

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Bennett County School District No. 3-1
Bennett County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Bennett County School District No. 3-1 (the School District)** as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the School District's proportionate share of net pension (asset) liability, and schedule of the School District's pension contributions as noted in the table of contents 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 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 Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
March 20, 2023

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,184,640	\$ 103,144	\$ 3,287,784
Investments	2,365,744	\$ -	2,365,744
Certificates of deposit	6,394,647	-	6,394,647
Taxes receivable - current	479,929	-	479,929
Taxes receivable - delinquent	35,478	-	35,478
Due from other governments	908,156	-	908,156
Interest receivable	33,816	-	33,816
Inventory	31,270	3,501	34,771
Net pension asset	1,273,757	-	1,273,757
Capital assets:			
Not being depreciated	1,362,918	-	1,362,918
Being depreciated, net of depreciation	<u>25,877,760</u>	<u>359,005</u>	<u>26,236,765</u>
Total capital assets	<u>27,240,678</u>	<u>359,005</u>	<u>27,599,683</u>
 Total assets	 <u>41,948,115</u>	 <u>465,650</u>	 <u>42,413,765</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>1,745,626</u>	<u>-</u>	<u>1,745,626</u>
LIABILITIES			
Accounts payable	221,136	2,251	223,387
Contracts payable	483,549	11,427	494,976
Construction contracts payable	74,375	-	74,375
Other accrued liabilities	120,401	2,869	123,270
Unearned revenue	-	9,944	9,944
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	142,875	-	142,875
Portion due or payable after one year:			
Compensated absences	<u>116,897</u>	<u>-</u>	<u>116,897</u>
 Total liabilities	 <u>1,159,233</u>	 <u>26,491</u>	 <u>1,185,724</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	2,471,482	-	2,471,482
Taxes levied for future period	<u>589,382</u>	<u>-</u>	<u>589,382</u>
 Total deferred inflows of resources	 <u>3,060,864</u>	 <u>-</u>	 <u>3,060,864</u>
NET POSITION			
Investment in capital assets	27,240,678	359,005	27,599,683
Restricted for:			
Capital outlay	186,824	-	186,824
Special education	21,566	-	21,566
Capital projects	277,812	-	277,812
SDRS pension purposes	547,901	-	547,901
Unrestricted	<u>11,198,863</u>	<u>80,154</u>	<u>11,279,017</u>
 Total net position	 <u>\$ 39,473,644</u>	 <u>\$ 439,159</u>	 <u>\$ 39,912,803</u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 3,764,777	\$ -	\$ 3,265,386	\$ -	\$ (499,391)		\$ (499,391)
Support services	3,279,412	2,024	225,693	13,703	(3,037,992)		(3,037,992)
Cocurricular activities	396,876	19,796	-	-	(377,080)		(377,080)
Total governmental activities	<u>7,441,065</u>	<u>21,820</u>	<u>3,491,079</u>	<u>13,703</u>	<u>(3,914,463)</u>		<u>(3,914,463)</u>
Business-type activities:							
Food service	336,803	10,472	356,996	-		\$ 30,665	30,665
Driver's education	29,341	16,667	27,673	-		14,999	14,999
Total business-type activities	<u>366,144</u>	<u>27,139</u>	<u>384,669</u>	<u>-</u>		<u>45,664</u>	<u>45,664</u>
Total school district	<u>\$ 7,777,868</u>	<u>\$ 32,292</u>	<u>\$ 3,848,075</u>	<u>\$ 13,703</u>	<u>(3,914,463)</u>	<u>45,664</u>	<u>(3,868,799)</u>
General revenues:							
Taxes:							
Property taxes					1,173,370	-	1,173,370
Utility taxes					179,930	-	179,930
Revenue from state sources:							
State aid					2,607,833	-	2,607,833
Other					61,926	-	61,926
Revenue from federal sources							
Earnings on investments					4,389,962	-	4,389,962
Miscellaneous					18,946	-	18,946
Transfers					48,137	-	48,137
Gain on disposal of capital assets					(333,499)	333,499	-
					1,908	-	1,908
Total general revenues					<u>8,148,513</u>	<u>333,499</u>	<u>8,482,012</u>
Change in net position					4,234,050	379,163	4,613,213
Net position - beginning					35,156,710	59,996	35,216,706
Prior period adjustment					<u>82,884</u>	<u>-</u>	<u>82,884</u>
Net position - beginning, restated					<u>35,239,594</u>	<u>59,996</u>	<u>35,299,590</u>
Net position - ending					<u>\$ 39,473,644</u>	<u>\$ 439,159</u>	<u>\$ 39,912,803</u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds				Total Governmental Funds
	General	Special Education	Capital Projects	Capital Outlay	
ASSETS					
Cash and cash equivalents	\$ 2,602,165	\$ 118,918	\$ 352,187	\$ 111,370	\$ 3,184,640
Investments	2,365,744	-	-	-	2,365,744
Certificates of deposit	6,394,647	-	-	-	6,394,647
Taxes receivable - current	311,702	168,227	-	-	479,929
Taxes receivable - delinquent	26,400	9,078	-	-	35,478
Due from other governments	595,337	54,757	-	258,062	908,156
Interest receivable	33,816	-	-	-	33,816
Inventory	31,270	-	-	-	31,270
Total assets	<u>\$ 12,361,081</u>	<u>\$ 350,980</u>	<u>\$ 352,187</u>	<u>\$ 369,432</u>	<u>\$ 13,433,680</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,855	\$ 19,674	\$ -	\$ 182,608	\$ 221,137
Contracts payable	407,847	75,702	-	-	483,549
Construction contracts payable	-	-	74,375	-	74,375
Employee benefits payable	104,062	16,339	-	-	120,401
Total liabilities	<u>530,764</u>	<u>111,715</u>	<u>74,375</u>	<u>182,608</u>	<u>899,462</u>
Deferred Inflows of Resources:					
Taxes levied for future period	380,761	208,621	-	-	589,382
Unavailable revenue - Property taxes	26,400	9,078	-	-	35,478
Unavailable revenue - Utility taxes	91,404	-	-	-	91,404
Total deferred inflows of resources	<u>498,565</u>	<u>217,699</u>	<u>-</u>	<u>-</u>	<u>716,264</u>
Fund Balances:					
Nonspendable:					
Inventory	31,270	-	-	-	31,270
Restricted:					
Capital outlay	-	-	-	186,824	186,824
Special education	-	21,566	-	-	21,566
Capital projects	-	-	277,812	-	277,812
Unassigned	11,300,482	-	-	-	11,300,482
Total fund balances	<u>11,331,752</u>	<u>21,566</u>	<u>277,812</u>	<u>186,824</u>	<u>11,817,954</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,361,081</u>	<u>\$ 350,980</u>	<u>\$ 352,187</u>	<u>\$ 369,432</u>	<u>\$ 13,433,680</u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO GOVERNMENTAL
ACTIVITIES NET POSITION ON STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances for governmental funds		\$ 11,817,954
Total net position reported for governmental activities in the statement of net position is different because:		
Net pension (asset) liability reported in governmental activities is not due and payable in the current period and therefore is not reported in the funds.		1,273,757
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 83,389	
Construction in progress	1,279,529	
Building and improvements, net of \$3,911,955 accumulated depreciation	23,963,174	
Equipment, net of \$2,175,833 accumulated depreciation	<u>1,914,586</u>	
Total capital assets		27,240,678
Some of the School District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		126,882
Pension related deferred outflows are components of pension (asset) liability and therefore are not reported in the funds.		1,745,626
Long-term liabilities applicable to the School District's governmental activities are not due and payable in current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.		
Balances at year end are:		
Compensated absences		(259,772)
Pension related deferred inflows are components of pension (asset) liability and therefore are not reported in the funds.		<u>(2,471,481)</u>
Total net position of governmental activities		<u>\$ 39,473,644</u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	Major Funds				Total Governmental Funds
	General	Special Education	Capital Projects	Capital Outlay	
REVENUES					
Revenue from local sources:					
Taxes	\$ 950,407	\$ 413,054	\$ -	\$ -	\$ 1,363,461
Interest	18,946	-	-	-	18,946
Cocurricular activities	19,796	-	-	-	19,796
Other local revenue	39,089	2,407	-	12,203	53,699
Revenue from intermediate sources	52,650	-	-	-	52,650
Revenue from state sources	2,680,058	217,746	-	-	2,897,804
Revenue from federal sources	6,254,420	167,923	-	1,188,168	7,610,511
Total revenues	<u>10,015,366</u>	<u>801,130</u>	<u>-</u>	<u>1,200,371</u>	<u>12,016,867</u>
EXPENDITURES					
Instruction:					
Regular programs	1,970,717	-	-	159,827	2,130,544
Special programs	967,769	678,874	-	-	1,646,643
Support services:					
Pupils	248,912	152,438	-	4,810	406,160
Instructional staff	171,771	70,226	-	20,556	262,553
General administration	296,215	-	-	-	296,215
School administration	556,422	-	-	-	556,422
Business	1,519,740	-	-	69,957	1,589,697
Special education	-	80,163	-	-	80,163
Cocurricular activities:					
Male activities	77,114	-	-	19,165	96,279
Female activities	46,390	-	-	8,000	54,390
Transportation	20,881	-	-	-	20,881
Combined activities	73,106	-	-	7,099	80,205
Capital outlay	-	-	2,734,869	1,488,517	4,223,386
Total expenditures	<u>5,949,037</u>	<u>981,701</u>	<u>2,734,869</u>	<u>1,777,931</u>	<u>11,443,538</u>
Excess (deficiency) of revenues over expenditures	<u>4,066,329</u>	<u>(180,571)</u>	<u>(2,734,869)</u>	<u>(577,560)</u>	<u>573,329</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	100,000	3,250,000	650,000	4,000,000
Transfers out	(4,000,000)	-	(261,985)	(71,514)	(4,333,499)
Sale of surplus property	-	-	-	23,993	23,993
Total other financing sources (uses)	<u>(4,000,000)</u>	<u>100,000</u>	<u>2,988,015</u>	<u>602,479</u>	<u>(309,506)</u>
Net change in fund balances	66,329	(80,571)	253,146	24,919	263,823
Changes in nonspendable	23,865	-	-	-	23,865
Fund balances - beginning	<u>11,241,558</u>	<u>102,137</u>	<u>24,666</u>	<u>161,905</u>	<u>11,530,266</u>
Fund balances - ending	<u>\$ 11,331,752</u>	<u>\$ 21,566</u>	<u>\$ 277,812</u>	<u>\$ 186,824</u>	<u>\$ 11,817,954</u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds \$ 263,823

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$4,223,386) exceeded depreciation (\$593,322) in the current period. 3,630,064

In the statement of activities, gains \$1,908 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$23,993 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (22,085)

In both the government wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statement 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". (10,161)

Individual governmental funds recognize inventory using the purchase method. In the government wide financial statements, however, inventory is presented using the consumption method. This adjustment recognizes the change in inventory in the individual governmental funds. 23,865

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change in compensated absences. 29,422

Changes in the pension related deferred outflows/inflows are direct components of the pension (asset) liability and are not reflected in the governmental funds. 319,122

Change in net position of governmental activities \$ 4,234,050

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2022

	Enterprise Funds		
	Major Fund	Nonmajor Fund	Total
	Food Service	Other Enterprise	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 88,145	\$ 14,999	\$ 103,144
Inventory:			-
Resale	2,517	-	2,517
Donated food	984	-	984
Total current assets	<u>91,646</u>	<u>14,999</u>	<u>106,645</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	489,400	-	489,400
Less accumulated depreciation	(130,395)	-	(130,395)
Total noncurrent assets	<u>359,005</u>	<u>-</u>	<u>359,005</u>
Total assets	<u>450,651</u>	<u>14,999</u>	<u>465,650</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,251	-	2,251
Contracts payable	11,427	-	11,427
Employee benefits payable	2,869	-	2,869
Unearned revenue	9,944	-	9,944
Total current liabilities	<u>26,491</u>	<u>-</u>	<u>26,491</u>
Total liabilities	<u>26,491</u>	<u>-</u>	<u>26,491</u>
NET POSITION			
Investment in capital assets	359,005	-	359,005
Unrestricted	65,155	14,999	80,154
Total net position	<u>\$ 424,160</u>	<u>\$ 14,999</u>	<u>\$ 439,159</u>

The accompanying notes are an
 integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Major Fund	Nonmajor Fund	Total
	Food Service	Other Enterprise	
OPERATING REVENUES			
Charges for services	\$ 10,472	\$ 16,667	\$ 27,139
OPERATING EXPENSES			
Salaries	84,271	210	84,481
Employee benefits	22,752	29	22,781
Purchased services	2,428	193	2,621
Supplies	24,038	28,909	52,947
Cost of sales - purchased	156,844	-	156,844
Cost of sales - donated	36,361	-	36,361
Depreciation	10,109	-	10,109
Total operating expenses	336,803	29,341	366,144
Operating (loss)	(326,331)	(12,674)	(339,005)
NONOPERATING REVENUES			
State sources:			
Cash reimbursements	699	-	699
Other local revenue	2,400	27,673	30,073
Federal sources:			
Federal grants	4,110	-	4,110
Cash reimbursements	315,977	-	315,977
Donated food	33,810	-	33,810
Total nonoperating revenues (expense)	356,996	27,673	384,669
Income (loss) before transfers	30,665	14,999	45,664
Transfers in	333,499	-	333,499
Change in net position	364,164	14,999	379,163
Total net position - beginning	59,996	-	59,996
Total net position - ending	\$ 424,160	\$ 14,999	\$ 439,159

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 10,472	\$ 16,667	\$ 27,139
Payments to employees	(109,220)	(239)	(109,459)
Payments to suppliers	(187,267)	(29,102)	(216,369)
Net cash provided by (used in) operating activities	<u>(286,015)</u>	<u>(12,674)</u>	<u>(298,689)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in	333,499	-	333,499
Other local revenue	2,400	27,673	30,073
Cash reimbursements - state sources	699	-	699
Cash reimbursements - federal sources	333,074	-	333,074
Net cash provided by (used in) noncapital financing activities	<u>669,672</u>	<u>27,673</u>	<u>697,345</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(344,636)	-	(344,636)
Net cash provided by (used in) capital and related financing activities	<u>(344,636)</u>	<u>-</u>	<u>(344,636)</u>
Net change in cash and cash equivalents	39,021	14,999	54,020
Balances - beginning of year	49,124	-	49,124
Balances - end of year	<u>\$ 88,145</u>	<u>\$ 14,999</u>	<u>\$ 103,144</u>
Reconciliation of operating (loss) to net cash (used in) operating activities:			
Operating (loss)	\$ (326,331)	\$ (12,674)	\$ (339,005)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation	10,109	-	10,109
Value of donated commodities used	36,361	-	36,361
Change in assets and liabilities:			
(Increase) decrease in:			-
Inventory	37	-	37
Increase (decrease) in:			
Accounts payable	(3,994)	-	(3,994)
Contracts payable	2,883	-	2,883
Employee benefits payable	391	-	391
Accrued compensated absences	(5,471)	-	(5,471)
Net cash provided by (used in) operating activities	<u>\$ (286,015)</u>	<u>\$ (12,674)</u>	<u>\$ (298,689)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Value of commodities received	<u>\$ 33,810</u>		

The accompanying notes are an
 integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 114,525</u>
Total assets	<u>114,525</u>
LIABILITIES	
Amount held for others	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Restricted:	
Student activities	<u>114,525</u>
Total net position	<u>\$ 114,525</u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	Custodial Funds
ADDITIONS:	
Collections for student activities	<u>\$ 236,089</u>
Total additions	<u>236,089</u>
DEDUCTIONS:	
Payments for student activities	<u>239,293</u>
Total deductions	<u>239,293</u>
Change in net position	(3,204)
Net position - beginning	<u>117,729</u>
Net position - ending	<u><u>\$ 114,525</u></u>

The accompanying notes are an
integral part of these financial statements

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The reporting entity of Bennett County School District No. 3-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that 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 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.

Basis of Presentation

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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

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

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 the recipients of goods or 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:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
- 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.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

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

Governmental Funds:

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

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

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

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.

Capital Projects Funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The BCHS Gym/Fitness Capital Project Fund and the Middle School Capital Project Fund are the two capital project funds maintained by the School District at year-end. This is a major fund.

Proprietary Funds:

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

- 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 of the activity 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.)

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

- 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.
- 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.

BCHS Gym/Fitness Fund – A fund used to record financial transactions related to gym and fitness operations. The fund is financed by user charges. This is not a major fund.

Fiduciary Funds – Fiduciary funds consist of the following subcategories and are never considered to be major funds.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District holds assets as an agent in a trustee capacity for various classes, clubs and other such purposes.

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.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes are generally 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 School District, the length of that cycle is 45 days. The revenues which are accrued at June 30, 2022 are property taxes.

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

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

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

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. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

Investments

Investments are reported at fair value based on the framework established by Governmental Accounting Standards Board.

Inventory

Inventory held for consumption is stated at cost.

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

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory, continued

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

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

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with accounting principles generally accepted in the United States of America (US GAAP), while for capital assets used in business-type activities/proprietary fund's operations, construction-period interest is capitalized in accordance with US GAAP.

The total June 30, 2022 balance of capital assets for governmental activities includes approximately 45% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 5% for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the 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:

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	---	---
Buildings	\$ 50,000	Straight-line	15-50 yrs.
Site improvements	\$ 10,000	Straight-line	10-50 yrs.
Machinery and equipment	\$ 5,000	Straight-line	3-20 yrs.
Food service equipment	\$ 1,000	Straight-line	3-15 yrs.
Technology equipment	\$ 2,000	Straight-line	3-5 yrs.

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements:

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

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. As of June 30, 2022, long-term liabilities consist solely of compensated absences.

In the fund financial statements, debt proceeds are reported as another financing source, while payments of principal and interest are reported as expenditures when paid. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 the following categories:

- 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.
- Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use to a particular program.
- Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments or organizations that are restricted for the acquisition of capital assets for use within a particular program.

Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, 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.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources (expenses) until the applicable future period. Deferred outflows consist of pension activity.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to future period or periods. These items will not be recognized as an inflow of resources (revenue) until the applicable future period. Deferred inflows of resources consist primarily of property taxes and pension activity.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Pension

For purposes of measuring the net pension liability (asset), deferred outflows and inflows of resources related to pensions, the pension expense, 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 the net pension liability (asset) are recognized on the accrual basis of accounting.

Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed as follows:

- 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.
- 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.
- Unrestricted net position – All other net position that does not meet the definitions above.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

Application of Net Position

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance Classification Policies and Procedures

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

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

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

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

Property Taxes

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual are reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "available period."

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% of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b). 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.

Fair Value Measurement – The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District uses Level 2 inputs for recurring fair value measurements as of June 30, 2022.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued

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

As of June 30, 2022, the School District had the following investment.

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	<u>\$ 2,365,744</u>	<u>\$ 2,365,744</u>

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

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

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2022, the School District's investments were with SDFIT.

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.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued

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. CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 83,389	\$ -	\$ -	\$ 83,389
Construction in progress	11,471,373	1,156,927	(11,348,771)	1,279,529
Total capital assets not being depreciated	<u>11,554,762</u>	<u>1,156,927</u>	<u>(11,348,771)</u>	<u>1,362,918</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,095,987	13,779,182	-	27,875,169
Equipment	3,533,670	652,273	(95,524)	4,090,419
Total capital assets being depreciated	<u>17,629,657</u>	<u>14,431,455</u>	<u>(95,524)</u>	<u>31,965,588</u>
Less accumulated depreciation for:				
Buildings and improvements	3,505,131	406,864	-	3,911,995
Equipment	2,046,589	186,458	(57,214)	2,175,833
Total accumulated depreciation	<u>5,551,720</u>	<u>593,322</u>	<u>(57,214)</u>	<u>6,087,828</u>
Total capital assets being depreciated, net	<u>12,077,937</u>	<u>13,838,133</u>	<u>(38,310)</u>	<u>25,877,760</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 23,632,699</u>	<u>\$ 14,995,060</u>	<u>\$ (11,387,081)</u>	<u>\$27,240,678</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 232,641
Support Services	209,178
Cocurricular Activities	<u>151,503</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 593,322</u>

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

3. CAPITAL ASSETS, continued

Construction Work in Progress at June 30, 2022 is composed of the following:

Project Name	Project Amortization	Expended Thru 6/30/2022	Committed	Required Future Financing
BCSD Middle School	\$ 360,695	\$ 360,695	\$ -	\$ -
High School HVAC Upgrades	1,304,032	918,834	385,198	-
Total	<u>\$ 1,664,727</u>	<u>\$ 1,279,529</u>	<u>\$ 385,198</u>	<u>\$ -</u>

A summary of changes in business-type activities' capital assets for the year ended June 30, 2022, is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 238,368	344,636	(93,604)	\$ 489,400
Total capital assets being depreciated	<u>238,368</u>	<u>344,636</u>	<u>(93,604)</u>	<u>489,400</u>
Less accumulated depreciation for:				
Equipment	213,890	10,109	(93,604)	130,395
Total accumulated depreciation	<u>213,890</u>	<u>10,109</u>	<u>(93,604)</u>	<u>130,395</u>
Total capital assets being depreciated, net	<u>24,478</u>	<u>334,527</u>	<u>-</u>	<u>359,005</u>
<i>Business type activities capital assets, net</i>	<u>\$ 24,478</u>	<u>\$ 334,527</u>	<u>-</u>	<u>\$ 359,005</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Service Fund \$ 10,109

Total Depreciation Expense - Business-Type Activities \$ 10,109

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

4. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 289,194	\$ 129,635	\$ (159,057)	\$ 259,772	\$ 142,875
Total	<u>\$ 289,194</u>	<u>\$ 129,635</u>	<u>\$ (159,057)</u>	<u>\$ 259,772</u>	<u>\$ 142,875</u>

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

Compensated absences payable from General Fund	\$ 219,464
Compensated absences payable from Special Education Fund	40,308
	<u>\$ 259,772</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 5,471	\$ -	\$ (5,471)	\$ -	\$ -
Total	<u>\$ 5,471</u>	<u>\$ -</u>	<u>\$ (5,471)</u>	<u>\$ -</u>	<u>\$ -</u>

Compensated absences for business-type activities are liquidated from the Food Service Fund.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

5. RESTRICTED NET POSITION

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

<u>Major Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 186,824
Special Education Purposes	Law	21,566
Capital Projects Purposes	Law	277,812
SDRS Pension Purposes	Law	547,901
Total Restricted Net Position		<u>\$ 1,034,103</u>

6. PENSION PLAN

Plan Information

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

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

6. PENSION PLAN, continued

Benefits Provided, continued

An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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 compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

6. PENSION PLAN, continued

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020 were \$225,700, \$226,466, and \$217,327, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 23,063,102
Less proportionate share of net pension restricted for pension benefits	<u>24,336,859</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (1,273,757)</u></u>

At June 30, 2022, the School District reported a liability (asset) of (\$1,273,757) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.166324%, which is an increase (decrease) of 0.0012466% from its proportion measured as of June 30, 2020.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

6. PENSION PLAN, continued

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued

For the year ended June 30, 2022, the School District recognized pension expense (reduction of pension expense) of (\$319,122). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 45,731	\$ 3,340
Changes in assumption.	1,464,808	637,879
Net difference between projected and actual earnings on pension plan investments.	-	1,819,588
Changes in proportion and difference between School District contributions and proportionate share of contributions.	9,387	10,675
School District contributions subsequent to the measurement date.	225,700	-
	<u>\$ 1,745,626</u>	<u>\$ 2,471,482</u>

\$225,700 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

2023	\$ (234,278)
2024	(161,306)
2025	(44,087)
2026	(511,885)
	<u>\$ (951,556)</u>

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

6. PENSION PLAN, continued

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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.).

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

6. PENSION PLAN, continued

Actuarial Assumptions, continued

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	<u>100.0%</u>	

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 2,062,530	\$ (1,273,757)	\$ (3,982,046)

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

6. PENSION PLAN, continued

Pension Plan Fiduciary Net Position

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

7. INTERFUND TRANSFERS

During the normal course of operations, the School District transfers monies between funds for operational purposes. During the year ended June 30, 2022, interfund transfers were as follows:

	From	To
<i>Governmental activities:</i>		
General Fund:		
Capital Outlay Fund	\$ -	\$ 650,000
Special Education Fund	-	100,000
Capital Projects	-	3,250,000
	<u>-</u>	<u>4,000,000</u>
Capital Outlay Fund:		
Food Service Fund	-	71,514
General Fund	650,000	-
	<u>650,000</u>	<u>71,514</u>
Special Education Fund:		
General Fund	100,000	-
	<u>100,000</u>	
Capital Project Fund:		
General Fund	3,250,000	-
Food Service Fund	-	261,985
	<u>-</u>	<u>261,985</u>
<i>Total governmental activities</i>	<u>4,000,000</u>	<u>4,333,499</u>
<i>Business-type activities:</i>		
Food Service Fund:		
Capital Outlay Fund	71,514	-
Capital Projects	261,985	-
	<u>333,499</u>	<u>-</u>
<i>Total business-type activities</i>	<u>333,499</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 4,333,499</u>	<u>\$ 4,333,499</u>

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

7. INTERFUND TRANSFERS, continued

Activity includes transfers of impact aid funds from the General Fund and the closing of a Capital Project Fund to BCHS Gym and Fitness Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

8. JOINT VENTURE

The School District participates in the Three Rivers Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to the member school districts. The members of the co-op and their relative percentage of participation are as follows:

Bennett County School District	28%
Jones County School District	10%
Kadoka Area School District	19%
Lyman School District	20%
White River School District	<u>23%</u>
	<u>100%</u>

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

The School District retains no equity in the net position of the 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 Three Rivers Special Services Cooperative, Philip, South Dakota. As of June 30, 2022, this joint venture had total assets and deferred outflows of resources of \$1,217,546, liabilities and deferred inflows of resources of \$413,384 and net position of \$804,162.

9. RISK MANAGEMENT

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

9. RISK MANAGEMENT, continued

Employee Health Insurance

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

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The school district pays an annual premium to the pool to provide coverage for: 1) property, 2) automobile, 3) general liability, 4) crime, 5) boiler and machinery, 6) umbrella liability, 7) School Board liability and 8) employee benefits liability.

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

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

9. RISK MANAGEMENT, continued

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs.

The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits

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

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

10. PRIOR PERIOD ADJUSTMENT

The School District has determined that library book inventory purchased for the Martin Grade School Library was incorrectly omitted from the School District's capital asset listing. The correction of this omission has resulted in an increase in capital assets and investment in capital assets of \$82,883 for the governmental activities.

REQUIRED SUPPLEMENTARY INFORMATION

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 1 OF 2
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 725,000	\$ 725,000	\$ 742,966	\$ 17,966
Prior years ad valorem taxes	20,000	20,000	21,465	1,465
Gross receipts tax	170,000	170,000	179,930	9,930
Penalties and interest	6,500	6,500	6,045	(455)
Earnings on investments and deposits	1,200	1,200	495	(705)
Cocurricular activities:				
Admissions	22,000	22,000	19,796	(2,204)
Other revenue from local sources:				
Rentals	2,500	2,500	2,026	(474)
Charges for services	20,000	20,000	18,159	(1,841)
Other	14,000	14,000	18,906	4,906
Revenues from intermediate sources:				
County sources:				
County apportionment	17,000	17,000	29,231	12,231
Revenue for joint facilities	30,000	30,000	23,418	(6,582)
Revenues from state sources:				
Grants-in-aid:				
Unrestricted	2,636,428	2,636,428	2,674,049	37,621
Restricted	7,158	7,158	6,009	(1,149)
Revenues from federal sources:				
Grants-in-aid:				
Unrestricted - intermediate source	5,000	5,000	5,453	453
Restricted - received directly	69,436	69,436	65,419	(4,017)
Restricted - received through state	3,278,923	4,562,723	1,824,465	(2,738,258)
Total revenues	<u>7,025,145</u>	<u>8,308,945</u>	<u>5,637,832</u>	<u>(2,671,113)</u>
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	1,195,060	1,426,492	899,095	527,397
Middle school	358,665	727,157	365,444	361,713
Secondary	944,385	1,326,671	627,970	698,701
Preschool	15,465	15,465	12,789	2,676
Other	69,436	69,436	65,419	4,017
Special programs:				
Educationally deprived	1,012,278	1,048,168	967,769	80,399

See Independent Auditor's Report

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 2 OF 2
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary -</u> <u>Modified</u> <u>Accrual Basis)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Support services:				
Pupils:				
Attendance and social work	126,005	282,005	28,843	253,162
Guidance	111,668	117,058	139,309	(22,251)
Health	113,490	113,490	80,760	32,730
Instructional staff:				
Improvement of instruction	142,190	274,988	151,153	123,835
Educational media	34,571	34,571	20,618	13,953
General administration:				
Board of education	196,268	196,268	136,631	59,637
Executive administration	164,014	164,014	159,584	4,430
School administration:				
Office of principal	494,743	494,743	462,273	32,470
Title I Program Administration	103,989	110,189	92,918	17,271
Other	1,500	1,500	1,231	269
Business:				
Fiscal services	275,633	275,633	255,769	19,864
Operations and maintenance of plant	1,184,422	1,184,422	1,063,605	120,817
Pupil transportation	245,357	245,357	200,366	44,991
Community service:				
Public Library	2,000	2,000	-	2,000
Welfare activities	15,000	15,000	-	15,000
Cocurricular activities:				
Male activities	83,660	83,660	77,114	6,546
Female activities	55,600	55,600	46,390	9,210
Transportation	22,730	22,730	20,881	1,849
Combined activities	67,960	67,960	73,106	(5,146)
Contingencies	50,000	50,000	-	50,000
Total expenditures	<u>7,086,089</u>	<u>8,404,577</u>	<u>5,949,037</u>	<u>2,455,540</u>
Excess (deficiency) of revenues over expenditures	<u>(60,944)</u>	<u>(95,632)</u>	<u>(311,205)</u>	<u>(215,573)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	60,944	63,144	-	(63,144)
Transfers out	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total other financing sources (uses)	<u>60,944</u>	<u>63,144</u>	<u>250,000</u>	<u>186,856</u>
Net change in fund balances	-	(32,488)	(61,205)	(28,717)
Changes in nospendable	-	-	23,865	23,865
Fund balances - beginning	<u>589,796</u>	<u>589,796</u>	<u>613,661</u>	<u>23,865</u>
Fund balances - ending	<u>\$ 589,796</u>	<u>\$ 557,308</u>	<u>\$ 552,456</u>	<u>\$ (4,852)</u>

See Independent Auditor's Report

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 363,000	\$ 363,000	\$ 403,027	\$ 40,027
Prior years ad valorem taxes	6,000	6,000	7,683	1,683
Penalties and interest	2,000	2,000	2,344	344
Other local revenue	2,500	2,500	2,407	(93)
Revenues from state sources:				
Grants-in-aid:				
Restricted	275,000	275,000	217,746	(57,254)
Revenues from federal sources:				
Grants-in-aid:				
Unrestricted - received directly	32,000	32,000	30,879	(1,121)
Restricted - received through state	303,165	318,165	137,044	(181,121)
Total revenues	<u>983,665</u>	<u>998,665</u>	<u>801,130</u>	<u>(197,535)</u>
EXPENDITURES				
Instruction:				
Special programs:				
Special education	1,036,677	1,051,677	678,874	372,803
Support services:				
Pupils:				
Speech pathology	165,000	165,000	152,438	12,562
Special education:				
Administrative costs	76,817	76,817	70,226	6,591
Transportation costs	7,143	7,143	576	6,567
Other Special Education costs	90,000	90,000	79,587	10,413
Total expenditures	<u>1,375,637</u>	<u>1,390,637</u>	<u>981,701</u>	<u>408,936</u>
Excess (deficiency) of revenues over expenditures	(391,972)	(391,972)	(180,571)	211,401
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>391,972</u>	<u>436,924</u>	<u>100,000</u>	<u>(336,924)</u>
Total other financing sources (uses)	<u>391,972</u>	<u>436,924</u>	<u>100,000</u>	<u>(336,924)</u>
Net change in fund balances	-	44,952	(80,571)	(125,523)
Fund balances - beginning	<u>102,136</u>	<u>102,136</u>	<u>102,137</u>	<u>1</u>
Fund balances - ending	<u>\$ 102,136</u>	<u>\$ 147,088</u>	<u>\$ 21,566</u>	<u>\$ (125,522)</u>

See Independent Auditor's Report

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Revenues from local sources:				
Taxes:				
Prior years ad valorem taxes	\$ 100	\$ 100	\$ -	\$ (100)
Other revenue - local sources	-	-	12,203	12,203
Revenues from federal sources:				
Grants-in-aid				
Restricted - received directly	20,000	20,000	-	(20,000)
Restricted - received through state	<u>3,296,663</u>	<u>3,437,521</u>	<u>1,188,168</u>	<u>(2,249,353)</u>
Total revenues	<u>3,316,763</u>	<u>3,457,621</u>	<u>1,200,371</u>	<u>(2,257,250)</u>
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	93,423	183,852	85,271	98,581
Middle school	46,000	57,255	17,699	39,556
Secondary	91,500	141,929	56,857	85,072
Support services:				
Pupils:				
Attendance and social work	-	-	4,810	(4,810)
Instructional staff:				
Improvement of instruction	-	21,000	1,117	19,883
Education Media	8,000	8,000	19,439	(11,439)
Business:				
Fiscal services	2,000	2,000	1,264	736
Facilities acquisition and construction	1,010,000	1,010,000	475,337	534,663
Operations and maintenance of plant	2,517,869	1,444,210	986,770	457,440
Pupil transportation	292,000	292,000	95,103	196,897
Food services	105,000	105,000	-	105,000
Cocurricular activities				
Male activities	12,000	12,000	19,165	(7,165)
Female activities	8,000	8,000	8,000	-
Combined activities	<u>20,878</u>	<u>20,878</u>	<u>7,099</u>	<u>13,779</u>
Total expenditures	<u>4,206,670</u>	<u>3,306,124</u>	<u>1,777,931</u>	<u>1,528,193</u>
Excess (deficiency) of revenues over expenditures	(889,907)	151,497	(577,560)	(729,057)
OTHER FINANCING SOURCES				
Transfers in	889,907	889,907	650,000	(239,907)
Transfers out	-	-	(71,514)	(71,514)
Sale of surplus property	-	-	23,993	23,993
Total other financing sources	<u>889,907</u>	<u>889,907</u>	<u>602,479</u>	<u>(287,428)</u>
Net change in fund balances	-	1,041,404	24,919	(1,016,485)
Fund balances - beginning	<u>161,907</u>	<u>161,907</u>	<u>161,905</u>	<u>(2)</u>
Fund balances - ending	<u>\$ 161,907</u>	<u>\$ 1,203,311</u>	<u>\$ 186,824</u>	<u>\$ (1,016,487)</u>

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETS JUNE 30, 2022

1. Basis of Presentation

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

2. Budgets and Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year, the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETS JUNE 30, 2022

2. **Budgets and Budgetary Accounting, continued**

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
11. The following reconciles the U.S. GAAP Basis fund balance to the budgetary basis fund balance for the General Fund as of June 30, 2022:

U.S. GAAP Basis fund balance	\$ 11,331,752
Less: portion comprised of unspent Impact Aid revenue	<u>(10,779,296)</u>
Budgetary basis fund balance	<u>\$ 552,456</u>

3. **USGAAP/Budgetary Accounting Basis Differences:**

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

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
JUNE 30, 2022

* Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net pension liability (asset)	0.1663240%	0.1650774%	0.1685001%	0.1619996%	0.1734214%
School District's proportionate share of net pension liability (asset)	\$ (1,273,757)	\$ (7,169)	\$ (17,856)	\$ (3,778)	\$ (15,738)
School District's covered-employee payroll	\$ 3,774,434	\$ 3,622,108	\$ 3,487,826	\$ 3,367,819	\$ 3,518,328
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-33.75%	-0.20%	-0.51%	-0.11%	-0.45%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
School District's proportion of the net pension liability (asset)	0.1636554%	0.1210812%	0.1283738%		
School District's proportionate share of net pension liability (asset)	\$ 552,812	\$ (513,540)	\$ (924,881)		
School District's covered-employee payroll	\$ 3,113,357	\$ 2,210,595	\$ 2,244,900		
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.76%	-23.23%	-41.20%		
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	104.10%	107.29%		

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is

See Independent Auditor's Report

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2022

* Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 225,700	\$ 226,466	\$ 217,327	\$ 209,270	\$ 202,069
Contributions in relation to the contractually required contribution	<u>225,700</u>	<u>226,466</u>	<u>217,327</u>	<u>209,270</u>	<u>202,069</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 3,744,703	\$ 3,774,434	\$ 3,622,108	\$ 3,487,826	\$ 3,367,819
Contributions as a percentage of covered-employee payroll	6.03%	6.00%	6.00%	6.00%	6.00%
	<u>2017</u>	<u>2016</u>	<u>2015</u>		
Contractually required contribution	\$ 211,631	\$ 186,802	\$ 132,636		
Contributions in relation to the contractually required contribution	<u>211,631</u>	<u>186,802</u>	<u>132,636</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
School District's covered-employee payroll	\$ 3,518,328	\$ 3,113,357	\$ 2,210,595		
Contributions as a percentage of covered-employee payroll	6.02%	6.00%	6.00%		

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

See Independent Auditor's Report

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES JUNE 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster:			
US Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 3)	10.555	2021G-CANS03001	\$ 33,810
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	2021G-CANS03001	53,376
National School Lunch Program (Note 3)	10.555	2021G-CANS03001	246,537
Total for Child Nutrition Cluster			<u>333,723</u>
US Department of Agriculture Pass-Through Programs From:			
SD Department of Education:			
Fresh Fruit and Vegetable Program	10.582	2021G-FFVP03001	<u>20,175</u>
Total US Department of Agriculture			<u>353,898</u>
U.S. Department of Interior			
US Department of Interior Pass-Through Programs From:			
SD Department of Education:			
Bennett County:			
Payment in Lieu of Taxes	15.226	**	<u>5,453</u>
Total US Department of Interior			<u>5,453</u>
U.S. Department of Education			
Special Education Cluster:			
US Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Special Education - Grants to States (IDEA, Part B)	84.027	2021G-IDEA03001	75,530
Special Education - Grants to States (IDEA, Part B) - COVID 19		H027X210091	<u>44,952</u>
Special Education - Preschool Grants (IDEA Preschool)	84.173	2021G-IDEA03001	1,229
Special Education - Preschool Grants (IDEA Preschool) - COVID 19		H173X210091	<u>1,892</u>
Total for Special Education Cluster			<u>123,603</u>
US Department of Education - Direct Programs:			
Impact Aid (Title VIII of ESEA)	84.041		4,282,379
Indian Education - Grants to Local Educational Agencies	84.060		<u>65,419</u>
Subtotal for US Department of Education - Direct Programs			<u>4,347,798</u>
US Department of Education - Pass-Through Programs From:			
SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2021G-CA03001	1,074,381
Rural Education	84.358	2021G-CA03001	8,823
Supporting Effective Instruction State Grants	84.367	2021G-CA03001	132,468
Student Support and Academic Enrichment Grants (Title IV, Part A)	84.424	2021G-CA03001	110,584
Elementary and Secondary School Emergency Relief Fund	84.425D	2021G-CARE03001	1,527,035
Elementary and Secondary School Emergency Relief Fund - COVID 19	84.425U	S425U210050	<u>282,960</u>
Subtotal US Department of Education - Pass-Through Programs			<u>3,136,251</u>
Total US Department of Education			<u>7,607,652</u>
GRAND TOTAL			<u>\$ 7,967,003</u>

** - Pass-Through Entity Identifying Number not available.

See Independent Auditor's Report

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the School District, It is not intended to and does not present the financial position, changes in net position of cash flows of the School District.

2. Summary of Significant Accounting Policies

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

3. Federal Reimbursement

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

See Independent Auditor's Report

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

To the School Board
Bennett County School District No. 3-1
Bennett County, South Dakota

We have audited, in accordance with the 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 **Bennett County School District No. 3-1 (the School District)** as of and for the year ended June 30, 2022, 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 March 20, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
March 20, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the School Board
Bennett County School District No. 3-1
Bennett County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Bennett County School District No. 3-1's (the School District's)** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other 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.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
March 20, 2023

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

FINDING - FINANCIAL STATEMENT AUDIT

There were no prior financial statement findings reported.

FINDING – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior major federal award program findings reported.

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) _____ yes X no

Identification of major programs:

Assistance Listing Number

84.425

Name of Federal Program or Cluster

Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

BENNETT COUNTY SCHOOL DISTRICT NO. 3-1

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

There are no financial statement audit findings noted.

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There are no major federal award program audit findings noted.