

**SMEE SCHOOL DISTRICT NO. 15-3**  
**AUDIT REPORT**  
**FOR THE YEAR THEN ENDED**  
**JUNE 30, 2023**

**SMEE SCHOOL DISTRICT NO. 15-3**  
**TABLE OF CONTENTS**

---

	<u>Page</u>
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	1 - 2
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	3 - 5
Schedule of Prior Audit Findings and Questioned Costs	6
Schedule of Findings and Questioned Costs	7 - 10
Corrective Action Plan	11
Independent Auditors' Report	12 - 15
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance	20 - 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	24
Proprietary Funds	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Fund Net Position	26
Statement of Cash Flows	27 - 28
Fiduciary Funds	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Fund Net Position	30
Notes to the Financial Statements	31 - 53

**SMEE SCHOOL DISTRICT NO. 15-3**  
**TABLE OF CONTENTS**

---

Required Supplementary Information Other than MD&A	<b><u>Page</u></b>
Budgetary Comparison Schedule - General Fund - Budgetary Basis	54 - 56
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis	57 - 58
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis	59 - 60
Notes to the Required Supplementary Information - Budgetary Comparison Schedules	61 - 62
Required Supplementary Information - Pension Schedules	
Schedule of the District's Proportionate Share of the Pension Liability	63
Schedule of the District's Contributions	64
Notes to Required Supplementary Information - Pension Schedule	65 - 66
Supplementary Information	
Schedule of Expenditures of Federal Awards	67 - 68



# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

---

**Independent Auditor's Report**

School Board  
Smee School District No. 15-3  
Wakpala, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Smee School District No. 15-3, Wakpala, South Dakota (School District), as of June 30, 2023, and for the year then ended which collectively comprise the School District's basic financial statements and have issued our report thereon November 21, 2023.

**Report on Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control 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. However, as discussed below and in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs, items 2023-001 through 2023-004 to be material weaknesses.

*Jason W. Bauer, CPA, CGMA, PFS • [bauer@cahillbauer.com](mailto:bauer@cahillbauer.com)*

## **Report on Compliance and Other Matters**

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

## **School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit. Smee School District No. 15-3's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

*Caillie Brown*

Mobridge, South Dakota  
November 21, 2023



# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

---

**Independent Auditor's Report**

School Board  
Smee School District No. 15-3  
Wakpala, South Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Smee School District No. 15-3's, South Dakota (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Smee School District No. 15-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

*Jason W. Bauer, CPA, CGMA, PFS • [bauer@cahillbauer.com](mailto:bauer@cahillbauer.com)*

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

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
3. obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

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

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

#### **Purpose of this Report**

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

*Caillie Bauer*

Mobridge, South Dakota  
November 21, 2023



**SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
AS OF JUNE 30, 2023 AND FOR THE YEAR THEN ENDED**

---

**PRIOR FEDERAL AUDIT FINDINGS**

No prior year federal audit findings were reported.

**PRIOR OTHER AUDIT FINDINGS**

**Finding 2022-001:**

*Initial Fiscal Year Finding Occurred: 1998*

*Finding Summary:* The School District does not have an internal control system designed for the proper segregation of duties.

*Status:* Ongoing. This finding has not been corrected and is restated as finding 2023-001 due to cost considerations, the School District has determined it is not cost efficient to employ additional staff to adequately segregate duties. The School District will implement compensating controls where practical.

**Finding 2022-002:**

*Initial Fiscal Year Finding Occurred: 2008*

*Finding Summary:* The School District does not have an internal control system designed for the preparation of the financial statements in accordance with generally accepted accounting principles.

*Status:* Ongoing. This finding has not been corrected and is restated as finding 2023-002 due to cost considerations, the School District accepts the risks associated with the auditors preparing the financial statements. The School District will implement compensating controls where practical.

**Finding 2022-003:**

*Initial Fiscal Year Finding Occurred: 2008*

*Finding Summary:* The School District does not have an internal control system designed to provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

*Status:* Ongoing. This finding has not been corrected and is restated as finding 2023-003 due to cost considerations, the School District accepts the risks associated with the auditors preparing the financial statements. The School District will implement compensating controls where practical.

**Finding 2022-004:**

*Initial Fiscal Year Finding Occurred: 2022*

*Finding Summary:* The School District does not have an internal control system designed to ensure that a full account of the unapproved proceedings of each board meeting was published within 20 days after each meeting in accordance with SDCL 13-8-35.

*Status:* Ongoing. This finding has not been corrected and is restated as finding 2023-004. The School District will implement compensating controls where practical.

**SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
AS OF JUNE 30, 2023 AND FOR THE YEAR THEN ENDED**

---

**SECTION 1 - SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

- a. An unmodified opinion was issued on the financial statements.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding 2023-001. A material weakness was disclosed for the preparation of the financial statements by the auditor as discussed in finding 2023-002. A material weakness was disclosed for a lack of internal controls over period-end financial reporting process as discussed in finding 2023-003.
- c. A material weakness was disclosed for a lack of compliance with SDCL 13-8-35 failing to publish a full account of the unapproved proceedings of each board meeting within 20 days after the meeting as discussed in finding 2023-004.

**Federal Awards**

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit did not disclose any audit finding that need to be disclosed in accordance with the 2 CFR 200.516(a).
- f. The federal awards tested as major programs were:  
Impact Aid - CFDA No. 84.041
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Smees School District No. 15-3 did not qualify as a low-risk auditee.

**SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
AS OF JUNE 30, 2023 AND FOR THE YEAR THEN ENDED**

---

**CURRENT FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 2023-001**

***Criteria***

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of the cash transaction. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

***Statement of Condition***

A lack of proper segregation of duties existed for the revenue and expenditure functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. As a result, an inadequate segregation of duties existed for these functions of the School District.

***Cause and Effect***

Inaccurate financial statement and/or misappropriations of funds could result from a lack of segregation of duties.

***Identification of Repeat Finding***

This finding has been a repeat finding since 1998

***Recommendation***

We recommend that the School District's 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.

**FINDING 2023-002**

***Criteria***

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

***Statement of Condition***

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

**SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
AS OF JUNE 30, 2023 AND FOR THE YEAR THEN ENDED**

---

***Cause and Effect***

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

***Identification of Repeat Finding***

This finding has been a repeat finding since 2008.

***Recommendation***

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**FINDING 2023-003**

***Criteria***

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

***Statement of Condition***

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

***Cause and Effect***

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

***Identification of Repeat Finding***

This finding has been a repeat finding since 2008.

***Recommendation***

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

**SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS  
AS OF JUNE 30, 2023 AND FOR THE YEAR THEN ENDED**

---

**FINDING 2023-004**

***Criteria***

An organization's internal control structure should publish a full account of the unapproved proceedings of each board meeting within 20 days after the meeting.

***Statement of Condition***

The School District's internal control system did not ensure that a full account of the unapproved proceedings of each board meeting was published within 20 days after each meeting in accordance with SDCL 13-8-35.

***Cause and Effect***

The public is not given the opportunity to review the unapproved proceedings of each board meeting in a timely fashion.

***Identification of Repeat Finding***

This finding has been a repeat finding for a second year in a row.

***Recommendation***

We recommend that the School District's officials be cognizant to ensure that proceedings of board meetings are published within 20 days of each meeting.

**CURRENT FINDINGS - FEDERAL AUDIT FINDINGS**

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



### CORRECTIVE ACTION PLAN

Finding Number 2023-001: Material weakness in internal controls due to a lack of segregation of duties.

Views of Responsible Officials and Planned Correct Action Plan: The Business Manager is the contact person at this entity responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the district's business office. Staffing the office at an efficient and financially feasible level precludes the hiring of enough personnel to provide an ideal environment for internal controls. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the district.

Finding Number 2023-002: Material weakness due to a lack of internal control structure to enable for the preparation of the financial statements and related notes.

Views of Responsible Officials and Planned Correct Action Plan: The Business Manager is the contact person at this entity responsible for the corrective action plan for this finding. The District is aware of our overall responsibility for the preparation of the School's financial statements and footnotes and plans to attempt to set aside time to complete these statements and required footnotes. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the district.

Finding Number 2023-003: Material weakness due to a lack of internal control structure to provide recording of all necessary material adjustments in order to ensure that accounting records are in accordance with GAAP.

Views of Responsible Officials and Planned Correct Action Plan: The Business Manager is the contact person at this entity responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the district's business office. Staffing the office at an efficient and financially feasible level precludes the hiring of enough personnel to provide an ideal environment for internal controls. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the district.

Finding Number 2023-004: Material weakness due to a lack of internal control structure to ensure that unapproved proceedings of board meetings are published within 20 days of each meeting.

Views of Responsible Officials and Planned Correct Action Plan: The Business Manager is the contact person at this entity responsible for the corrective action plan for this finding. The School District will ensure that future proceedings of board meetings will be published within 20 days of the meeting.

Business Manager

Superintendent



# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

---

School Board  
Smee School District No. 15-3  
Wakpala, 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 Smee School District No. 15-3 (School District), South Dakota, as of June 30, 2023 and for the year then ended, 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 Smee School District No. 15-3 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

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

*Jason W. Bauer, CPA, CGMA, PFS • [bauer@cahillbauer.com](mailto:bauer@cahillbauer.com)*

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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



### ***Required Supplementary Information***

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

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

### ***Supplementary Information***

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

*Calvin Sam*

Mobridge, South Dakota  
November 8, 2023

**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,983,776	\$ 76,120	\$ 2,059,896
Investments	1,000,000	-	1,000,000
Taxes receivable	63,686	-	63,686
Other assets	354,199	6,999	361,198
Inventories	-	5,708	5,708
Net pension asset	9,422	426	9,848
Capital assets			
Land	62,100	-	62,100
Other capital assets, net of depreciation	6,375,768	69,969	6,445,737
<b>TOTAL ASSETS</b>	<b>9,848,951</b>	<b>159,222</b>	<b>10,008,173</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	927,465	41,953	969,418
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 927,465</b>	<b>\$ 41,953</b>	<b>\$ 969,418</b>

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 33,687	\$ 2,881	\$ 36,568
Other current liabilities	261,976	17,332	279,308
Noncurrent liabilities:			
Due within one year	15,635	-	15,635
Due in more than one year	51,670	4,392	56,062
TOTAL LIABILITIES	362,968	24,605	387,573
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	556,675	25,181	581,856
Taxes levied for future period	60,946	-	60,946
TOTAL DEFERRED INFLOWS OF RESOURCES	617,621	25,181	642,802
NET POSITION			
Net investment in capital assets	6,437,868	69,969	6,507,837
Restricted for			
Capital outlay	466,495	-	466,495
Special education	17,403	-	17,403
SDRS pension purposes	1,181,820	17,198	1,199,018
Unrestricted	1,692,241	64,222	1,756,463
TOTAL NET POSITION	\$ 9,795,827	\$ 151,389	\$ 9,947,216

SMEE SCHOOL DISTRICT NO. 15-3  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
Instruction	\$ 1,949,711	\$ -	444,696	-	\$ (1,505,015)	\$ -	\$ (1,505,015)
Support services	2,383,236	25,508	241,456	22,454	(2,093,818)	-	(2,093,818)
Community services	120,136	-	82,871	-	(37,265)	-	(37,265)
Cocurricular activities	237,389	-	-	-	(237,389)	-	(237,389)
Total governmental activities	4,690,472	25,508	769,023	22,454	(3,873,487)	-	(3,873,487)
Business-type activities							
Food service	291,109	9,638	190,897	-	-	(90,574)	(90,574)
Total primary government	\$ 4,981,581	\$ 35,146	\$ 959,920	\$ -	(3,873,487)	(90,574)	(3,964,061)
General Revenues							
Taxes							
Property taxes					141,921	-	141,921
Gross receipts taxes					23,871	-	23,871
Revenue from state sources							
State aid					1,768,098	-	1,768,098
Revenue from federal sources					2,170,436	-	2,170,436
Unrestricted investment earnings					25,903	-	25,903
Other general revenues					(67,589)	-	(67,589)
Transfers					(132,735)	132,735	-
Total general revenues					3,929,905	132,735	4,062,640
Change in net position					56,418	42,161	98,579
Net position - beginning					9,739,409	109,228	9,848,637
Net position - ending					\$ 9,795,827	\$ 151,389	\$ 9,947,216

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

**SMEE SCHOOL DISTRICT NO. 15-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Major Funds				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,488,770	\$ 465,431	\$ 29,575	\$	1,983,776
Investments	1,000,000	-	-		1,000,000
Taxes receivables - current	29,288	18,037	14,837		62,162
Taxes receivables - delinquent	445	584	495		1,524
Interest receivable	10,533	-	-		10,533
Due from other funds	200	-	-		200
Due from other governments	271,787	-	39,276		311,063
Prepaid expenses	32,403	-	-		32,403
<b>TOTAL ASSETS</b>	<b>\$ 2,833,426</b>	<b>\$ 484,052</b>	<b>\$ 84,183</b>	<b>\$</b>	<b>3,401,661</b>
<b>LIABILITIES, DEFERRED INFOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 30,825	-	\$ 2,862	\$	33,687
Contracts payable	185,821	-	43,346		229,167
Sales tax payable	51	-	-		51
Payroll deductions and withholdings and employer matching payable	26,627	-	6,131		32,758
<b>Total Liabilities</b>	<b>243,324</b>	<b>-</b>	<b>52,339</b>		<b>295,663</b>
<b>Deferred inflows of resources</b>					
Unavailable Revenue - Property Taxes	445	584	495		1,524
Taxes levied for future period	28,948	17,557	14,441		60,946
<b>Total Deferred inflows of resources</b>	<b>29,393</b>	<b>18,141</b>	<b>14,936</b>		<b>62,470</b>
<b>Fund balances</b>					
Nonspendable	32,403	-	-		32,403
Prepaids	-	-	-		-
Restricted	-	465,911	-		465,911
Capital Outlay	-	-	16,908		16,908
Special Education	-	-	-		-
Unassigned	2,528,306	-	-		2,528,306
<b>Total fund balance</b>	<b>2,560,709</b>	<b>465,911</b>	<b>16,908</b>		<b>3,043,528</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 2,833,426</b>	<b>\$ 484,052</b>	<b>\$ 84,183</b>	<b>\$</b>	<b>3,401,661</b>

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

**SMEE SCHOOL DISTRICT NO. 15-3  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

Total fund balances - governmental funds	\$	3,043,528
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,437,868
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		9,422
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		927,465
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.		(556,675)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$28,103	(67,305)
Lease liability	\$39,202	
Property taxes become due and payable on January 1, each year, but are not collected/available soon enough to pay current period expenditures; therefore, they are reported as unavailable revenue in the fund financial statements. However, because the <i>delinquent taxes</i> are due and payable by the taxpayer at June 30, the delinquent taxes are reported as revenue on the government-wide financial statements.		1,524
Net position- governmental funds	\$	<u>9,795,827</u>

**SMEE SCHOOL DISTRICT NO. 15-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Major Funds				Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund		
<b>REVENUES</b>					
Revenue from local sources					
Taxes	\$	\$	\$	\$	
Ad valorem taxes	62,858	40,012	33,284		136,154
Prior years' ad valorem taxes	1,211	716	654		2,581
Tax deed revenue	1,929	569	492		2,990
Utility taxes	23,871	-	-		23,871
Penalties and interest on taxes	221	185	160		566
Earnings on investments and deposits	25,903	-	-		25,903
Other revenue from local sources					
Charges for services	23,738	-	1,770		25,508
Other	34,987	-	-		34,987
Revenue from intermediate sources					
County sources					
County appointment	4,201	-	-		4,201
Revenue from state sources					
Grants-in-aid					
Unrestricted grants-in-aid	1,527,799	-	-		1,527,799
Restricted grants-in-aid	-	-	240,299		240,299
Revenue from federal sources					
Grants-in-aid					
Unrestricted grants-in-aid					
Received directly from					
the federal government	2,111,976	18,942	25,122		2,156,040
the federal government	40,178	-	-		40,178

(Continued on next page)



**SMEE SCHOOL DISTRICT NO. 15-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Major Funds			Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	
Restricted grants-in-aid				
Received from federal government				
through the state	623,784	29,418	98,097	751,299
Johnson O'Malley funds	14,396	-	-	14,396
Total Revenues	\$ 4,497,052	\$ 89,842	\$ 399,878	\$ 4,986,772
<b>EXPENDITURES</b>				
Instruction				
Regular programs				
Elementary	\$ 599,971	\$ 1,988	-	\$ 601,959
Middle/junior high	283,279	-	-	283,279
High school	361,585	3,195	-	364,780
Other regular programs	14,812	-	-	14,812
Special programs				
Programs for special education	-	-	361,213	361,213
Educationally deprived	215,972	-	-	215,972
Other special programs	40,178	-	-	40,178
Support services				
Pupils				
Attendance and social work	165,848	-	15,896	181,744
Health	73,876	-	-	73,876
Psychological	-	-	12,176	12,176
Speech pathology	-	-	75,536	75,536
Student therapy services	-	-	31,645	31,645
Support services - instructional staff				
Improvement of instruction	22,163	-	-	22,163
Educational media	127,424	1,959	-	129,383

(Continued on next page)

**SMEE SCHOOL DISTRICT NO. 15-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Major Funds			Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	
Support services - general administration				
Board of education	115,914	-	-	115,914
Executive administration	158,638	-	-	158,638
Support services - school administration:				
Office of the principal	224,861	-	-	224,861
Other	705	-	-	705
Support services - business				
Fiscal services	168,311	-	-	168,311
Operation and maintenance of plant	500,213	125,755	-	625,968
Pupil transportation	264,941	9,375	-	274,316
Food services	5,988	40,284	-	46,272
Support services - special education				
Administrative costs	-	-	85,335	85,335
Other special education costs	-	-	3,147	3,147
Community services				
Custody and care of children	109,631	1,358	-	110,989
Other	10,384	-	-	10,384
Cocurricular activities				
Male activities	23,061	-	-	23,061
Female activities	27,582	-	-	27,582
Combined activities	131,917	-	-	131,917
Capital outlay	-	245,657	-	245,657
Total expenditures	3,647,254	429,571	584,948	4,661,773
Excess of revenue over (under) expenditures	\$ 849,798	\$ (339,729)	\$ (185,070)	\$ 324,999

(Continued on next page)

**SMEET SCHOOL DISTRICT NO. 15-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Major Funds			Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	
Other financing sources (uses)				
Transfer in	\$ -	\$ -	\$ 150,000	\$ 150,000
Transfer out	(250,000)	-	-	(250,000)
Sale of surplus property	1,450	-	-	1,450
Net other financing sources (uses)	(248,550)	-	150,000	(98,550)
Net change in fund balances	601,248	(339,729)	(35,070)	226,449
Fund balance - beginning	1,959,461	805,640	51,978	2,817,079
Fund Balance - ending	\$ 2,560,709	\$ 465,911	\$ 16,908	\$ 3,043,528

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

**SMEE SCHOOL DISTRICT NO. 15-3**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

---

Net change in fund balances - total governmental funds	\$ 226,449
--	------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation/amortization expense exceeded capital outlay in the current period.	(123,970)
---	-----------

In the statement of activities, gains on disposal of capital assets are reported, whereas, in the governmental funds, the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(108,227)
--	-----------

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change in compensated absences.	1,600
--	-------

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 (e.g. pension expense).	45,361
--	--------

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".	(370)
--	-------

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.	15,575
--	--------

Change in net position of governmental activities	\$ 56,418
---	-----------

**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	Food Service Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 76,120
Due from other government	6,999
Inventory of supplies (resale)	2,521
Inventory of donated food	3,187
Total current assets	<u>88,827</u>
Noncurrent assets	
Net pension asset	426
Capital assets	
Machinery and equipment	246,366
Less accumulated depreciation	(176,397)
Total noncurrent assets	<u>70,395</u>
<b>TOTAL ASSETS</b>	<u>159,222</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	41,953
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>41,953</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	2,881
Contracts payable	8,253
Compensated absences	4,392
Payroll deductions and withholdings and employer matching payable	1,124
Unearned revenue	7,955
<b>TOTAL LIABILITIES</b>	<u>24,605</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	25,181
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>25,181</u>
<b>NET POSITION</b>	
Net investment in capital assets	69,969
Restricted for SDRS	17,198
Unrestricted net position	64,222
<b>TOTAL NET POSITION</b>	<u>\$ 151,389</u>

**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Food Service Fund
OPERATING REVENUE	
Sales	
To adults	\$ 9,638
Total operating revenue	9,638
OPERATING EXPENSES	
Food Service	
Salaries	106,674
Employee benefits	42,224
Purchased services	6,040
Supplies	7,344
Cost of sales - purchased food	104,194
Cost of sales - donated food	15,253
Miscellaneous	498
Depreciation	8,882
Total Operating Expenses	291,109
Operating Loss	(281,471)
NONOPERATING REVENUES (EXPENSES)	
State sources	
Cash reimbursements	256
Federal sources	
Cash reimbursements	174,803
Donated food	15,838
Total nonoperating revenues	190,897
INCOME (LOSS) BEFORE TRANSFERS	(90,574)
Capital Contribution	32,735
Transfers In	100,000
CHANGE IN NET POSITION	42,161
NET POSITION - BEGINNING	109,228
NET POSITION - ENDING	\$ 151,389

**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 12,809
Payments to suppliers	(115,119)
Payments to employees	(148,543)
Net cash used by operating activities	(250,853)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash reimbursements - state sources	256
Cash reimbursements - federal sources	172,261
Transfers in	100,000
Net cash flows from noncapital financing activities	272,517
NET CHANGE IN CASH AND CASH EQUIVALENTS	21,664
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	54,456
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 76,120

**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Food Service Fund
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (281,471)
Adjustments to reconcile operating loss to net cash used by operating activities	
Value of commodities used	15,253
Depreciation expense	8,882
Change in assets and liabilities	
Accounts receivable and unearned revenue	3,171
Inventories	666
Accounts and other payables	2,291
Other payroll liabilities	118
Pension activity	237
Net Cash Used by Operating Activities	<u>\$ (250,853)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Value of commodities received	\$ 15,838
Contribution of capital assets	32,735



**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Custodial Funds
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 8,648
	<hr/>
Total assets	8,648
	<hr/>
LIABILITIES	
Accounts payable	200
	<hr/>
Total liabilities	200
	<hr/>
NET POSITION	
Restricted for student activities	\$ 8,448
	<hr/> <hr/>

**SMEE SCHOOL DISTRICT NO. 15-3**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Custodial Funds
ADDITIONS	
Collections for student activities	\$ 9,320
DEDUCTIONS	
Payments for student activities	7,035
CHANGES IN NET POSITION	2,285
NET POSITION BEGINNING	6,163
NET POSITION ENDING	\$ 8,448

**SMEE SCHOOL DISTRICT NO. 15-3  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023  
(See Independent Auditors' Report)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*a. Financial Reporting Entity*

The reporting entity of Smees School District No. 15-3, 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.

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

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Venture" 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.

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

---

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

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

**Fund Financial Statements**

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

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

---

**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.)

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.

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

---

**Fiduciary Funds**

Fiduciary Funds consist of the following sub-categories and 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 trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

*c. Measurement Focus and Basis of Accounting*

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

**Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to government funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and similar fiduciary funds.

**Basis of Accounting**

Government-wide Financial Statements

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

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

---

**Fund Financial Statements**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Smee School District No. 15-3, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2023 are property taxes, federal reimbursements, state reimbursements, 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 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 the general long-term debt which are recognized when due.

All proprietary funds and similar 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 statement 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.

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

---

*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 investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

*f. Capital Assets*

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

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

*Government-Wide Financial Statements*

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

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 25 percent for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities includes approximately 5 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

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



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

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:

	<b>Capitalization Threshold</b>	<b>Depreciation/ Amortization Method</b>	<b>Estimated Useful Life</b>
Land	All	N/A	N/A
Improvements	\$ 5,000	Straight-line	15-50 years
Buildings	\$ 5,000	Straight-line	15-50 years
Machinery and equipment	\$ 5,000	Straight-line	3-20 years
Food service equipment	\$ 5,000	Straight-line	3-15 years
Intangible lease assets	\$ 5,000	Straight-line	Various
Intangible Subscription Assets	\$ 5,000	Straight-line	Various

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements*

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

*g. Long-Term Liabilities*

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

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

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.

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

---

**h. Leases**

**Lessee:**

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

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

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

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

**i. Program Revenues**

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

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from 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 FINANCIAL STATEMENTS - Page 9**  
**(See Independent Auditors' Report)**

---

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 an 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, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

*l. Cash and Cash Equivalents*

The School District pools its cash resources for depositing and investing purposes. For purposes of financial statement reporting, the School District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents. 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 Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**NOTES TO FINANCIAL STATEMENTS - Page 10**  
**(See Independent Auditors' Report)**

---

2. Restricted Net Position - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted Net Position - All other net assets that do not meet the definition of "restricted" or "net invested in capital assets."

*Fund Financial Statements*

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

*n. Application of Net Position*

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

*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 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.

**NOTES TO FINANCIAL STATEMENTS - Page 11**  
**(See Independent Auditors' Report)**

---

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

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

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

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

As of June 30, 2023, the School District the investments reported in the financial statements consist of only certificates of deposit.

**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.

**NOTES TO FINANCIAL STATEMENTS - Page 12**  
**(See Independent Auditors' Report)**

---

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. The School District does not have a deposit policy for custodial risk. As of June 30, 2023, the School District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

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.

**NOTE 3 - RECEIVABLES AND PAYABLES**

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

**NOTE 4 - INVENTORY**

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

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 13**  
**(See Independent Auditors' Report)**

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on or before 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 revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

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

	Balance on 07/1/2022	Increases	Decreases	Balance on 06/30/2023
Primary Government				
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	\$ 62,100	\$ -	\$ -	\$ 62,100
Total capital assets, not being depreciated/amortized	62,100	-	-	62,100
Capital assets, being depreciated/amortized				
Buildings	9,687,939	143,015	(213,882)	9,617,072
Machinery and equipment	2,035,334	102,642	(478,323)	1,659,653
Intangible lease assets	78,024	-	-	78,024
Total capital assets, being depreciated/amortized	11,801,297	245,657	(692,205)	11,354,749
Less accumulated depreciation/amortization for				
Buildings	3,773,777	252,712	(105,655)	3,920,834
Machinery and equipment	1,396,148	101,310	(478,323)	1,019,135
Intangible lease assets	23,407	15,605	-	39,012
Total accumulated depreciation/amortization	5,193,332	369,627	(583,978)	4,978,981
Total capital assets, being depreciated/amortized, net	6,607,965	(123,970)	(108,227)	6,375,768
Governmental activity capital assets, net	\$ 6,670,065	\$ (123,970)	\$ (108,227)	\$ 6,437,868

**NOTES TO FINANCIAL STATEMENTS - Page 14**  
**(See Independent Auditors' Report)**

Depreciation expense was charged to functions as follows

Governmental activities	
Instruction	\$ 92,862
Support services	221,093
Co-curricular activities	<u>55,672</u>
Total depreciation expense - governmental activities	<u>\$ 369,627</u>

	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 213,631	\$ 32,735	\$ -	\$ 246,366
Less accumulated depreciation for Machinery and equipment	<u>167,515</u>	<u>8,882</u>	<u>-</u>	<u>176,397</u>
Total capital assets, being depreciated, net	<u>\$ 46,116</u>	<u>\$ 23,853</u>	<u>\$ -</u>	<u>\$ 69,969</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Food Services	<u>\$ 8,882</u>

**NOTE 7 - LONG-TERM LIABILITIES**

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

	Balance on 07/01/2022	Additions	Deletions	Balance on 06/30/2023	Due Within One Year
Primary government					
Governmental activities:					
Compensated absences	\$ 29,703	\$ 10,736	\$ (12,336)	\$ 28,103	\$ -
Lease liability	<u>54,777</u>	<u>-</u>	<u>(15,575)</u>	<u>39,202</u>	<u>15,635</u>
Total governmental activities	<u>\$ 84,480</u>	<u>\$ 10,736</u>	<u>\$ (27,911)</u>	<u>\$ 67,305</u>	<u>\$ 15,635</u>
Business type activities:					
Compensated absences	\$ 4,250	\$ 582	\$ (440)	\$ 4,392	\$ -
Total business type activities	<u>\$ 4,250</u>	<u>\$ 582</u>	<u>\$ (440)</u>	<u>\$ 4,392</u>	<u>\$ -</u>



**NOTES TO FINANCIAL STATEMENTS - Page 15**  
**(See Independent Auditors' Report)**

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

Long-term liabilities payable at June 30, 2023 are comprised of the following:

Compensated absences:

Compensated absences payable from the General Fund	27,691
from the Special Education Fund	412
Compensated absences payable from the Food Service Fund	4,392
Lease liability, payments to be made by the Capital Outlay Fund.	39,202
	<u>\$ 71,697</u>

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2023 are as follows:

Year Ending June 30,	Lease Liability	
	Principal	Interest
2024	15,635	125
2025	15,696	64
2026	7,871	9
	<u>39,202</u>	<u>198</u>

**NOTE 8 - INDIVIDUAL FUND INTERFUND TRANSACTIONS**

There following interfund transfers were made for the year ended June 30, 2023.

	Transfers In	Transfers Out	Total
General Fund	\$ -	\$ (250,000)	\$ (250,000)
Special Education Fund	150,000	-	150,000
Food Service Fund	100,000	-	100,000
Total	<u>\$ 250,000</u>	<u>\$ (250,000)</u>	<u>\$ -</u>

The School District transferred money from the general fund fund to the special education fund and food service fund to subsidize the operating loss of those funds. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**NOTES TO FINANCIAL STATEMENTS - Page 16**  
**(See Independent Auditors' Report)**

---

**NOTE 9 - RESTRICTED NET POSITION**

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Special Education Fund	Law	\$ 17,403
Capital Outlay Fund	Law	466,495
SDRS Pension Purposes	Law	1,199,018
Total Restricted Net Position		<u>\$ 1,682,916</u>

**NOTE 10 - PENSION PLAN**

**Plan Information:**

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

**Benefits Provided:**

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 17**  
**(See Independent Auditors' Report)**

---

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

The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.

If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:

The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022, and 2021 were \$148,070, \$149,291, and \$134,769, respectively, equal to the required contributions each year.

**NOTES TO FINANCIAL STATEMENTS - Page 18**  
**(See Independent Auditors' Report)**

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

At June 30, 2022, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of total pension liability	\$ 14,709,799
Less proportionate share of net pension restricted for pension	14,719,647
Proportionate share of net pension liability (asset)	<u>\$ (9,848)</u>

At June 30, 2023, the District reported an asset of \$9,848 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was .1042020%, which is a increase of .0083735% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of \$43,170. At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$ 187,459	\$ 639
Changes in assumption	625,893	548,511
Net difference between projected and actual earnings on pension plan investments	-	23,600
Changes in proportion and difference between School District contributions and proportionate share of contributions.	7,996	9,106
School District contributions subsequent to the measurement date	148,070	-
Total	<u>\$ 969,418</u>	<u>\$ 581,856</u>

**NOTES TO FINANCIAL STATEMENTS - Page 19**  
**(See Independent Auditors' Report)**

---

\$148,070 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:		
2024	\$	67,084
2025		136,486
2026		(158,279)
2027		194,201
TOTAL	\$	<u>239,492</u>

**Actuarial Assumptions:**

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

**Mortality Rates:**

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

**Active and Terminated Vested Members:**

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

**Retired Members:**

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

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

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

**Beneficiaries:**

PubG-2010 contingent survivor mortality table

**Disabled Members:**

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

**NOTES TO FINANCIAL STATEMENTS - Page 20**  
**(See Independent Auditors' Report)**

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.00%	3.70%
Fixed Income	30.00%	1.10%
Real Estate	10.00%	2.60%
Cash	2.00%	0.40%
Total	100.00%	2.70%

**Discount Rate:**

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

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

The following presents the 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:

**NOTES TO FINANCIAL STATEMENTS - Page 21**  
**(See Independent Auditors' Report)**

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	\$ 2,044,793	\$ (9,848)	\$ (1,689,032)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 11 - JOINT VENTURE**

The School District participates in the joint venture known as Oahe Special Education Cooperative, a cooperative service united (co-op) formed for the purpose of providing special educational services to the member school districts.

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

Bowdle School District No. 22-1	14.29%
Edmunds Central School District No. 22-5	14.29%
Eureka School District No. 44-1	14.29%
Herreid School District No. 10-1	14.29%
Hoven School District No. 53-2	14.28%
Selby Area School District No. 62-5	14.28%
Smee School District No. 15-3	14.28%

The Oahe Special Education Cooperative's governing board is composed of one representative from each member school district, which is a school board member.

The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Oahe Special Education Cooperative's office at PO Box 97 Java, SD 57452.

At June 30, 2023, this joint venture had total net position of \$537,097 (unaudited).

The School District also participates in the joint venture known as Northwest Area Schools Multi-District, a cooperative service united (co-op) formed for the purpose of providing educational services to the member school districts.

**NOTES TO FINANCIAL STATEMENTS - Page 22**  
**(See Independent Auditors' Report)**

---

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

Dupree School District	14.29%
Faith School District	14.29%
Harding County School District	14.29%
McIntosh School District	14.29%
McLaughlin School District	14.28%
Smee School District No. 15-3	14.28%
Timber Lake School District	14.28%

The Northwest Area Schools Multi District's governing board is composed of one representative from each member school district, which is a school board member.

The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Northwest Area Schools Multi-District's office at PO Box 35, Isabel, SD 57633.

At June 30, 2023, this joint venture had total fund balance of \$672,426 (audited).

**NOTE 12 - RISK MANAGEMENT**

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

*Employee Health Insurance*

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

*Liability Insurance*

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



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

---

*Workmen's Compensation*

The School District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

*Unemployment Benefits*

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

**NOTE 13 - LITIGATION**

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

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated whether any subsequent events have occurred through the date of the auditors report, the date on which the financial statements were available to be issued. Management has determined there are none.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SMEE SCHOOL DISTRICT NO. 15-3  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	Positive (Negative)		
REVENUES					
1000	Revenue from local sources				
1100	Taxes				
1110	Ad valorem taxes	\$ 24,000	\$ 24,000	\$ 62,858	\$ 38,858
1120	Prior years' ad valorem taxes	-	-	1,211	1,211
1130	Tax deed revenue	-	-	1,929	1,929
1140	Utility Tax	23,000	23,000	23,871	871
1190	Penalties and interest on taxes	250	250	221	(29)
1510	Earnings on investments and deposits	1,200	1,200	25,903	24,703
1900	Other revenue from local sources				
1970	Charges for services	9,600	9,600	23,738	14,138
1990	Other	15,000	15,000	34,987	19,987
2000	Revenue from intermediate sources				
2100	County sources				
2110	County apportionment	5,200	5,200	4,201	(999)
3000	Revenue from state sources				
	Grants-in-aid				
3110	Unrestricted grants-in-aid	1,406,500	1,406,500	1,527,799	121,299
4000	Revenue from federal sources				
	Grants-in-aid				
4140	Restricted grants-in-aid Received directly from federal government	40,200	40,200	40,178	(22)
4150- 4199	Restricted grants-in-aid received from federal government through the state	584,200	584,200	623,784	39,584
4400	Johnson O-Malley funds	9,000	9,000	14,396	5,396
Total revenue		\$ 2,118,150	\$ 2,118,150	\$ 2,385,076	\$ 266,926

(Continued on next page)

**SMEE SCHOOL DISTRICT NO. 15-3  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes		Budgeted Amounts			Variance with Final Budget	
		Original	Final	Actual Amounts (Budgetary Basis)	Positive (Negative)	
EXPENDITURES						
1000	Instruction					
1100	Regular programs					
1111	Elementary	\$ 636,200	\$ 651,200	\$ 599,971	\$ 51,229	
1121	Middle/junior high	328,200	328,200	283,279	44,921	
1131	High School	303,900	338,900	361,585	(22,685)	
1191	Other regular programs	8,500	8,500	14,812	(6,312)	
1200	Special programs					
1270	Educationally deprived	277,082	277,082	215,972	61,110	
1290	Other special programs	40,200	40,200	40,178	22	
2000	Support services					
2100	Pupils					
2110	Attendance and social work	160,650	160,650	165,848	(5,198)	
2130	Health	61,325	61,325	73,876	(12,551)	
2200	Support services-instructional staff					
2210	Improvement of instruction	25,200	25,200	22,163	3,037	
2220	Educational media	130,000	130,000	127,424	2,576	
2300	Support services-general administration:					
2310	Board of education	88,450	113,450	115,914	(2,464)	
2320	Executive administration	144,875	159,875	158,638	1,237	
	Support services-school administration					
2410	Office of the Principal	204,120	214,120	224,861	(10,741)	
2490	Other	-	-	705	(705)	
2500	Support services-business					
2520	Fiscal services	161,700	161,700	168,311	(6,611)	
2540	Operation and maintenance of plant	461,950	476,950	500,213	(23,263)	
2550	Pupil transportation	252,500	273,500	264,941	8,559	
2560	Food services	5,500	5,500	5,988	(488)	
	Nonprogrammed charges					
3500	Custody and care of children	140,000	154,000	109,631	44,369	
3900	Other	20,000	20,000	10,384	9,616	

(Continued on next page)

**SMEE SCHOOL DISTRICT NO. 15-3**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
6000 Cocurricular activities				
6100 Male activities	21,600	21,600	23,061	(1,461)
6200 Female activities	30,150	30,150	27,582	2,568
6900 Combined activities	70,200	70,200	131,917	(61,717)
Total expenditures	<u>\$ 3,572,302</u>	<u>\$ 3,722,302</u>	<u>\$ 3,647,254</u>	<u>\$ 75,048</u>
Excess revenue over/under expenditures	<u>(1,454,152)</u>	<u>(1,604,152)</u>	<u>(1,262,178)</u>	<u>341,974</u>
Other financing sources/(uses)				
Transfers in	1,454,152	1,604,152	1,000,000	(604,152)
Sale of Surplus Property	<u>-</u>	<u>-</u>	<u>1,450</u>	<u>1,450</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(260,728)</u>	<u>(260,728)</u>
Fund balance - beginning	<u>705,286</u>	<u>705,286</u>	<u>705,286</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 705,286</u></u>	<u><u>\$ 705,286</u></u>	<u><u>\$ 444,558</u></u>	<u><u>\$ (260,728)</u></u>

**SMEE SCHOOL DISTRICT NO. 15-3  
BUDGETARY COMPARISON SCHEDULE  
CAPITAL OUTLAY FUND - BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	Positive (Negative)		
REVENUES					
1000	Revenue from local sources				
1100	Taxes				
1110	Ad valorem taxes	\$ 29,000	\$ 29,000	\$ 40,012	\$ 11,012
1120	Prior years' ad valorem taxes	-	-	716	716
1130	Tax deed revenue	-	-	569	569
1190	Penalties and interest on taxes	-	-	185	185
4000	Revenue from federal sources				
4120	Unrestricted grants-in-aid received directly from the federal government	-	-	18,942	18,942
4150- 4199	Restricted grants-in-aid received from federal government through the state	-	-	29,418	29,418
Total revenue		\$ 29,000	\$ 29,000	\$ 89,842	\$ 60,842
EXPENDITURES:					
1000	Instruction				
1100	Regular programs				
1110	Elementary	\$ -	\$ -	\$ 1,988	\$ (1,988)
1130	High school	-	-	10,315	(10,315)
2000	Support services				
2220	Educational media	-	-	1,959	(1,959)
2500	Support services - business				
2530	Facilities acquisition and construction	25,200	225,200	143,015	82,185
2540	Operation and maintenance of plant	148,838	148,838	148,209	629
2550	Pupil transportation	77,700	77,700	82,443	(4,743)
2560	Food services	22,000	22,000	40,284	(18,284)
Nonprogrammed charges					
3500	Custody and care of children	-	-	1,358	(1,358)
Total expenditures		\$ 273,738	\$ 473,738	\$ 429,571	\$ 44,167

**SMEE SCHOOL DISTRICT NO. 15-3**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL OUTLAY FUND - BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess revenue over/under expenditures	\$ (244,738)	\$ (444,738)	\$ (339,729)	\$ 105,009
Other financing uses				
5110 Transfer in	244,738	444,738	-	(444,738)
Net change in fund balances	-	-	(339,729)	(339,729)
Fund balance - beginning	805,640	805,640	805,640	-
Fund balance - ending	<u>\$ 805,640</u>	<u>\$ 805,640</u>	<u>\$ 465,911</u>	<u>\$ (339,729)</u>

**SMEE SCHOOL DISTRICT NO. 15-3**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL EDUCATION FUND - BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes		Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget
		Original	Final			Positive (Negative)
REVENUES						
1000	Revenue from local sources					
1100	Taxes					
1110	Ad valorem taxes	\$ 24,000	\$ 24,000	\$ 33,284	\$ 9,284	
1120	Prior years' ad valorem taxes	-	-	654	654	
1130	Tax deed revenue	-	-	492	492	
1190	Penalties and interest on taxes	-	-	160	160	
1970	Charges for services	2,750	2,750	1,770	(980)	
3000	Revenue from state sources					
3120	Restricted grants-in-aid	310,000	310,000	240,299	(69,701)	
4000	Revenue from federal sources					
4110	Unrestricted grants-in-aid received directly from federal government	24,000	24,000	25,122	1,122	
4150-4199	Restricted grants-in-aid received from federal government through the state	89,000	89,000	98,097	9,097	
	Total revenue	\$ 449,750	\$ 449,750	\$ 399,878	\$ (49,872)	
EXPENDITURES						
Instruction						
1200	Special programs					
1220	Programs for special education	\$ 268,400	\$ 353,400	\$ 361,213	\$ (7,813)	
2000	Support services					
2100	Pupils					
2110	Social work service	15,700	15,700	15,896	(196)	
2140	Psychological	17,000	17,000	12,176	4,824	
2150	Speech pathology	75,000	75,000	75,536	(536)	
2160	Audiology services	500	500	-	500	
2170	Student therapy services	51,000	51,000	31,645	19,355	
2700	Support services - special education					
2710	Administrative costs	88,200	88,200	85,335	2,865	
2750	Other special ed costs	-	-	3,147	(3,147)	
	Total expenditures	\$ 515,800	\$ 600,800	\$ 584,948	\$ 15,852	

(Continued on next page)



**SMEE SCHOOL DISTRICT NO. 15-3**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL EDUCATION FUND - BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data Control Codes	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess revenue over/under expenditures	\$ (66,050)	\$ (151,050)	\$ (185,070)	\$ (34,020)
Transfers In	66,050	151,050	150,000	(1,050)
Net change in fund balance	-	-	(35,070)	(35,070)
Fund balance - beginning	51,978	51,978	51,978	-
Fund balance -ending	\$ 51,978	\$ 51,978	\$ 16,908	\$ (35,070)

**SMEE SCHOOL DISTRICT NO. 15-3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2023**

---

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

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

**SMEE SCHOOL DISTRICT NO. 15-3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2023**

---

- 12 The following reconciles the U.S. GAAP Basis fund balance to the budgetary basis fund balance for the General Fund as of June 30, 2023:

U.S. GAAP Basis Fund Balance	\$ 2,560,709
Less: portion comprised of unspent Impact Aid revenue	<u>2,116,151</u>
Budgetary basis fund balance	<u><u>\$ 444,558</u></u>

**NOTE 2 - USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES:**

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

SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
SOUTH DAKOTA RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.1042020%	0.0989790%	0.0958285%	0.1085489%	0.1060350%	0.1073911%	0.1007086%	0.0977041%	0.1018596%
District's proportionate share of net pension liability (asset)	\$ (9,848)	\$ (758,010)	\$ (4,162)	\$ (11,503)	\$ (2,473)	\$ (9,746)	\$ 340,184	\$ (414,391)	\$ (733,857)
District's covered-employee payroll	\$ 2,488,179	\$ 2,246,143	\$ 2,103,146	\$ 2,201,647	\$ 2,204,371	\$ 2,181,969	\$ 1,901,074	\$ 1,783,797	\$ 1,775,610
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.40%	-33.75%	-0.20%	-0.52%	-0.11%	-0.45%	-17.89%	-23.23%	-41.33%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.29%

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

SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 148,070	\$ 149,291	\$ 134,769	\$ 126,189	\$ 138,478	\$ 132,262	\$ 130,918	\$ 114,065	\$ 107,028
Contributions in relation to the contractually required contribution	\$ 148,070	\$ 149,291	\$ 134,769	\$ 126,189	\$ 138,478	\$ 132,262	\$ 130,918	\$ 114,065	\$ 107,028
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,467,836	\$ 2,488,179	\$ 2,246,143	\$ 2,103,146	\$ 2,307,967	\$ 2,204,371	\$ 2,181,969	\$ 1,901,074	\$ 1,783,797
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

**SMEE SCHOOL DISTRICT NO. 15-3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS**

---

**Changes from prior valuation**

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

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

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

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

**SMEE SCHOOL DISTRICT NO. 15-3**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS**

---

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%.

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

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

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

**Actuarial Method Changes**

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

## **SUPPLEMENTARY INFORMATION**



**SMEE SCHOOL DISTRICT NO. 15-3**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying</b>		<b>Disbursements/ Expenditures</b>
<b>Child Nutrition Cluster:</b>				
US Department of Agriculture Pass-Through Programs from:				
SD Department of Education:				
School breakfast program (Note3)	10.553	NSLP-17-265		
Cash Reimbursement			47,427	
National school lunch program (Note 3)	10.555	NSLP-17-265		\$ 47,427
Cash Reimbursement			111,931	
Donated Food			15,838	
				127,769
Summer Food Service Program for Children	10.559	NSLP-17-265		6,999
Total child nutrition cluster				182,195
US Department of Agriculture Pass-Through Programs from:				
SD Department of Education:				
Fresh Fruit & Vegetable Program	10.582	N/A		5,836
<b>Total U.S. Department of Agriculture</b>				<b>188,031</b>
US Department of the Interior - Direct Programs				
Indian education - assistance to schools - Johnson-O-Malley (Note 3)	15.130	N/A		14,396
<b>Total U.S. Department of the Interior</b>				<b>14,396</b>
US Department of Education: Direct Programs				
Impact aid (Note 4)	84.041	N/A	1,294,064	
Indian education - grants to local education agencies	84.060	N/A	40,178	
<b>Subtotal for US Department of Education - Direct Programs</b>				<b>1,334,242</b>
US Department of Education: Pass-Through Programs from:				
SD Department of Education:				
Title I grants to local educational agencies	84.010	T1ba-17-122	333,973	
Twenty-first century community learning centers	84.287	N/A	118,727	
Rural Education	84.358	N/A	3,531	
Improving teacher quality state grants	84.367A	N/A	16,921	
School Support and Academic Enrichment Grants	84.424A	N/A	28,317	
Elementary and Secondary School Emergency Relief	84.425D	N/A	34,438	
American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	N/A	137,569	

**SMEE SCHOOL DISTRICT NO. 15-3  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying</b>	<b>Disbursements/ Expenditures</b>
American Rescue Plan Homeless I	84.425W	N/A	6,638
<b>Subtotal for US Department of Education - Pass-Through Programs</b>			<b>680,114</b>
<b>Special Education Cluster:</b>			
Special Education - Grants to States - Flow Through	84.027	17-611-079	72,036
Special Education - Preschool Grants	84.173	17-619-073	4,751
<b>Total Special Education Cluster</b>			<b>76,787</b>
<b>Total U.S. Department of Education</b>			<b>2,091,143</b>
<b>Total Expenditures</b>			<b>\$ 2,293,570</b>

**NOTE 1 -BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 - FEDERAL REIMBURSEMENTS**

Federal reimbursements are not based upon specific expenditures. Therefore, some amounts reported here represent cash received and/or food commodities used rather than federal expenditures.

**NOTE 4 - MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM**

This represents a Major Federal Financial Assistance Program.