

**Arlington School District No. 38-1**

**Independent Auditor's Report  
and Financial Statements**

**For the Year Ended  
June 30, 2023**

**Arlington School District No. 38-1**

School District Officials

June 30, 2023

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Board Members

Justin Petersen ----- Board President

Jolene King-----Vice President

Marshall Mix ----- Member

Casey Hanson ----- Member

Laura Carlson----- Member

Brian Sampson-----Superintendent

Stacy Andersen -----Business Manager

# Arlington School District No. 38-1

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

School Board  
Arlington School District No. 38-1  
Arlington, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington School District No. 38-1, South Dakota, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated October 25, 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 deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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

## Report on Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Arlington 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.

Handwritten signature in cursive script that reads "CIO Prof LLC".

Elk Point, South Dakota  
October 25, 2023

**Arlington School District No. 38-1**  
Schedule of Prior and Current Audit Findings  
Year Ended June 30, 2023

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**Prior Audit Findings**

There are no prior other audit findings to report.

**Current Audit Findings**

There are no current audit findings to report.



## Independent Auditor's Report

School Board  
Arlington School District No. 38-1  
Arlington, South Dakota

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington School District No. 38-1, Arlington, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Arlington School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 Arlington School District No. 38-1, South Dakota 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*, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

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

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



## **Required Supplementary Information**

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "CIO Prof LLC". The signature is written in a cursive, somewhat stylized font.

Elk Point, South Dakota  
October 25, 2023

**Arlington School District No. 38-1**  
Statement of Net Position – Government-Wide  
June 30, 2023

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,015,084	\$ 59,506	\$ 4,074,590
Investments	237,946	--	237,946
Taxes receivable	1,320,392	--	1,320,392
Interest receivable	6,962	--	6,962
Inventories	--	4,883	4,883
Other assets	65,457	--	65,457
Net pension asset	7,999	--	7,999
Capital assets:			
Land	37,133	--	37,133
Other capital assets, net of depreciation	<u>6,327,002</u>	<u>2,214</u>	<u>6,329,216</u>
Total Assets	<u>12,017,975</u>	<u>66,603</u>	<u>12,084,578</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>837,317</u>	<u>--</u>	<u>837,317</u>
Total Deferred Outflows of Resources	<u>837,317</u>	<u>--</u>	<u>837,317</u>
<b>Liabilities:</b>			
Accounts payable	78,974	283	79,257
Other current liabilities	275,015	4,100	279,115
Unearned revenue	--	16,196	16,196
Noncurrent liabilities:			
Due within one year	1,000	--	1,000
Due in more than one year	<u>33,647</u>	<u>--</u>	<u>33,647</u>
Total Liabilities	<u>388,636</u>	<u>20,579</u>	<u>409,215</u>
<b>Deferred Inflows of Resources</b>			
Taxes levied for future period	1,305,175	--	1,305,175
Pension related deferred inflows	<u>493,832</u>	<u>--</u>	<u>493,832</u>
Total Deferred Inflows of Resources	<u>1,799,007</u>	<u>--</u>	<u>1,799,007</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	6,364,135	2,214	6,366,349
Restricted for:			
Capital outlay	1,779,901	--	1,779,901
Special education	1,341,667	--	1,341,667
SDRS pension purposes	351,484	--	351,484
Unrestricted	<u>830,462</u>	<u>43,810</u>	<u>874,272</u>
Total Net Position	<u>\$ 10,667,649</u>	<u>\$ 46,024</u>	<u>\$ 10,713,673</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**  
Statement of Activities – Government-Wide  
June 30, 2023

Functions/ Programs	Expenses	Program Revenues		Net (Expense)Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,099,166	\$ 454,496	\$ 95,983	\$ (1,548,687)	\$ --	\$ (1,548,687)
Support services	1,909,571	--	--	(1,909,571)	--	(1,909,571)
Nonprogramed charges	1,665	--	--	(1,665)	--	(1,665)
Interest on long-term debt *	2,918	--	--	(2,918)	--	(2,918)
Cocurricular activities	450,658	22,721	--	(427,937)	--	(427,937)
<b>Total Governmental Activities</b>	<b>4,463,978</b>	<b>477,217</b>	<b>95,983</b>	<b>(3,890,778)</b>	<b>--</b>	<b>(3,890,778)</b>
Business-Type Activities:						
Food service	172,961	100,368	70,087	--	(2,506)	(2,506)
Driver's education	3,740	3,600	--	--	(140)	(140)
Preschool	36,309	10,538	15,750	--	(10,021)	(10,021)
<b>Total Business-Type Activities</b>	<b>213,010</b>	<b>114,506</b>	<b>85,837</b>	<b>--</b>	<b>(12,667)</b>	<b>(12,667)</b>
<b>Total Primary Government</b>	<b>\$ 4,676,988</b>	<b>\$ 591,723</b>	<b>\$ 181,820</b>	<b>(3,890,778)</b>	<b>(12,667)</b>	<b>(3,903,445)</b>
General Revenues:						
Taxes:						
				2,704,091	--	2,704,091
				58,304	--	58,304
Revenue from State Sources:						
				1,128,571	--	1,128,571
				52,259	71	52,330
				67,820	--	67,820
				(10,161)	10,161	--
				<b>4,000,884</b>	<b>10,232</b>	<b>4,011,116</b>
				110,106	(2,435)	107,671
				<b>10,557,543</b>	<b>48,459</b>	<b>10,606,002</b>
				<b>\$ 10,667,649</b>	<b>\$ 46,024</b>	<b>\$ 10,713,673</b>

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

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**

Balance Sheet – Governmental Funds

June 30, 2023

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 911,854	\$ 1,759,159	\$ 1,344,071	\$ --	\$ 4,015,084
Investments	154,392	57,343	26,211	--	237,946
Taxes receivable--current	572,995	441,564	290,616	--	1,305,175
Taxes receivable--delinquent	9,176	3,612	2,429	--	15,217
Interest Receivable	5,146	1,291	525	--	6,962
Due from other governments	65,457	--	--	--	65,457
Total Assets	<u>\$ 1,719,020</u>	<u>\$ 2,262,969</u>	<u>\$ 1,663,852</u>	<u>\$ --</u>	<u>\$ 5,645,841</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 37,470	\$ 41,504	\$ --	\$ --	\$ 78,974
Contracts payable	154,817	--	18,898	--	173,715
Payroll deductions and withholding and employer matching payable	<u>88,629</u>	<u>--</u>	<u>12,671</u>	<u>--</u>	<u>101,300</u>
Total Liabilities	<u>280,916</u>	<u>41,504</u>	<u>31,569</u>	<u>--</u>	<u>353,989</u>
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	572,995	441,564	290,616	--	1,305,175
Unavailable Revenue-Property Taxes	9,176	3,612	2,429	--	15,217
Total Deferred Inflows of Resources	<u>582,171</u>	<u>445,176</u>	<u>293,045</u>	<u>--</u>	<u>1,320,392</u>
<b>Fund Balances:</b>					
Restricted:					
Capital outlay	--	1,776,289	--	--	1,776,289
Special education	--	--	1,339,238	--	1,339,238
Assigned to:					
Unemployment	44,189	--	--	--	44,189
Unassigned	811,744	--	--	--	811,744
Total Fund Balances	<u>855,933</u>	<u>1,776,289</u>	<u>1,339,238</u>	<u>--</u>	<u>3,971,460</u>
Total Liabilities and Fund Balances	<u>\$ 1,719,020</u>	<u>\$ 2,262,969</u>	<u>\$ 1,663,852</u>	<u>\$ --</u>	<u>\$ 5,645,841</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2023

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Total Fund Balances - Governmental Funds	\$ 3,971,460
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	7,999
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,364,135
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	837,317
Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(34,647)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(493,832)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	<u>15,217</u>
Net Position-Government Funds	<u><u>\$ 10,667,649</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,348,532	\$ 1,040,286	\$ 709,115	\$ 118,730	\$ 3,216,663
Prior years' ad valorem taxes	4,867	3,183	1,466	770	10,286
Utility taxes	58,304	--	--	--	58,304
Penalties and interest on taxes	2,239	1,151	810	303	4,503
Other Revenue from Local Sources					
Other	--	452,809	--	--	452,809
Earnings on Investments and Deposits	7,547	26,624	17,998	90	52,259
Cocurricular Activities:					
Admissions	18,120	--	--	--	18,120
Rentals	--	--	--	--	--
Other student activity income	4,601	--	--	--	4,601
Other Revenue from Local Sources:					
Rentals	1,110	--	--	--	1,110
Charges for services	1,230	--	457	--	1,687
Other	51,417	--	--	--	51,417
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	11,789	--	--	--	11,789
Revenue in lieu of taxes	3,504	--	--	--	3,504
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,125,267	--	--	--	1,125,267
Restricted grants-in-aid	1,704	--	--	--	1,704
Other State Revenue	1,600	--	--	--	1,600
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	58,014	37,969	--	--	95,983
<b>Total Revenues</b>	<u>\$ 2,699,845</u>	<u>\$ 1,562,022</u>	<u>\$ 729,846</u>	<u>\$ 119,893</u>	<u>\$ 5,111,606</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>					
Instruction:					
Regular Programs:					
Elementary	\$ 638,174	\$ 43,508	\$ --	\$ --	\$ 681,682
Middle school	160,507	3,038	--	--	163,545
High school	573,919	75,262	--	--	649,181
Special Programs:					
Programs for special education	--	--	543,320	--	543,320
Culturally different	17,468	--	--	--	17,468
Educationally deprived	70,433	--	--	--	70,433
Support Services:					
Students:					
Guidance	56,657	--	--	--	56,657
Psychological	--	--	13,819	--	13,819
Speech pathology	--	--	23,002	--	23,002
Student therapy services	--	--	16,050	--	16,050
Instructional Staff:					
Improvement of instruction	5,543	--	--	--	5,543
Educational media	128,821	--	--	--	128,821
General Administration:					
Board of education	59,003	--	1,265	--	60,268
Executive administration	143,577	297	--	--	143,874
School Administration:					
Office of the principal	152,895	--	--	--	152,895
Other	3,242	--	--	--	3,242
Business:					
Fiscal services	121,814	11,142	--	--	132,956
Facilities acquisition and construction	--	57,983	--	--	57,983
Operation and maintenance of plant	476,910	271,416	--	--	748,326
Student transportation	202,898	--	--	--	202,898
Food services	22,686	--	--	--	22,686
Debt Services:	--	92,370	--	548	92,918

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures:</b>					
Nonprogram Charges:					
Payments to State - Unemployment	1,665	--	--	--	1,665
Cocurricular Activities:					
Male activities	61,868	25,458	--	--	87,326
Female activities	72,844	18,748	--	--	91,592
Transportation	11,818	--	--	--	11,818
Combined activities	111,899	82,223	--	--	194,122
Capital Outlay	--	1,384,615	--	--	1,384,615
Total Expenditures	<u>3,094,641</u>	<u>2,066,060</u>	<u>597,456</u>	<u>548</u>	<u>5,758,705</u>
Excess of Revenues Over (Under) Expenditures	<u>(394,796)</u>	<u>(504,038)</u>	<u>132,390</u>	<u>119,345</u>	<u>(647,099)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	572,906	--	--	--	572,906
Transfers out	<u>(10,161)</u>	<u>(350,000)</u>	--	<u>(222,906)</u>	<u>(583,067)</u>
Total Other Financing Sources (Uses)	<u>562,745</u>	<u>(350,000)</u>	--	<u>(222,906)</u>	<u>(10,161)</u>
Net Change in Fund Balances	167,949	(854,038)	132,390	(103,561)	(657,260)
<b>Fund Balance - Beginning of Year</b>	<u>687,984</u>	<u>2,630,327</u>	<u>1,206,848</u>	<u>103,561</u>	<u>4,628,720</u>
<b>Fund Balance - End of Year</b>	<u>\$ 855,933</u>	<u>\$ 1,776,289</u>	<u>\$ 1,339,238</u>	<u>\$ --</u>	<u>\$ 3,971,460</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.



**Arlington School District No. 38-1**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
June 30, 2023

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Total Net Change in Fund Balances - Governmental Funds \$ (657,260)

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 1,384,615

This amount represents the current year depreciation expense reported in the statement of activists which is not reported on the fund financial statements because it does not require the use of current financial resources. (252,089)

Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. (1,703)

Payment of the 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. 90,000

In both the government-wide and the 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". (527,361)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 73,904

Change in Net Position of Governmental Activites \$ 110,106

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**  
Statement of Net Position – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Fund</b>	<b>Total</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 59,506	\$ --	\$ 59,506
Inventory of stores purchased for resale	4,391	--	4,391
Inventory of donated foods	492	--	492
Total Current Assets	<u>64,389</u>	<u>--</u>	<u>64,389</u>
Capital Assets:			
Machinery and equipment	45,214	--	45,214
Accumulated depreciation	(43,000)	--	(43,000)
Total Noncurrent Assets	<u>2,214</u>	<u>--</u>	<u>2,214</u>
Total Assets	<u>\$ 66,603</u>	<u>\$ --</u>	<u>\$ 66,603</u>
<b>Liabilities and Net Position:</b>			
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	\$ 283	\$ --	\$ 283
Payroll deductions and withholdings and employer matching payable	4,100	--	4,100
Unearned revenue	16,196	--	16,196
Total Current Liabilities	<u>20,579</u>	<u>--</u>	<u>20,579</u>
<b>Net Position:</b>			
Invested in capital assets	2,214	--	2,214
Unrestricted	43,810	--	43,810
Total Net Position	<u>46,024</u>	<u>--</u>	<u>46,024</u>
Total Liabilities and Net Position	<u>\$ 66,603</u>	<u>\$ --</u>	<u>\$ 66,603</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service</b>		
	<b>Fund</b>	<b>Other Fund</b>	<b>Total</b>
<b>Operating Revenue:</b>			
Sales:			
To students	\$ 91,999	\$ --	\$ 91,999
To adults	3,505	--	3,505
Ala carte	4,864	--	4,864
Other charges for goods and services	--	14,138	14,138
Total Operating Revenue	<u>100,368</u>	<u>14,138</u>	<u>114,506</u>
<b>Operating Expense:</b>			
Food Service:			
Salaries	79,276	32,273	111,549
Employee benefits	1,594	6,288	7,882
Purchased services	4,896	--	4,896
Supplies	3,266	1,488	4,754
Cost of sales - purchased food	69,739	--	69,739
Cost of sales - donated food	12,481	--	12,481
Other	43	--	43
Depreciation - local funds	1,666	--	1,666
Total Operating Expenses	<u>172,961</u>	<u>40,049</u>	<u>213,010</u>
Operating Income (Loss)	<u>(72,593)</u>	<u>(25,911)</u>	<u>(98,504)</u>
<b>Nonoperating Revenues:</b>			
Investment earnings	71	--	71
State Sources:			
Cash reimbursements	373	--	373
Federal Sources:			
Cash reimbursements	57,233	15,750	72,983
Donated food	12,481	--	12,481
Total Nonoperating Revenue	<u>70,158</u>	<u>15,750</u>	<u>85,908</u>
Income (Loss) before Contributions	(2,435)	(10,161)	(12,596)
Transfers In	<u>--</u>	<u>10,161</u>	<u>10,161</u>
Change in Net Position	(2,435)	--	(2,435)
<b>Net Position - Beginning of Year</b>	<u>48,459</u>	<u>--</u>	<u>48,459</u>
<b>Net Position - End of Year</b>	<u>\$ 46,024</u>	<u>\$ --</u>	<u>\$ 46,024</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**  
Statement of Cash Flows – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 107,391	\$ 14,138	\$ 121,529
Payments to suppliers	(78,186)	(1,488)	(79,674)
Payments to employees	(84,032)	(38,561)	(122,593)
<b>Net Cash Provided (Used) by Operating Activities:</b>	<u>(54,827)</u>	<u>(25,911)</u>	<u>(80,738)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash reimbursements - state	373	--	373
Cash reimbursements - federal	57,233	15,750	72,983
Tranfers In	--	10,161	10,161
<b>Net Cash Provided from Noncapital Financing Activities</b>	<u>57,606</u>	<u>25,911</u>	<u>83,517</u>
<b>Cash Flows from Investing Activities:</b>			
Cash received for interest	72	--	72
<b>Net Cash Provided by Investing Activities</b>	<u>72</u>	<u>--</u>	<u>72</u>
<b>Net Increase in Cash and Cash Equivalents</b>	2,851	--	2,851
<b>Cash and Cash Equivalents, Beginning of Year</b>	56,655	--	56,655
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 59,506</u>	<u>\$ --</u>	<u>\$ 59,506</u>
<b>Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities</b>			
Operating (Loss)	\$ (72,593)	\$ (25,911)	\$ (98,504)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation expense	1,666	--	1,666
Noncash cost of sales - commodities	12,481	--	12,481
Change in Assets and Liabilities:			
Inventories	(242)	--	(242)
Accounts and other payables	(3,162)	--	(3,162)
Unearned revenue	7,023	--	7,023
Net Cash Provided (Used) by Operating Activities	<u>\$ (54,827)</u>	<u>\$ (25,911)</u>	<u>\$ (80,738)</u>
<b>Noncash, Investing Capital, and Financing Activities:</b>			
Value of Commodities Received	<u>\$ 12,481</u>	<u>\$ --</u>	<u>\$ 12,481</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ --	\$ 38,213
Investments-certificates of deposit	60,500	--
Accounts Receivable	376	--
Total Assets	<u>\$ 60,876</u>	<u>\$ 38,213</u>
<b>Net Position:</b>		
Restricted for:		
Scholarships	\$ 60,876	\$ --
Individuals, organizations, and other governments	--	38,213
Total Liabilites and Net Position	<u>\$ 60,876</u>	<u>\$ 38,213</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**Arlington School District No. 38-1**  
Statement of Changes in Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Contributions and Donations	\$ 1,100	\$ --
Collections for student activities	--	126,360
Total Additions	1,100	126,360
<b>Deductions:</b>		
Trust deductions for scholarships	1,100	--
Payments for student activities	--	133,256
Total Deductions	1,100	133,256
Change in Net Position	--	(6,896)
<b>Net Position - Beginning</b>	60,876	45,109
<b>Net Position - Ending</b>	\$ 60,876	\$ 38,213

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies:

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

##### a. Reporting Entity:

The reporting entity of Arlington School District No. 38-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 organizations governing body and it has the ability to impose its will on that organization, 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 has no component units.

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

##### b. Government-Wide and Fund Financial Statements:

###### **Government-Wide Financial Statements:**

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds.

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

## Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### **Fund Financial Statements:**

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

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

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

#### **Governmental Funds:**

**General Fund** – A fund established by South Dakota Codified Laws (SDCL) 38-16-3 to meet all the general operational costs of the School District, excluding the 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.



## Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

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.

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

The Bond Redemption Fund: A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District and is being closed out during fiscal year 2023.

#### Proprietary Funds:

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

1. 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.)
2. 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.
3. 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.

Drivers Education Fund: A fund used to record financial transactions related to driver’s education. This fund is financed by user charges. This is a major fund.

## Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

#### **Fiduciary Funds:**

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

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

Custodial Fund Types – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The district maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

#### c. Measurement Focus and Basis of Accounting:

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

#### **Measurement Focus:**

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

#### **Basis of Accounting:**

Government-Wide Financial Statements:

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

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### 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 Arlington School District 38-1, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2023 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

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

#### d. Interfund Eliminations and Reclassifications:

##### **Government-Wide Financial Statements:**

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

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

#### 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 (primarily) of certificates of deposit whose term to maturity to date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

# Arlington School District No. 38-1

## Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

#### f. Capital Assets:

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

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

#### **Government-Wide 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 the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than one 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 are all valued at original cost.

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

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	*	*	*
Land improvements	\$ 15,000	Straight-Line	10-25 yrs
Buildings	25,000	Straight-Line	33-50 yrs
Infrastructure	15,000	Straight-Line	5-25 yrs
Machinery and Equipment	5,000	Straight-Line	5-20 yrs
Food Service Machinery and Equipment	1,000	Straight-Line	5-20 yrs

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### **Fund Financial Statements:**

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

##### g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of capital outlay certificates payable, and compensated absences.

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

##### h. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 10.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District but will be received at some point in the future. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period and pension-related items. In the business-type activities, the District reports deferred inflows for pension-related items.

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

i. Program Revenues:

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

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

j. 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.

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

**Government-Wide Financial Statements:**

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

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

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish 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 position.

#### m. Application of Net Position:

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

#### n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School District’s assigned fund balance consists of amounts held in deposit for unemployment purposes in the General Fund. There was a balance of \$44,189 in assigned fund balance for the year ended June 30, 2023.

The Government does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund ---- Revenue Source

Capital Outlay Fund----- Taxes

Special Education Fund ----- Taxes

o. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

**2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:**

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

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.



## Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2023

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### 2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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.

Deposits are reported at cost plus interest if the account is of the add-on type.

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

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits. The investments reported in the financial statements consist of only certificates of deposit.

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

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.

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.

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

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.

### 3. Inventory:

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

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### **3. Inventory: (Continued)**

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

In the governmental fund financial statements, inventories 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 consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

#### **4. Property Tax:**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

#### **5. Due from other Governments:**

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$65,457 due from various county, school, state and federal governments.

**Arlington School District No. 38-1**  
Notes to the Financial Statements  
June 30, 2023

**6. Changes in Capital Assets:**

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

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Capital assets, not being depreciated:				
Land	\$ 37,133	\$ --	\$ --	\$ 37,133
Total, not being depreciated	<u>37,133</u>	<u>--</u>	<u>--</u>	<u>37,133</u>
Capital assets, being depreciated:				
Buildings	6,930,254	78,246	--	7,008,500
Improvements other than buildings	760,103	1,071,804	--	1,831,907
Machinery and equipment	<u>1,404,270</u>	<u>234,565</u>	<u>(13,500)</u>	<u>1,625,335</u>
Total, being depreciated	<u>9,094,627</u>	<u>1,384,615</u>	<u>(13,500)</u>	<u>10,465,742</u>
Less accumulated depreciation for:				
Buildings	2,713,195	128,568	--	2,841,763
Improvements	269,765	47,738	--	317,503
Machinery and equipment	<u>917,191</u>	<u>75,783</u>	<u>(13,500)</u>	<u>979,474</u>
Total accumulated depreciation	<u>3,900,151</u>	<u>252,089</u>	<u>(13,500)</u>	<u>4,138,740</u>
Total capital assets, being depreciated, net	<u>5,194,476</u>	<u>1,132,526</u>	<u>--</u>	<u>6,327,002</u>
Governmental activity capital assets, net	<u>\$ 5,231,609</u>	<u>\$ 1,132,526</u>	<u>\$ --</u>	<u>\$ 6,364,135</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 45,738
Support services	140,551
Cocurricular activities	<u>65,800</u>
Total depreciation expense - governmental activities	<u>\$ 252,089</u>

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

**6. Changes in Capital Assets: (Continued)**

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 45,214	\$ --	\$ --	\$ 45,214
Total, being depreciated	<u>45,214</u>	<u>--</u>	<u>--</u>	<u>45,214</u>
Less accumulated depreciation for:				
Machinery and equipment	41,333	1,667	--	43,000
Total accumulated depreciation	<u>41,333</u>	<u>1,667</u>	<u>--</u>	<u>43,000</u>
Total capital assets, being depreciated, net	<u>3,881</u>	<u>(1,667)</u>	<u>--</u>	<u>2,214</u>
Business-type activity capital assets, net	<u>\$ 3,881</u>	<u>\$ (1,667)</u>	<u>\$ --</u>	<u>\$ 2,214</u>

**Business-Type Activities:**

Food service	<u>\$ 1,667</u>
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**7. Long-Term Liabilities:**

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

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>	<u>Amount Due Within One Year</u>
<b>Governmental Activities:</b>					
GO 2012 Series Certificates	\$ 90,000	\$ --	\$ 90,000	\$ --	\$ --
Accrued Leave	32,944	26,731	25,028	34,647	1,000
Total Governmental Activities	<u>\$ 122,944</u>	<u>\$ 26,731</u>	<u>\$ 115,028</u>	<u>\$ 34,647</u>	<u>\$ 1,000</u>

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**7. Long-Term Liabilities: (Continued)**

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

Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and classified staff and the business manager are entitled to reimbursement of unused sick leave up to \$25 per day before 25 years and \$50 per day after 25 years.	\$ 34,647
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**8. Interfund Transfers:**

Transfers to/from other funds at June 30, 2023, consist of the following:

<u>\$ 350,000</u>	Transfer to cover the expenditures in the general fund for insurance, utilities, and fuel.
<u>\$ 222,906</u>	Transfer to General Fund to close Debt Service Fund.
<u>\$ 10,161</u>	Transfer from General Fund to Other Enterprise fund to cover expenses.

**9. Restricted Net Position:**

Restricted Net Position for the year ended June 30, 2023 was as follows:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 1,779,901
Special Education	Law	1,341,667
SDRS Pension Purposes	Law	<u>351,484</u>
		<u>\$ 3,473,052</u>

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

SDRS has four different classes of employees, 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 Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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 earning based on investment returns.

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**10. Pension Plan: (Continued)**

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> 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 3<sup>rd</sup> 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 Adjustments.

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only.

The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<b>Year Ended</b>	
<b>June 30,</b>	<b>Amount</b>
2023	\$ 123,785
2022	121,259
2021	129,799

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

**10. Pension Plan: (Continued)**

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

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

Proportionate share of pension liability	\$ 11,947,742
Less proportionate share of net pension restricted for pension benefits	<u>11,955,741</u>
Proportionate share of net pension (asset)	<u><u>\$ (7,999)</u></u>

At June 30, 2023, the School District reported an asset of (\$7,999) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) 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 0.08463600%, which is a decrease of 0.0002564% 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 \$73,904. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>          </u>	<u>          </u>
Difference between expected and actual experience	\$ 152,260	\$ 519
Changes in assumption	508,368	445,517
Net difference between projected and actual earnings on pension plan investments	--	19,169
Changes in proportion and difference between District contributions and proportionate share of contributions	52,904	28,627
District contributions subsequent to the measurement date	<u>123,785</u>	<u>--</u>
Total	<u><u>\$ 837,317</u></u>	<u><u>\$ 493,832</u></u>



**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**10. Pension Plan: (Continued)**

\$123,785 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:

<b>Year Ended June 30,</b>	
2024	\$ 55,904
2025	125,221
2026	(121,792)
2027	<u>160,369</u>
Total	<u><u>\$ 219,702</u></u>

e. 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	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

**Mortality Rates:**

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

**Active and Terminated Vested Members:**

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

**Retired Members:**

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

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

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

## Arlington School District No. 38-1

### Notes to the Financial Statements

June 30, 2023

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#### 10. Pension Plan: (Continued)

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

f. Discount Rate:

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

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**10. Pension Plan: (Continued)**

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,660,843	\$ (7,999)	\$ (1,371,883)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

**11. Joint Ventures Information:**

The School District participates in the Northeast Educational Services Cooperative for the purpose of providing educational services to the member School Districts. The members of the Co-op are as follows with each member district having a determined allocation:

Arlington School District No. 38-1	3%	Florence School District No. 14-1	4%
Britton-Hecla School District No. 45-4	5%	Hamlin School District No. 28-3	11%
Castlewood School District No. 28-1	4%	Henry School District No. 14-2	2%
Clark School District No. 12-2	5%	Iroquois School District No. 02-3	3%
DeSmet School District No. 38-2	4%	Lake Preston School District No. 38-3	2%
Deubrook School District No. 5-6	5%	Oldham-Ramona School District No. 39-5	2%
Deuel School District No. 19-4	7%	Rosholt School District No. 54-4	3%
Elkton School District No. 5-3	5%	Rutland School District No. 39-4	2%
Enemy Swim Day School	2%	Sioux Valley School District No. 5-5	8%
Estelline School District No. 28-2	3%	Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%	Willow Lake School District No. 12-3	4%
Waverly School District No. 14-5	3%	Wilmot School District No. 54-7	3%
Webster Area School District No. 18-5	6%		

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**11. Joint Ventures Information: (Continued)**

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

At June 30, 2023, this joint venture had the following:

	<u>June 30, 2023</u>
Total Assets	\$ 2,381,230
Total Liabilities	\$ 530,765
Total Net Position	\$ 2,307,540

**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 joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The school District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from \$2,000.00 to \$4,000.00.

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

Liability Insurance:

The School District purchases liability insurance for risks related to torts, theft, 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.

**Arlington School District No. 38-1**

Notes to the Financial Statements

June 30, 2023

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**12. Risk Management: (Continued)**

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has an Assigned Fund Balance in the General Fund in the amount of \$44.189 for the payment of future unemployment benefits.

During the year ended June 30, 2023, no claims for unemployment benefits were paid. At June 30, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**13. Subsequent Events:**

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

## Required Supplementary Information

**Arlington School District No. 38-1**

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,293,069	\$ 1,293,069	\$ 1,348,532	\$ 55,463
Prior years' ad valorem taxes	3,000	3,000	4,867	1,867
Utility taxes	40,000	40,000	58,304	18,304
Penalties and interest on taxes	1,500	1,500	2,239	739
Earnings on Investments and Deposits	1,350	1,350	7,547	6,197
Cocurricular Activities:				
Admissions	17,000	17,000	18,120	1,120
Other student activity income	2,000	2,000	4,601	2,601
Other Revenue from Local Sources:				
Rentals	200	200	1,110	910
Charges for services	500	500	1,230	730
Other	15,000	15,000	51,417	36,417
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	14,000	14,000	11,789	(2,211)
Revenue in lieu of taxes	5,000	5,000	3,504	(1,496)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,048,055	1,048,055	1,125,267	77,212
Restricted grants-in-aid	20,000	20,000	1,704	(18,296)
Other State Revenue	500	500	1,600	1,100
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	4,000	4,000	--	(4,000)
Restricted grants-in-aid received from federal government through the state	41,730	41,730	58,014	16,284
Total Revenues	<u>\$ 2,506,904</u>	<u>\$ 2,506,904</u>	<u>\$ 2,699,845</u>	<u>\$ 192,941</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

**Arlington School District No. 38-1**

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget- Positive (Negative)</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	\$ 438,000	\$ 689,544	\$ 638,174	\$ 51,370
Middle school	178,150	178,150	160,507	17,643
High school	592,520	606,709	573,919	32,790
Special Programs:				
Culturally different	19,455	19,455	17,468	1,987
Educationally deprived	114,225	114,225	70,433	43,792
Support Services:				
Students:				
Guidance	71,200	71,200	56,657	14,543
Instructional Staff:				
Improvement of instruction	15,917	15,917	5,543	10,374
Educational media	142,825	142,825	128,821	14,004
General Administration:				
Board of education	57,448	63,575	59,003	4,572
Executive administration	146,720	146,720	143,577	3,143
School Administration:				
Office of the principal	171,574	171,574	152,895	18,679
Other	4,675	4,675	3,242	1,433
Business:				
Fiscal services	168,975	168,975	121,814	47,161
Operation and maintenance of plant	439,074	501,726	476,910	24,816
Student transportation	127,693	204,615	202,898	1,717
Food service	36,800	36,800	22,686	14,114
Nonprogrammed Charges:				
Payments to State - Unemployment	--	1,665	1,665	--
Cocurricular Activities:				
Male activities	79,325	79,325	61,868	17,457
Female activities	62,315	83,625	72,844	10,781
Transportation	11,765	12,755	11,818	937
Combined activities	122,825	122,825	111,899	10,926
Contingencies	50,000	50,000	--	50,000
Total Expenditures	<u>3,051,481</u>	<u>3,486,880</u>	<u>3,094,641</u>	<u>392,239</u>
Excess of Revenue Over (Under)	<u>(544,577)</u>	<u>(979,976)</u>	<u>(394,796)</u>	<u>585,180</u>
<b>Other Financing Sources:</b>				
Transfers in	400,000	400,000	572,906	172,906
Transfers out	<u>(20,987)</u>	<u>(20,987)</u>	<u>(10,161)</u>	<u>10,826</u>
Total Other Financing Sources	<u>379,013</u>	<u>379,013</u>	<u>562,745</u>	<u>183,732</u>
Net Change in Fund Balances	(165,564)	(600,963)	167,949	768,912
<b>Fund Balance - Beginning of Year</b>	<u>687,984</u>	<u>687,984</u>	<u>687,984</u>	<u>--</u>
<b>Fund Balance - End of Year</b>	<u>\$ 522,420</u>	<u>\$ 87,021</u>	<u>\$ 855,933</u>	<u>\$ 768,912</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.



**Arlington School District No. 38-1**

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis  
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,067,342	\$ 1,067,342	\$ 1,040,286	\$ (27,056)
Prior years' ad valorem taxes	1,000	1,000	3,183	2,183
Penalties and interest on taxes	600	600	1,151	551
Earnings on Investments and Deposits	700	700	26,624	25,924
Other Revenue from Local Sources				
Other	--	--	452,809	452,809
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	10,000	10,000	37,969	27,969
Total Revenues	<u>1,079,642</u>	<u>1,079,642</u>	<u>1,562,022</u>	<u>482,380</u>
<b>Expenditures:</b>				
Instruction:				
Regular Programs:				
Elementary	76,454	76,454	51,029	25,425
Middle/junior high	8,000	8,000	3,038	4,962
High school	109,000	109,000	75,262	33,738
Support Services:				
Instructional Staff:				
Educational media	3,300	3,300	1,613	1,687
General Administration:				
Executive Administration	2,100	2,100	297	1,803
School Administration:				
Office of the Principal	500	500	--	500
Business:				
Fiscal services	16,525	16,525	11,142	5,383
Facilities Acquisition and Construction	58,000	58,000	64,483	(6,483)
Operation and maintenance of plant	1,663,000	1,663,000	1,502,651	160,349
Student transportation	96,000	96,000	95,673	327
Debt Services	92,600	92,600	92,370	230
Cocurricular Activities:				
Male activities	80,000	80,000	67,531	12,469
Female activities	22,000	22,000	18,748	3,252
Combined activities	83,000	83,000	82,223	777
Total Expenditures	<u>2,310,479</u>	<u>2,310,479</u>	<u>2,066,060</u>	<u>244,419</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,230,837)</u>	<u>(1,230,837)</u>	<u>(504,038)</u>	<u>726,799</u>
<b>Other Financing Sources:</b>				
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(350,000)</u>	<u>50,000</u>
Net Change in Fund Balances	(1,630,837)	(1,630,837)	(854,038)	776,799
<b>Fund Balance - Beginning of Year</b>	<u>2,630,327</u>	<u>2,630,327</u>	<u>2,630,327</u>	<u>--</u>
<b>Fund Balance - End of Year</b>	<u>\$ 999,490</u>	<u>\$ 999,490</u>	<u>\$ 1,776,289</u>	<u>\$ 776,799</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

**Arlington School District No. 38-1**  
Required Supplementary Information – Budgetary Comparison  
Schedule – Special Education Fund – Budgetary Basis  
June 30, 2023

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary</b>	<b>Final Budget- Positive (Negative)</b>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 701,458	\$ 701,458	\$ 709,115	\$ 7,657
Prior years' ad valorem taxes	--	--	1,466	1,466
Penalties and interest on taxes	--	--	810	810
Earnings on Investments and Deposits	700	700	17,998	17,298
Other Revenue from Local Sources:				
Charges for services	200	200	457	257
Total Revenues	<u>702,358</u>	<u>702,358</u>	<u>729,846</u>	<u>27,488</u>
<b>Expenditures:</b>				
Instruction:				
Special Programs:				
Programs for special education	711,228	711,228	543,320	167,908
Support Services:				
Students:				
Psychological	19,000	19,000	13,819	5,181
Speech pathology	29,000	29,000	23,002	5,998
Student therapy services	21,400	21,400	16,050	5,350
General Administration:				
Board of Education	1,315	1,315	1,265	50
Special Education:				
Transportation costs	5,948	5,948	--	5,948
Other	1,500	1,500	--	1,500
Total Expenditures	<u>789,391</u>	<u>789,391</u>	<u>597,456</u>	<u>191,935</u>
Net Change in Fund Balances	(87,033)	(87,033)	132,390	219,423
<b>Fund Balance - Beginning of Year</b>	<u>1,206,848</u>	<u>1,206,848</u>	<u>1,206,848</u>	<u>--</u>
<b>Fund Balance - End of Year</b>	<u>\$ 1,119,815</u>	<u>\$ 1,119,815</u>	<u>\$ 1,339,238</u>	<u>\$ 219,423</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

**Arlington School District No. 38-1**  
Notes to the Required Supplementary Information  
June 30, 2023

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**1. Basis of Presentation:**

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present Capital outlay expenditures as a separate function.

**2. Budgets and Budgetary Accounting:**

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

- a. 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.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. 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.
- f. 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 Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. 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.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**Arlington School District No. 38-1**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0846360%	0.0956310%	0.0843796%	0.1423529%	0.0853021%	0.0863572%	0.0870790%	0.0862921%	0.0879398%
District's proportionate share of net pension liability (asset)	\$ (7,999)	\$ (732,370)	\$ (3,665)	\$ (15,086)	\$ (1,989)	\$ (7,837)	\$ 294,144	\$ (365,989)	\$ (633,570)
District's covered-employee payroll	\$ 2,020,985	\$ 2,163,312	\$ 1,846,079	\$ 1,853,503	\$ 1,799,338	\$ 1,754,608	\$ 1,650,943	\$ 1,572,999	\$ 1,533,279
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.85%	0.20%	0.81%	0.11%	0.45%	17.82%	23.27%	41.32%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years which information is available.

Note: The information disclosed for each fiscal year is reported as the measurement date of the collective net pension liability (asset) which is June 30 of the preceding year.

**Arlington School District No. 38-1**

Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 123,785	\$ 121,259	\$ 129,799	\$ 110,765	\$ 111,210	\$ 107,960	\$ 105,276	\$ 99,348	\$ 94,527
Contributions in relation to the contractually required contribution	(123,785)	(121,259)	(129,799)	(110,765)	(111,210)	(107,960)	(105,276)	(99,348)	(94,527)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,063,079	\$ 2,020,985	\$ 2,163,312	\$ 1,846,079	\$ 1,853,503	\$ 1,799,338	\$ 1,754,608	\$ 1,650,943	\$ 1,572,999
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%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the School District will present information for those years which information is available.

## **Arlington School District No. 38-1**

### Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023

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#### Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflect no changes in actuarial methods from the June 30, 2021 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

#### Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents become 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.

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%.

## **Arlington School District No. 38-1**

### Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023 (Continued)

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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.