)	(4,018.66)		(12,055.98)
Total Accumulated Depreciation/Amortization	(1,673,650.81)	(130,881.97)	0.00	(1,804,532.78)
Total Capital Assets, being deprec./amort., net	2,715,611.99	45,257.14	0.00	2,760,869.13
Governmental Activity Capital Assets, Net	2,870,291.60	45,257.14	0.00	2,915,548.74

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities:	FY22
Instruction	14,126.69
Support Services	92,402.79
Co-curricular Activities	24,352.49
Total Depreciation/amortization Expense - Governmental Activities	130,881.97

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 07/01/21	Increases	Decreases	Balance 06/30/22
Business-Type Activities:				
Capital Assets, being depreciated/amortized:				
Machinery & Equipment	71,039.16	16,494.70		87,533.86
Total, being depreciated/amortized	71,039.16	16,494.70	0.00	87,533.86
Less Accumulated Depreciation/amortization for:				
Machinery & Equipment	(54,641.36)	(3,328.80)		(57,970.16)
Total Accumulated Depreciation/Amortization	(54,641.36)	(3,328.80)	0.00	(57,970.16)
Total Capital Assets, being deprec./amort., net	16,397.80	13,165.90	0.00	29,563.70
Business-Type Activity Capital Assets, Net	16,397.80	13,165.90	0.00	29,563.70

Depreciation/amortization expense was charged to functions as follows:

	FY22
Business-Type Activities:	
Food Services	3,328.80
Total Depreciation/Amortization Expense - Business-Type Activities	3,328.80

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Right-to-Use Lease Payable - Marco Copiers	22,377.35		7,459.43	14,917.92	8,137.32
Total Debt	22,377.35	0.00	7,459.43	14,917.92	8,137.32
Accrued Compensated Absences	24,089.77	16,874.14	10,199.10	30,764.81	15,000.00
Total Governmental Activities	46,467.12	16,874.14	17,658.53	45,682.73	23,137.32
TOTAL PRIMARY GOVERNMENT	46,467.12	16,874.14	17,658.53	45,682.73	23,137.32

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

PRIMARY GOVERNMENT
Governmental Activities:

Right-to-Use Lease Payable – Marco Copiers $ 14,917.92

The School District entered into a right-to-use agreement for copiers with Marco Technologies. The Lease is non-cancelable and in the event of default a) equipment may need to be returned at the District's expense and pay 1) all past due amounts with added the grater of 5.0% interest or $20.00 and 2) all remaining payments for the unexpired term, plus booked residual both discounted at 2% annum.

Accrued Leave Payable:
Accrued Sick Leave Payable
Payable from General Fund $ 30,764.81

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2022, are as follows:

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

Year Ending June 30,	Right-to-Use Lease Payable Marco Copiers	
	Principal	Interest
2023	8,137.32	0.00
2024	6,780.60	0.00
Totals	14,917.92	0.00

9. RESTRICTED NET POSITION

Restricted net position for the fiscal year ended June 30, 2022, were as follows:

FUND:	Restricted By:	6/30/2022
Capital Outlay	Law	$ 1,649,681.94
SDRS Pension	Governmental Accounting Standards	238,212.52
Insurance Reserve	Governmental Accounting Standards	25,123.00
Total Restricted Net Position		$ 1,913,017.46

10. INTERFUND TRANSFERS

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

Transfers From:	Transfers To: General Fund
Major Funds:	
Capital Outlay	$ 235,000.00
Totals	$ 235,000.00

Transfers were made from the Capital Outlay Fund to the General Fund as allowed by law to conduct indispensable functions of the district.

11. PENSION PLAN

Plan Information:
All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.sdrs.sd.gov/publications.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

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

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

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

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

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

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

Contributions:
Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020, equal to required contributions each year, were $93,306.60, $93,229.67, and $92,318.33 respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2021, SDRS is 105.52% 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 the measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of pension liability	$ 9,494,442.33
Less proportionate share of net pension restricted for pension benefits	$ 10,018,813.00
Proportionate share of net pension liability (asset)	$ (524,370.67)

At June 30, 2022, the School District reported a liability (asset) of $(524,370.67) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.06847100%, which is an increase (decrease) of (0.0143766%) from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense (reduction of pension expense) of $(133,719.17). At June 30, 2022, 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.	$ 18,826.28	$ 1,374.79
Changes in assumption.	$ 603,020.94	$ 262,597.26
Net Difference between projected and actual earnings on pension plan investments.		$ 749,074.00
Changes in proportion and difference between School District contributions and proportianate share of contributions	$ 15,966.26	$ 4,232.18
School District contributions subsequent to the measurement date.	$ 93,306.60	
TOTAL	$ 731,120.08	$ 1,017,278.23

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

$93,306.60 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2023	(92,589.11)
2024	(60,170.17)
2025	(16,001.62)
2026	(210,703.85)
TOTAL	$ (379,464.75)

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$849,086.58	$(524,370.67)	$(1,639,298.25)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

12. JOINT VENTURES

The School District participates in the Cornbelt Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Bridgewater-Emery School District No. 30-3	11.32%
Canistota School District No. 43-1	7.45%
Ethan School District No. 17-1	9.12%
Freeman School District No. 33-1	14.09%
Hanson School District No. 30-1	13.23%
Marion School District No. 60-3	6.28%
McCook School District No. 43-7	14.46%
Montrose School District No. 43-2	7.88%
Parker School District No. 60-4	16.17%

The co-op's governing board is composed of two representatives from each member school district, who are one school board member who serves on the Board of Directors and the superintendent who serves on the advisory board. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net position of the co-op but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Cornbelt Educational Cooperative.

At June 30, 2022, this joint venture had total assets and deferred outflows of $1,854,806.62, total liabilities and deferred inflows of $759,235.09, and net position of $1,095,571.53.

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 period ended June 30, 2022, 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.

Liability Insurance:
The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on their exposure or type of coverage. The School

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

District pays an annual premium to the pool to provide coverage for liability insurance for risks related to torts, theft or damage to property, errors and omissions of public officials, and vehicle insurance.

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a $2,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $100,000 to the upper limit. The School District carries a $1,000 to $2,500 deductible for the property insurance coverage.

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 during the past three years.

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

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

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

During the year ended June 30, 2022, no claims were filed for unemployment benefits. At June 30, 2022, no claims had been filed or were outstanding. It is not anticipated that any claims for unemployment benefits will be filed in the next fiscal year.

14. SIGNIFICANT CONTINGENCIES – LITIGATION

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

15. RELATED PARTY TRANSACTIONS

The School District made purchases totaling $ 12,772.46 from a business owned by a board member.

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through July 5, 2023, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
MARION SCHOOL DISTRICT NO. 60-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	1,117,452.00	1,117,452.00	1,130,890.20	13,438.20
Prior Years' Ad Valorem Taxes	3,607.00	3,607.00	4,974.72	1,367.72
Utility Taxes	301,000.00	301,000.00	309,514.93	8,514.93
Penalties and Interest on Taxes	1,500.00	1,500.00	2,083.27	583.27
Earnings on Investments and Deposits	3,000.00	3,000.00	6,061.45	3,061.45
Cocurricular Activities:				
Admissions	5,550.00	5,550.00	7,828.48	2,278.48
Other Student Activitity Income	650.00	650.00	2,341.18	1,691.18
Other Revenue from Local Sources:				
Rentals	500.00	500.00	105.00	(395.00)
Contributions and Donations	500.00	500.00	2,367.12	1,867.12
Charges for Services	6,000.00	6,000.00	5,051.04	(948.96)
Other	3,000.00	3,000.00	1,906.08	(1,093.92)
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	13,000.00	13,000.00	11,010.84	(1,989.16)
Revenue in Lieu of Taxes	1,000.00	1,000.00	2,150.40	1,150.40
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	549,488.00	549,488.00	536,213.02	(13,274.98)
Restricted Grants-in-Aid	2,000.00	2,000.00	2,088.50	88.50
Revenue from Federal Sources:				
Grants-in-Aid:				
Directly from Federal Government	8,182.00	8,182.00	7,652.00	(530.00)
Restricted Grants-in-Aid Received from Federal Government Through the State	129,982.00	142,982.00	129,773.27	(13,208.73)
Total Revenue	2,146,411.00	2,159,411.00	2,162,011.50	2,600.50
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	577,895.50	582,228.83	573,436.78	8,792.05
Middle/Junior High	258,200.25	262,533.58	265,755.47	(3,221.89)
High School	414,793.25	419,126.59	420,069.55	(942.96)
Preschool Services	24,392.40	24,392.40	24,016.37	376.03
Special Programs:				
Culturally Different	4,091.40	4,591.40	4,596.19	(4.79)
Educationally Deprived	65,536.23	67,536.23	66,517.95	1,018.28
Other Special Programs	3,000.00	3,000.00	1,056.92	1,943.08

REQUIRED SUPPLEMENTARY INFORMATION
MARION SCHOOL DISTRICT NO. 60-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (Cont.):				
Support Services:				
Students:				
Guidance	56,584.13	56,584.13	46,107.70	10,476.43
Health	1,450.00	1,450.00	164.98	1,285.02
Instructional Staff:				
Improvement of Instruction	6,700.00	8,450.00	8,713.52	(263.52)
Educational Media	60,968.00	60,968.00	54,896.60	6,071.40
General Administration:				
Board of Education	37,227.50	66,227.50	62,200.70	4,026.80
Executive Administration	108,958.00	115,958.00	123,065.18	(7,107.18)
School Administration:				
Office of the Principal	112,693.00	112,693.00	107,942.66	4,750.34
Other	1,000.00	1,000.00	421.46	578.54
Business:				
Fiscal Services	156,400.00	173,400.00	180,100.98	(6,700.98)
Operation and Maintenance of Plant	281,659.54	310,609.54	312,408.87	(1,799.33)
Student Transportation Services	55,597.25	55,597.25	45,467.05	10,130.20
Food Services	6,000.00	6,500.00	6,046.35	453.65
Central:				
Planning	939.20	939.20	0.00	939.20
Staff	1,000.00	1,200.00	1,120.25	79.75
Non-Programmed Charges:				
Payments to State - Unemployment	1,000.00	1,000.00	0.00	1,000.00
Cocurricular Activities:				
Male Activities	24,452.24	25,552.24	29,297.69	(3,745.45)
Female Activities	25,211.39	25,211.39	23,684.78	1,526.61
Transportation	11,419.00	18,419.00	17,244.85	1,174.15
Combined Activities	59,242.72	65,742.72	69,177.77	(3,435.05)
Contingencies	25,000.00	25,000.00		
Amount Transferred		(25,000.00)		0.00
Total Expenditures	2,381,411.00	2,470,911.00	2,443,510.62	27,400.38
Excess of Revenue Over (Under) Expenditures	(235,000.00)	(311,500.00)	(281,499.12)	30,000.88
Other Financing Sources (Uses):				
Transfers In	235,000.00	235,000.00	235,000.00	0.00
Sale of Surplus Property	0.00	0.00	2,404.99	2,404.99
Compensation For Loss of General Capital Assets	0.00	0.00	20,005.00	20,005.00
Total Other Financing Sources (Uses)	235,000.00	235,000.00	257,409.99	22,409.99
Net Change in Fund Balances	0.00	(76,500.00)	(24,089.13)	52,410.87
Fund Balance - Beginning	854,616.12	854,616.12	854,616.12	0.00
FUND BALANCE - ENDING	854,616.12	778,116.12	830,526.99	52,410.87

REQUIRED SUPPLEMENTARY INFORMATION
MARION SCHOOL DISTRICT NO. 60-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	614,976.00	614,976.00	607,119.27	(7,856.73)
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	2,135.30	635.30
Penalties and Interest on Taxes	500.00	500.00	1,054.27	554.27
Earnings on Investments and Deposits	6,624.00	6,624.00	0.00	(6,624.00)
Revenue from Federal Sources:				
Restricted Grants-in-Aid Received from Federal Government Through the State	55,000.00	115,000.00	0.00	(115,000.00)
Total Revenue	678,600.00	738,600.00	610,308.84	(128,291.16)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	32,500.00	32,500.00	16,687.71	15,812.29
Middle/Junior High	33,500.00	33,500.00	24,396.13	9,103.87
High School	37,000.00	37,000.00	24,091.79	12,908.21
Support Services:				
Students:				
Guidance	500.00	500.00	0.00	500.00
Instructional Staff:				
Educational Media	19,000.00	19,000.00	1,910.00	17,090.00
General Administration:				
Executive Administration	2,000.00	2,000.00	349.98	1,650.02
School Administration:				
Office of the Principal	2,000.00	2,000.00	530.00	1,470.00
Business:				
Fiscal Services	7,500.00	8,500.00	8,423.37	76.63
Facitilities Acquisition and Construction	75,000.00	75,000.00	33,361.81	41,638.19
Operation and Maintenance of Plant	114,000.00	138,000.00	131,402.82	6,597.18
Student Transportation Services	84,500.00	158,500.00	81,288.76	77,211.24
Food Services	5,000.00	5,000.00	0.00	5,000.00
Central:				
Planning	9,000.00	9,000.00	8,900.00	100.00
Debt Services	8,100.00	8,100.00	7,459.43	640.57
Cocurricular Activities:				
Combined Activities	14,000.00	14,000.00	5,270.05	8,729.95
Total Expenditures	443,600.00	542,600.00	344,071.85	198,528.15
Excess of Revenue Over (Under) Expenditures	235,000.00	196,000.00	266,236.99	70,236.99

REQUIRED SUPPLEMENTARY INFORMATION
MARION SCHOOL DISTRICT NO. 60-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Other Financing Sources (Uses):				
Transfers Out	(235,000.00)	(235,000.00)	(235,000.00)	0.00
Sale of Surplus Property	0.00	0.00	2,325.00	2,325.00
Total Other Financing Sources (Uses)	(235,000.00)	(235,000.00)	(232,675.00)	2,325.00
Net Change in Fund Balances	0.00	(39,000.00)	33,561.99	72,561.99
Fund Balance - Beginning	1,616,122.92	1,616,122.92	1,616,122.92	0.00
FUND BALANCE - ENDING	1,616,122.92	1,577,122.92	1,649,684.91	72,561.99

REQUIRED SUPPLEMENTARY INFORMATION
MARION SCHOOL DISTRICT NO. 60-3
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	400,149.00	400,149.00	452,114.31	51,965.31
Prior Years' Ad Valorem Taxes	1,500.00	1,500.00	1,303.51	(196.49)
Penalties and Interest on Taxes	1,000.00	1,000.00	723.52	(276.48)
Earnings on Investments and Deposits	200.00	200.00	0.00	(200.00)
Other Revenue from Local Sources:				
Charges for Services	29,600.00	29,600.00	26,598.28	(3,001.72)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted Grants-in-Aid	175,268.00	175,268.00	170,181.00	(5,087.00)
Total Revenue	607,717.00	607,717.00	650,920.62	43,203.62
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	432,289.15	477,289.15	493,547.91	(16,258.76)
Support Services:				
Students:				
Health	5,000.00	8,500.00	7,183.00	1,317.00
Psychological	2,000.00	3,000.00	2,672.64	327.36
Speech Pathology	60,000.00	66,000.00	61,695.87	4,304.13
Student Therapy Services	50,000.00	51,500.00	43,987.74	7,512.26
General Administration				
Board of Education	3,250.00	3,250.00	2,639.88	610.12
Business:				
Fiscal Services	6,000.00	6,000.00	4,252.00	1,748.00
Special Education:				
Administrative Costs	9,050.00	9,300.00	1,827.24	7,472.76
Transportation Costs	39,927.85	62,677.85	57,257.10	5,420.75
Total Expenditures	607,517.00	687,517.00	675,063.38	12,453.62
Excess of Revenue Over (Under) Expenditures	200.00	(79,800.00)	(24,142.76)	55,657.24
Other Financing Sources (Uses):				
Transfers Out	(200.00)	(200.00)	0.00	200.00
Total Other Financing Sources (Uses)	(200.00)	(200.00)	0.00	200.00
Net Change in Fund Balances	0.00	(80,000.00)	(24,142.76)	55,857.24
Fund Balance - Beginning	24,443.78	24,443.78	24,443.78	0.00
FUND BALANCE - ENDING	24,443.78	(55,556.22)	301.02	55,857.24

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

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

Note 1. Budgets and Budgetary Accounting

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

1. Prior to the first regular meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.

6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by number 8.

7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.

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 generally accepted accounting principles (GAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences

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

REQUIRED SUPPLEMENTARY INFORMATION

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

South Dakota Retirement System

Last 8 Fiscal Years *

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability/asset	0.0684710%	0.0540944%	0.0684231%	0.0659714%	0.0655529%	0.0609972%	0.0617913%	0.0636048%
District's proportionate share of net pension liability (asset)	$ (524,371)	$ (2,349)	$ (7,251)	$ (1,539)	$ (5,949)	$ 206,043	$ (262,075)	$ (458,247)
District's covered-employee payroll	$ 1,554,850	$ 1,538,637	$ 1,330,412	$ 1,371,486	$ 1,331,897	$ 1,159,853	$ 1,128,115	$ 1,112,270
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.72%	0.15%	0.55%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective pension liability (asset), which is 6/30 of the previous year.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

Last 8 Fiscal Years *

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 93,307	$ 93,230	$ 92,318	$ 79,825	$ 82,289	$ 79,914	$ 69,592	$ 67,688
Contributions in relation to the contractually required contribution	$ 93,307	$ 93,230	$ 92,318	$ 79,825	$ 82,289	$ 79,914	$ 69,592	$ 67,688
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,555,114	$ 1,554,850	$ 1,538,637	$ 1,330,412	$ 1,371,486	$ 1,331,897	$ 1,159,853	$ 1,128,115
Contributions as a percentage of covered-employee payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

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

Notes to Required Supplementary Information
for the Year Ended June 30, 2022
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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