

Beresford School District No. 61-2

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

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

Beresford School District No. 61-2

School District Officials

June 30, 2023

Board Members

Deb Bergland----- Board President

Chris Savey-----Vice President

Russel Johnson----- Member

Dan Erickson----- Member

Nathan Jensen ----- Member

Dustin Degen-----Superintendent

Jared Olson -----Business Manager

Beresford School District No. 61-2

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

School Board
Beresford School District No. 61-2
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beresford School District No. 61-2, South Dakota, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated December 12, 2023, which was qualified because long-term financial obligations and commitments related to other postemployment benefits was not recorded.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beresford School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and, 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 Beresford 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.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Elk Point, South Dakota
December 12, 2023

Beresford School District No. 61-2
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2023

Schedule of Prior Audit Findings:

The Prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

There are no current audit findings.



Independent Auditor's Report

School Board
Beresford School District No. 61-2
Union County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Beresford School District No. 61-2, Union County, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Beresford School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beresford School District No. 61-2, South Dakota as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

Management has elected not to record the long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net position in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of School District Contributions listed 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
December 12, 2023

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Beresford School District 61-2's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School District's financial statements, which follow this section.

Overview of the Financial Statements

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School District's government, reporting the School District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like businesses.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-1 summarizes the major features of the School District’s financial statements, including the portion of the School District’s government covered and the types of information contained. The reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Beresford School District's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School District's net position and how they have changed. Net position is one way to measure the School District's financial health or position.

- Increases or decreases in the School District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School District you need to consider additional nonfinancial factors such as changes in the School District's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School District are reported in two categories:

- **Governmental Activities** – This category includes the School District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The District charges a fee to students to help cover the costs of providing hot lunch services to all students.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's most significant funds not the School District as a whole. Funds are accounting devices that the School District uses to keep track of specific sources of funding and spending for particular purposes:

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Custodial Funds).

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

The School District has three kinds of funds:

- **Governmental Funds** – Most of the School District’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional is provided at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between the fund financial statements and the government-wide statements.
- **Proprietary Funds** – Services for which the School District charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** – The School District is the trustee, or fiduciary, for various external and internal parties. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the School District’s government-wide financial statements because the School District cannot use these assets to finance its operations.

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School as a Whole

Statement of Net Position

Table A-1
Beresford School District 61-2
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 6,620,643	\$ 5,978,804	\$ 299,952	\$ 282,076	\$ 6,920,595	\$ 6,260,880	-9.53%
Capital Assets (Net of Depreciation)	9,303,253	8,916,297	40,377	61,508	9,343,630	8,977,805	-3.92%
Total Assets	<u>15,923,896</u>	<u>14,895,101</u>	<u>340,329</u>	<u>343,584</u>	<u>16,264,225</u>	<u>15,238,685</u>	<u>-6.31%</u>
Pension Related Deferred Outflows	1,846,283	1,624,707	--	--	1,846,283	1,624,707	-12.00%
Total Deferred Outflows or Resources	<u>1,846,283</u>	<u>1,624,707</u>	<u>--</u>	<u>--</u>	<u>1,846,283</u>	<u>1,624,707</u>	<u>-12.00%</u>
Long-Term Liabilities Outstanding	1,863,565	1,361,467	--	--	1,863,565	1,361,467	-26.94%
Other Liabilities	666,272	636,469	9,956	29,619	676,228	666,088	-1.50%
Total Liabilities	<u>2,529,837</u>	<u>1,997,936</u>	<u>9,956</u>	<u>29,619</u>	<u>2,539,793</u>	<u>2,027,555</u>	<u>-20.17%</u>
Taxes Levied for Future Period	1,846,470	2,292,579	--	--	1,846,470	2,292,579	24.16%
Pension Related Deferred Inflows	2,594,143	960,141	--	--	2,594,143	960,141	-62.99%
Total Deferred Inflows of Resources	<u>4,440,613</u>	<u>3,252,720</u>	<u>--</u>	<u>--</u>	<u>4,440,613</u>	<u>3,252,720</u>	<u>-26.75%</u>
Net Investment in Capital Assets	7,613,253	7,716,297	40,377	61,508	7,653,630	7,777,805	1.62%
Restricted	2,203,547	2,735,460	--	--	2,203,547	2,735,460	24.14%
Unrestricted	982,929	817,395	289,996	252,457	1,272,925	1,069,852	-15.95%
Total Net Position	<u>10,799,729</u>	<u>11,269,152</u>	<u>330,373</u>	<u>313,965</u>	<u>11,130,102</u>	<u>11,583,117</u>	<u>4.07%</u>
Beginning Net Position	<u>9,547,066</u>	<u>10,799,729</u>	<u>221,834</u>	<u>330,373</u>	<u>9,768,900</u>	<u>11,130,102</u>	<u>13.93%</u>
Increase (Decrease) in Net Position	<u>\$ 1,252,663</u>	<u>\$ 469,423</u>	<u>\$ 108,539</u>	<u>\$ (16,408)</u>	<u>\$ 1,361,202</u>	<u>\$ 453,015</u>	<u>66.72%</u>
Percentage of Increase (Decrease) in Net Position	<u>13.12%</u>	<u>4.35%</u>	<u>48.93%</u>	<u>-4.97%</u>	<u>13.93%</u>	<u>4.07%</u>	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable and capital outlay certificates have been reported in this manner on the Statement of Net Position. The difference between the School District’s assets and liabilities is its net position.

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities.

Table A-4
Beresford School District No. 61-2
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 551,292	\$ 296,777	\$ 84,434	\$ 280,725	\$ 635,726	\$ 577,502	-9.16%
Operating Grants/ Contributions	761,035	312,038	517,154	190,861	1,278,189	502,899	-60.66%
General Revenues							
Taxes	4,469,086	4,566,126	--	--	4,469,086	4,566,126	2.17%
Revenue State Sources	3,145,723	3,404,677	--	--	3,145,723	3,404,677	8.23%
Other							
Other general revenues	219,426	129,671	250	--	219,676	129,671	-40.97%
Unrestricted Investment Earnings	11,662	80,411	504	9,121	12,166	89,532	635.92%
	<u>9,158,224</u>	<u>8,789,700</u>	<u>602,342</u>	<u>480,707</u>	<u>9,760,566</u>	<u>9,270,407</u>	<u>-5.02%</u>
Expenses							
Instruction	4,543,379	4,803,395	--	--	4,543,379	4,803,395	5.72%
Support Services	2,753,611	2,775,631	--	--	2,753,611	2,775,631	0.80%
Interest on long-term debt	29,331	20,106	--	--	29,331	20,106	-31.45%
Co-curricular Activities	579,240	721,145	--	--	579,240	721,145	24.50%
Food Service	--	--	482,976	487,659	482,976	487,659	0.97%
Other Enterprise	--	--	10,827	9,456	10,827	9,456	-12.66%
	<u>7,905,561</u>	<u>8,320,277</u>	<u>493,803</u>	<u>497,115</u>	<u>8,399,364</u>	<u>8,817,392</u>	<u>4.98%</u>
Increase (Decrease) in Net Position	1,252,663	469,423	108,539	(16,408)	1,361,202	453,015	-66.72%
Beginning Adjusted Net Position	9,547,066	10,799,729	221,834	330,373	9,768,900	11,130,102	13.93%
Ending Net Position	<u>\$ 10,799,729</u>	<u>\$ 11,269,152</u>	<u>\$ 330,373</u>	<u>\$ 313,965</u>	<u>\$ 11,130,102</u>	<u>\$ 11,583,117</u>	<u>4.07%</u>

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

The ending net position of the governmental activities increased from FY22 to FY23 by 4.37%. Revenue decreases resulted mostly decrease in federal grants.

Business-Type Activities

The ending net position of the business activities increased from FY22 to F23 by 2.47%. Revenue decreases resulted mostly decrease in federal grants.

Budgetary Analysis

Over the course of the year, the School Board revised the School budget a couple of times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of the district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There was a budget amendment to shift allowable expenses typically paid from the general fund to the capital outlay. Overall, revenues were close to what was expected and expenditures were kept at a minimum.

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Capital Asset Administration

By the end of 2023, the School had invested \$8,977,805 (net of depreciation) in a broad range of capital assets including: land, construction in process, buildings, various machinery, equipment and library books. This amount represents a net decrease (including additions and deductions) of \$365,825, or decrease of 3.92%, over last year.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 122,435	\$ 122,435	\$ --	\$ --	\$ --	0.00%
Construction in progress	268,300	--	--	--	(268,300)	-100.00%
Buildings & Improvements	8,230,925	8,148,181	--	--	(82,744)	-1.01%
Machinery & Equipment	639,414	604,543	40,377	61,508	(13,740)	-2.02%
Library Books	42,179	41,138	--	--	(1,041)	-2.47%
Total Capital Assets	\$ 9,303,253	\$ 8,916,297	\$ 40,377	\$ 61,508	\$ (365,825)	-3.92%

This year's capital asset purchases were used to purchase equipment, library books, construction expenses for the bus barn and new football field with a track, a few new buses, other maintenance and surveillance equipment.

Long-Term Debt

At year-end, the School had \$1,200,000 in general long-term obligations. This balance includes Capital Outlay Certificates, and accrued compensated absences. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
Capital Outlay Certificates	\$ 1,690,000	\$ 1,200,000	\$ (490,000)	-28.99%
Accrued Compensated Absences - Governmental Funds	173,565	161,467	(12,098)	-6.97%
Total Outstanding Debt	\$ 1,863,565	\$ 1,361,467	\$ (502,098)	-26.94%

The School District is liable for the accrued vacation leave payable to the superintendent. The School District is also liable for 1/3 of any unused sick leave to any employee who has worked for fifteen years or more for the School District.

Beresford School District No. 61-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Economic Factors and Next Year's Budgets and Rates

For the general fund, one of the primary sources of revenue for the School was previously based on a per student allocation received from the State of South Dakota. The per-student allocation is based on student average daily membership (ADM). The state aid formula for FY16 ensured that property taxes plus state aid would equal \$4,876.76 per pupil. There was a new funding formula for FY17 based on a student to teacher ratio that will be on a sliding scaled based on the number of students.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Beresford School District's Business Office, 301 W Maple Street, Beresford, SD 57004.

Beresford School District No. 61-2
Statement of Net Position – Government-Wide
June 30, 2023

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 3,479,714	\$ 274,481	\$ 3,754,195
Taxes receivable	2,328,126	--	2,328,126
Other assets	154,468	7,595	162,063
Net pension asset	16,496	--	16,496
Capital assets:			
Land and construction in progress	122,435	--	122,435
Other capital assets, net of depreciation	8,793,862	61,508	8,855,370
Total Assets	<u>14,895,101</u>	<u>343,584</u>	<u>15,238,685</u>
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,624,707	--	1,624,707
Total Deferred Outflows of Resources	<u>1,624,707</u>	<u>--</u>	<u>1,624,707</u>
Liabilities:			
Unearned revenue	--	29,391	29,391
Other current liabilities	636,469	228	636,697
Long-term liabilities:			
Due within one year	500,000	--	500,000
Due in more than one year	861,467	--	861,467
Total Liabilities	<u>1,997,936</u>	<u>29,619</u>	<u>2,027,555</u>
Deferred Inflows of Resources:			
Taxes levied for future periods	2,292,579	--	2,292,579
Pension related deferred inflows	960,141	--	960,141
Total Deferred Inflows of Resources	<u>3,252,720</u>	<u>--</u>	<u>3,252,720</u>
Net Position:			
Net investment in capital assets	7,716,297	61,508	7,777,805
Restricted for:			
Capital outlay	1,796,103	--	1,796,103
Special education	258,295	--	258,295
SDRS pension purposes	681,062	--	681,062
Unrestricted	817,395	252,457	1,069,852
Total Net Position	<u>\$ 11,269,152</u>	<u>\$ 313,965</u>	<u>\$ 11,583,117</u>

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

Beresford School District No. 61-2
Statement of Activities – Government-Wide
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 4,803,395	\$ --	\$ 312,038	\$ (4,491,357)	\$ --	\$ (4,491,357)
Support services	2,775,631	76,473	--	(2,699,158)	--	(2,699,158)
Interest on long-term debt	20,106	--	--	(20,106)	--	(20,106)
Cocurricular activities	721,145	220,304	--	(500,841)	--	(500,841)
Total Governmental Activities	8,320,277	296,777	312,038	(7,711,462)	--	(7,711,462)
Business-Type Activities:						
Food service	487,659	267,198	190,861	--	(29,600)	(29,600)
Other enterprise	9,456	13,527	--	--	4,071	4,071
Total Business Type Activities	497,115	280,725	190,861	--	(25,529)	(25,529)
Total Primary Government	\$ 8,817,392	\$ 577,502	\$ 502,899	(7,711,462)	(25,529)	(7,736,991)
General Revenues:						
Taxes:						
Property taxes				4,479,330	--	4,479,330
Gross receipts taxes				86,796	--	86,796
Revenue from State Sources:						
State aid				3,180,894	--	3,180,894
Other				223,783	--	223,783
Unrestricted investment earnings				80,411	9,121	89,532
Other general revenues				129,671	--	129,671
Total General Revenues				8,180,885	9,121	8,190,006
Change in Net Position				469,423	(16,408)	453,015
Net Position - Beginning of Year				10,799,729	330,373	11,130,102
Net Position - End of Year	\$ 11,269,152			\$ 11,269,152	\$ 313,965	\$ 11,583,117

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

Beresford School District No. 61-2
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,376,266	\$ 1,781,798	\$ 321,650	\$ 3,479,714
Accounts receivable	7,400	--	--	7,400
Taxes receivable - current	964,842	861,337	466,400	2,292,579
Taxes receivable - delinquent	13,306	14,305	7,936	35,547
Due from other governments	147,068	--	--	147,068
Total Assets	<u>\$ 2,508,882</u>	<u>\$ 2,657,440</u>	<u>\$ 795,986</u>	<u>\$ 5,962,308</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 15,695	\$ --	\$ 8,311	\$ 24,006
Contracts payable	427,827	--	52,156	479,983
Payroll deductions and withholding and employer matching payable	121,656	--	10,824	132,480
Total Liabilities	<u>565,178</u>	<u>--</u>	<u>71,291</u>	<u>636,469</u>
Deferred Inflows of Resources:				
Taxes levied for future period	964,842	861,337	466,400	2,292,579
Delinquent taxes not available	13,306	14,305	7,936	35,547
Total Deferred Inflows of Resources	<u>978,148</u>	<u>875,642</u>	<u>474,336</u>	<u>2,328,126</u>
Fund Balances:				
Restricted:				
For capital outlay	--	1,781,798	--	1,781,798
For special education	--	--	250,359	250,359
Assigned	5,696	--	--	5,696
Unassigned	959,860	--	--	959,860
Total Fund Balances	<u>965,556</u>	<u>1,781,798</u>	<u>250,359</u>	<u>2,997,713</u>
Total Liabilities and Fund Balances	<u>\$ 2,508,882</u>	<u>\$ 2,657,440</u>	<u>\$ 795,986</u>	<u>\$ 5,962,308</u>

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

Beresford School District No. 61-2
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balances - Governmental Funds		\$ 2,997,713
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		8,916,297
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
Capital Outlay Certificates	(1,200,000)	
Accrued Compensated Absences	<u>(161,467)</u>	(1,361,467)
<p>Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:</p>		
Delinquent Property Taxes Receivable		35,547
Proportionate Share of Net Pension Asset		16,496
<p>Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds.</p>		(960,141)
<p>Pension related deferred outflows are components of non current assets and therefore are not reported in the funds.</p>		<u>1,624,707</u>
Net Position - Governmental Activities		<u><u>\$ 11,269,152</u></u>

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

Beresford School District No. 61-2

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

June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,856,276	\$ 1,672,532	\$ 916,215	\$ 4,445,023
Prior years' ad valorem taxes	17,454	11,702	6,411	35,567
Utility taxes	86,796	--	--	86,796
Penalties and interest on taxes	5,771	2,927	1,617	10,315
Earnings on Investments and Deposits	44,964	29,726	5,721	80,411
Cocurricular Activities:				
Admissions	41,540	--	--	41,540
Other	178,764	--	--	178,764
Other Revenue from Local Sources:				
Rentals	200	--	--	200
Contributions and donations	7,500	--	--	7,500
Charges for services	6,793	--	8,905	15,698
Other	48,520	7,795	--	56,315
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	47,153	--	--	47,153
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	3,180,894	--	--	3,180,894
Restricted grants-in-aid	--	--	223,783	223,783
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	276,770	35,268	--	312,038
Total Revenues	<u>\$ 5,799,395</u>	<u>\$ 1,759,950</u>	<u>\$ 1,162,652</u>	<u>\$ 8,721,997</u>

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

Beresford School District No. 61-2

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

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,320,974	\$ 127,667	\$ --	\$ 1,448,641
Middle/junior high	615,660	21,603	--	637,263
High School	1,039,544	47,045	--	1,086,589
Special Programs:				
Programs for special education	--	--	1,001,973	1,001,973
Culturally different	110,557	--	--	110,557
Educationally deprived	107,776	--	--	107,776
Support Services:				
Students:				
Attendance and social work	460	--	--	460
Guidance	145,587	--	--	145,587
Psychological	--	--	36,490	36,490
Health	65,717	--	--	65,717
Speech pathology	--	--	40,770	40,770
Student therapy services	--	--	68,253	68,253
Instructional Staff:				
Improvement of instruction	28,111	--	4,073	32,184
Educational media	131,967	--	--	131,967
General Administration:				
Board of education	69,128	--	--	69,128
Executive administration	194,728	--	--	194,728
School Administration:				
Office of the principal	394,544	--	--	394,544
Other	474	--	--	474
Business:				
Fiscal services	155,794	7,250	--	163,044
Facilities acquisition and construction	--	--	--	--
Operation and maintenance of plant	792,319	79,652	--	871,971
Student transportation	355,200	1	--	355,201

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

Beresford School District No. 61-2

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

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Debt Services:	--	510,106	--	510,106
Cocurricular Activities:				
Male activities	81,860	16,727	--	98,587
Female activities	84,185	20,791	--	104,976
Transportation	26,893	--	--	26,893
Combined activities	398,889	10,182	--	409,071
Capital Outlay	--	332,796	--	332,796
Total Expenditures	<u>6,120,367</u>	<u>1,173,820</u>	<u>1,151,559</u>	<u>8,445,746</u>
Excess of Revenue Over (Under) Expenditures	(320,972)	586,130	11,093	276,251
Other Financing Sources (Uses):				
Transfer in	150,000	--	--	150,000
Transfer out	--	(150,000)	--	(150,000)
Sale of Surplus Property	1,340	1,465	--	2,805
Total Other Financing Sources (Uses)	<u>151,340</u>	<u>(148,535)</u>	<u>--</u>	<u>2,805</u>
Net Change in Fund Balances	(169,632)	437,595	11,093	279,056
Fund Balance, Beginning of Year	<u>1,135,188</u>	<u>1,344,203</u>	<u>239,266</u>	<u>2,718,657</u>
Fund Balance, End of Year	<u><u>\$ 965,556</u></u>	<u><u>\$ 1,781,798</u></u>	<u><u>\$ 250,359</u></u>	<u><u>\$ 2,997,713</u></u>

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

Beresford School District No. 61-2
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 279,056

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 332,796

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (719,752)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position

CO Certificate	490,000	490,000
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The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." (11,575)

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 12,098

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 86,800

Change in net position of governmental activities \$ 469,423

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

Beresford School District No. 61-2
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 264,366	\$ 10,115	\$ 274,481
Prepaid Expenses	7,595	--	7,595
Total Current Assets	<u>271,961</u>	<u>10,115</u>	<u>282,076</u>
Noncurrent Assets:			
Machinery and equipment - local funds	219,854	--	219,854
Less accumulated depreciation	<u>(158,346)</u>	<u>--</u>	<u>(158,346)</u>
Total Noncurrent Assets	<u>61,508</u>	<u>--</u>	<u>61,508</u>
Total Assets	<u><u>\$ 333,469</u></u>	<u><u>\$ 10,115</u></u>	<u><u>\$ 343,584</u></u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 228	\$ --	\$ 228
Unearned revenue	29,391	--	29,391
Total Current Liabilities	<u>29,619</u>	<u>--</u>	<u>29,619</u>
Net Position:			
Net investment in capital assets	61,508	--	61,508
Unrestricted net position	<u>242,342</u>	<u>10,115</u>	<u>252,457</u>
Total Net Position	<u><u>\$ 303,850</u></u>	<u><u>\$ 10,115</u></u>	<u><u>\$ 313,965</u></u>

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

Beresford School District No. 61-2
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Tuition and Fees:			
Driver's Education Fees	\$ --	\$ 13,527	\$ 13,527
Food Sales:			
Student	266,119	--	266,119
Other	1,079	--	1,079
Total Operating Revenue	<u>267,198</u>	<u>13,527</u>	<u>280,725</u>
Operating Expenses:			
Salaries	143,424	9,456	152,880
Employee benefits	38,614	--	38,614
Purchased services	35,209	--	35,209
Supplies	13,672	--	13,672
Cost of sales - purchased	215,967	--	215,967
Cost of sales - donated	31,454	--	31,454
Depreciation	9,319	--	9,319
Total Operating Expenses	<u>487,659</u>	<u>9,456</u>	<u>497,115</u>
Operating Income(Loss)	<u>(220,461)</u>	<u>4,071</u>	<u>(216,390)</u>
Nonoperating Revenues/Expenses:			
Investment Earnings	8,985	136	9,121
State grants	1,046	--	1,046
Federal grants	158,361	--	158,361
Donated food	31,454	--	31,454
Total Nonoperating Revenue/ (Expenses)	<u>199,846</u>	<u>136</u>	<u>199,982</u>
Change in Net Position	(20,615)	4,207	(16,408)
Net Position - Beginning of Year	<u>324,465</u>	<u>5,908</u>	<u>330,373</u>
Net Position - End of Year	<u>\$ 303,850</u>	<u>\$ 10,115</u>	<u>\$ 313,965</u>

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

Beresford School District No. 61-2
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 286,842	\$ 13,527	\$ 300,369
Cash payments to suppliers	(271,357)	--	(271,357)
Cash payments to employees	(182,038)	(9,456)	(191,494)
Net Cash (Used) by Operating Activities	(166,553)	4,071	(162,482)
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	1,046	--	1,046
Cash reimbursements - federal	158,361	--	158,361
Net Cash Provided by Noncapital Financing Activities	159,407	--	159,407
Cash Flows from Capital and related Financing Activities:			
Payments for capital assets	(30,450)	--	(30,450)
Net Cash (Used) by Noncapital Financing Activities	(30,450)	--	(30,450)
Cash Flows from Investing Activities:			
Investment Earnings	8,985	136	9,121
Net Cash Provided by Investing Activities	8,985	136	9,121
Net Change in Cash and Cash Equivalents	(28,611)	4,207	(24,404)
Cash and Cash Equivalents, Beginning of Year	292,977	5,908	298,885
Cash and Cash Equivalents, End of Year	<u>\$ 264,366</u>	<u>\$ 10,115</u>	<u>\$ 274,481</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (220,461)	\$ 4,071	\$ (216,390)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	9,319	--	9,319
Value of commodities used	31,454	--	31,454
Change in Assets and Liabilities:			
Prepaid Expenses	(6,528)	--	(6,528)
Deferred revenue	19,644	--	19,644
Accounts payable	19	--	19
Net cash (used) by operating activities:	<u>\$ (166,553)</u>	<u>\$ 4,071</u>	<u>\$ (162,482)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 31,454</u>	<u>\$ --</u>	<u>\$ 31,454</u>

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

Beresford School District No. 61-2
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 94,905
Total Assets	\$ 94,905
Total Liabilities	\$ --
Net Position:	
Restricted for:	
Flex account	9,041
Individuals, organizations, and other governments	85,864
Total Net Position	\$ 94,905

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

Beresford School District No. 61-2
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Additions:	
Flex revenue	\$ 37,042
Collections for student activities	174,709
Total Additions	211,751
Deductions:	
Flex deductions	37,518
Payments for student activities	161,221
Total Deductions	198,739
Change in Net Position	13,012
Net Position - Beginning	81,893
Net Position - Ending	\$ 94,905

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Beresford School District No. 61-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; 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 were 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.

b. 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. These statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a, above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a, above.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

Proprietary Funds:

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education instruction which is conducted for the benefit of the children. This fund is financed by user charges. This is a major fund.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Beresford School District No. 61-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2023 are accounts receivable from various sources.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than 1% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2023 balance of capital assets for business-type activities are valued at original cost.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	\$ --	NA	NA
Buildings	\$ 50,000	Straight-line	50 years
Improvements	\$ 10,000	Straight-line	10-50 years
Equipment (governmental)	\$ 5,000	Straight-line	2-20 years
Equipment (proprietary funds)	\$ 1,000	Straight-line	12 years

*Land is an inexhaustible capital asset and is not depreciated.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

h. Program Revenues:

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

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

i. Deferred Outflows/Inflows of Resources:

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

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

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

o. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

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

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

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

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

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, 2023, the School District had the following investment:

External Investment Pool:	Credit Rating	Fair Value
South Dakota Public Funds Investment - Trust	Unrated	\$ 2,313,341

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 five-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.

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

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

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

3. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

4. Inventory:

Inventory for resale is state 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 financial statements and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

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

5. 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.

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

6. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$147,068 due from various county, school, state and federal governments.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

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

	<u>6/30/2022</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u> <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 122,435	\$ --	\$ --	\$ 122,435
Construction in progress	268,300	--	268,300	--
Total capital assets not being depreciated	<u>390,735</u>	<u>--</u>	<u>268,300</u>	<u>122,435</u>
Capital assets being depreciated/amortized:				
Buildings	10,518,019	116,787	--	10,634,806
Improvements	6,048,543	350,681	--	6,399,224
Machinery & Equipment	1,646,215	132,531	--	1,778,746
Library Books	144,701	1,097	--	145,798
Total capital assets being depreciated/amortized	<u>18,357,478</u>	<u>601,096</u>	<u>--</u>	<u>18,958,574</u>
Less accumulated depreciation/amortization for:				
Buildings	4,600,709	211,400	--	4,812,109
Improvements	3,734,928	338,812	--	4,073,740
Machinery & Equipment	1,006,801	167,402	--	1,174,203
Library Books	102,522	2,138	--	104,660
Total accumulated depreciation/amortization	<u>9,444,960</u>	<u>719,752</u>	<u>--</u>	<u>10,164,712</u>
Total capital assets being depreciated/amortized, net	<u>8,912,518</u>	<u>(118,656)</u>	<u>--</u>	<u>8,793,862</u>
Net Capital Assets	<u>\$ 9,303,253</u>	<u>\$ (118,656)</u>	<u>\$ 268,300</u>	<u>\$ 8,916,297</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 410,597
Support services	227,537
Co-curricular activities	81,618
Total Depreciation/Amortization Expense	<u>\$ 719,752</u>

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

	Balance 6/30/22	Increases	Decreases	Balance 6/30/2023
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 189,404	\$ 30,450	\$ --	\$ 219,854
Less accumulated depreciation for:				
Less: Accumulated Depreciation	149,027	9,319	--	158,346
Total capital assets being depreciated, net	\$ 40,377	\$ 21,131	\$ --	\$ 61,508

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 9,319

8. Long-Term Liabilities:

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

	7/1/2022	Increase	Decrease	6/30/2023	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Capital Outlay Certificates	\$ 1,690,000	\$ --	\$ 490,000	\$ 1,200,000	\$ 500,000
Other Liabilities:					
Compensated Absences	173,565	66,786	78,884	161,467	--
Total Long-Term Liabilities	\$ 1,863,565	\$ 66,786	\$ 568,884	\$ 1,361,467	\$ 500,000

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

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

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 161,467

Debt payable on June 30, 2022 is comprised of the following:

Beresford School District No 61-2 Capital Outlay Certificates, Series 2021	During January 2021, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$970,000. There is a varying interest rate from .4 to .6% assessed on these bonds. Final payment is December 2025. The Capital Outlay Fund makes payment on this debt.	\$ 585,000
Beresford School District No 61-2 Capital Outlay Certificates, Series 2020A	During November, 2020, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$1,205,000. There is a fixed interest rate of 2% assessed on these bonds. Final payment is August 2024. The Capital Outlay Fund makes payment on this debt.	\$ 615,000

The annual requirements to amortize the Capital Outlay Certificates at June 30, 2023, are as follows:

Year Ending June 30,	Capital Outlay Certificates	
	Principal	Interest
2024	\$ 500,000	\$ 11,980
2025	505,000	4,806
2026	195,000	585
Totals	\$ 1,200,000	\$ 17,371

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

9. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds.	\$ 150,000
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10. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 1,796,103
Special Education	Law	258,295
SDRS Pension Purposes	Law	681,062
Total		\$ 2,735,460

11. Pension Plan:

Plan Information:

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

Benefits Provided:

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

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

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

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

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

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

Contributions:

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

<u>Year</u>	<u>Amount</u>
2023	\$ 260,405
2022	250,079
2021	238,621

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

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

Proportionate share of pension liability	\$ 24,640,559
Less proportionate share of net pension restricted for pension benefits	<u>24,657,055</u>
Proportionate share of net pension (asset)	<u><u>\$ (16,496)</u></u>

At June 30, 2023, the School District reported an (asset) of (\$16,496) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.1745500%, which is a decrease of 0.000701% from its proportion measured as of June 30, 2021.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$86,799. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 314,015	\$ 1,071
Changes in assumption	1,048,440	918,817
Net difference between projected and actual earnings on pension plan investments	--	39,532
Changes in proportion and difference between district contributions and proportionate share of contributions	1,847	721
District contributions subsequent to the measurement date	260,405	--
Total	<u>\$ 1,624,707</u>	<u>\$ 960,141</u>

\$260,405 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 108,873
2025	229,286
2026	(260,940)
2027	326,942
Total	<u>\$ 404,161</u>

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table
Others: PubG-2010 disabled member mortality table

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

Discount Rate:

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

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	\$ 3,425,257	\$ (16,496)	\$ (2,829,318)

Pension Plan Fiduciary Net Position:

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

12. Joint Ventures:

The School District participates in the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

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

Alcester-Hudson	10.13%
Beresford	21.61%
Canton	26.67%
Elk Point-Jefferson	20.99%
Irene-Wakonda	8.54%
Viborg-Hurley	12.06%

The co-op’s governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op’s budget and for 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 Southeast Area Cooperative.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

12. Joint Ventures: (Continued)

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

Assets	\$ 1,286,218
Deferred Outflows of Resources	\$ 496,399
Liabilities	\$ 211,868
Deferred Inflows of Resources	\$ 295,154
Net Position	\$ 1,275,595

13. Risk Management:

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

Employee Health Insurance:

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

Liability Insurance:

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

Workers' Compensation:

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

The School District has Assigned Fund Balances in the amount of \$5,696 for the payment of future unemployment benefits.

During the year ended June 30, 2023, there were no claims for unemployment filed. There are no future expected claims at this time.

Beresford School District No. 61-2
Notes to the Financial Statements
June 30, 2023

14. Significant Contingencies – Litigation:

At June 30, 2023, the school district was not involved in any litigation.

Required Supplementary Information

Beresford School District No. 61-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,808,674	\$ 1,810,174	\$ 1,856,276	\$ 46,102
Prior years' ad valorem taxes	12,000	15,000	17,454	2,454
Utility taxes	72,000	72,000	86,796	14,796
Penalties and interest on taxes	6,000	6,000	5,771	(229)
Earnings on Investments and Deposits	12,000	30,000	44,964	14,964
Cocurricular Activities:				
Admissions	27,550	33,550	41,540	7,990
Other	101,511	103,511	178,764	75,253
Other Revenue from Local Sources:				
Rentals	300	300	200	(100)
Contributions and donations	2,000	8,500	7,500	(1,000)
Charges for services	4,000	4,000	6,793	2,793
Other	14,000	27,000	48,520	21,520
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	71,000	71,000	47,153	(23,847)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	3,299,746	3,299,746	3,180,894	(118,852)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	272,474	272,474	276,770	4,296
Total Revenues	\$ 5,703,255	\$ 5,753,255	\$ 5,799,395	\$ 46,140

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

Beresford School District No. 61-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,333,013	\$ 1,372,013	\$ 1,320,974	\$ 51,039
Middle/junior high	589,713	602,713	615,660	(12,947)
High school	104,733	1,058,733	1,039,544	19,189
Other	1,500	1,500	--	1,500
Special Programs:				
Culturally different	94,025	106,825	110,557	(3,732)
Educationally deprived	109,700	109,700	107,776	1,924
Support Services:				
Students:				
Attendance and social work	--	--	460	(460)
Guidance	146,785	146,785	145,587	1,198
Health	64,505	64,505	65,717	(1,212)
Instructional Staff:				
Improvement of instruction	52,800	52,800	28,111	24,689
Educational media	130,024	130,024	131,967	(1,943)
General Administration:				
Board of education	68,900	79,400	69,128	10,272
Executive administration	184,500	196,450	194,728	1,722
School Administration:				
Office of the principal	414,250	414,250	394,544	19,706
Other	600	600	474	126
Business:				
Fiscal services	148,085	154,685	155,794	(1,109)
Operation and maintenance of plant	755,300	781,300	792,319	(11,019)
Student transportation	333,450	338,450	355,200	(16,750)
Cocurricular Activities:				
Male activities	72,805	77,305	81,860	(4,555)
Female activities	59,003	78,023	84,185	(6,162)
Combined activities	306,547	335,747	398,889	(63,142)
Transportation	18,184	23,784	26,893	(3,109)
Total Expenditures	<u>4,988,422</u>	<u>6,125,592</u>	<u>6,120,367</u>	<u>5,225</u>
Excess of Revenues Over Expenditures	<u>714,833</u>	<u>(372,337)</u>	<u>(320,972)</u>	<u>51,365</u>
Other Financing Sources:				
Operating transfers in	150,000	150,000	150,000	--
Sale of surplus property	--	--	1,340	1,340
Total Other Financing Sources:	<u>150,000</u>	<u>150,000</u>	<u>151,340</u>	<u>1,340</u>
Net Change in Fund Balances	864,833	(222,337)	(169,632)	52,705
Fund Balance, Beginning of Year	<u>1,135,188</u>	<u>1,135,188</u>	<u>1,135,188</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 2,000,021</u>	<u>\$ 912,851</u>	<u>\$ 965,556</u>	<u>\$ 52,705</u>

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

Beresford School District No. 61-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,654,343	\$ 1,654,343	\$ 1,672,532	\$ 18,189
Prior years' ad valorem taxes	7,000	10,000	11,702	1,702
Penalties and interest on taxes	3,500	3,500	2,927	(573)
Earnings on Investments & Deposits	3,000	23,000	29,726	6,726
Other Revenue from Local Sources:				
Other	1,000	7,000	7,795	795
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	26,356	35,268	35,268	--
Total Revenues	<u>1,695,199</u>	<u>1,733,111</u>	<u>1,759,950</u>	<u>26,839</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	62,000	117,000	127,667	(10,667)
Middle/junior high	50,000	25,000	21,603	3,397
High school	60,000	40,000	47,045	(7,045)
Support Services:				
Students:				
Instructional Staff:				
Educational media	6,000	6,000	1,097	4,903
Business:				
Fiscal services	8,000	8,000	7,250	750
Operation and maintenance of plant	361,000	361,000	278,820	82,180
Student transportation	221,031	221,031	132,532	88,499
Debt Services:	510,150	510,150	510,106	44
Cocurricular Activities:				
Male activities	15,000	15,000	16,727	(1,727)
Female activities	15,000	15,000	20,791	(5,791)
Combined Activities	15,000	15,000	10,182	4,818
Total Expenditures	<u>1,323,181</u>	<u>1,333,181</u>	<u>1,173,820</u>	<u>159,361</u>
Excess of Revenue Over (Under) Expenditures	<u>372,018</u>	<u>399,930</u>	<u>586,130</u>	<u>186,200</u>
Other Financing Sources (Uses):				
Transfers out	(150,000)	(150,000)	(150,000)	--
Sale of surplus property	--	--	1,465	1,465
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(148,535)</u>	<u>1,465</u>
Net Change in Fund Balances	222,018	249,930	437,595	187,665
Fund Balance, Beginning of Year	<u>1,344,203</u>	<u>1,344,203</u>	<u>1,344,203</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,566,221</u>	<u>\$ 1,594,133</u>	<u>\$ 1,781,798</u>	<u>\$ 187,665</u>

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

Beresford School District No. 61-2
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 900,100	\$ 900,100	\$ 916,215	\$ 16,115
Prior years' ad valorem taxes	3,000	6,000	6,411	411
Penalties and interest on taxes	2,000	2,000	1,617	(383)
Earnings on Investments & Deposits	1,200	4,000	5,721	1,721
Other Revenue from Local Sources:				
Charges for services	6,800	6,800	8,905	2,105
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	210,000	210,000	223,783	13,783
Total Revenues	<u>1,123,100</u>	<u>1,128,900</u>	<u>1,162,652</u>	<u>33,752</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	987,790	1,027,590	1,001,973	25,617
Support Services:				
Students:				
Psychological	21,000	22,200	36,490	(14,290)
Speech pathology	43,000	43,000	40,770	2,230
Student therapy services	70,700	70,700	68,253	2,447
Instructional staff:				
Improvement of instruction	3,300	3,300	4,073	(773)
Total Expenditures	<u>1,125,790</u>	<u>1,166,790</u>	<u>1,151,559</u>	<u>15,231</u>
Net Change in Fund Balance	(2,690)	(37,890)	11,093	48,983
Fund Balance, Beginning of Year	239,266	239,266	239,266	--
Fund Balance, End of Year	<u>\$ 236,576</u>	<u>\$ 201,376</u>	<u>\$ 250,359</u>	<u>\$ 48,983</u>

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

Beresford School District No. 61-2
Notes to the Required Supplementary Information
June 30, 2023

1. Budgets and Budgetary Accounting:

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

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

2. USGAAP/Budgetary Accounting Basis Difference:

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

Beresford School District No. 61-2

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1745500%	0.1752510%	0.1657686%	0.1646138%	0.1658887%	0.1705069%	0.1617514%	0.1612746%	0.1549141%
District's proportionate share of net pension liability (asset)	\$ (16,496)	\$ (1,342,123)	\$ (7,199)	\$ (17,445)	\$ (3,869)	\$ (15,474)	\$ 546,380	\$ (684,012)	\$ (1,116,093)
District's covered-employee payroll	\$ 4,167,984	\$ 4,027,016	\$ 3,638,111	\$ 3,500,024	\$ 3,448,658	\$ 3,464,355	\$ 3,075,700	\$ 2,944,399	\$ 2,709,010
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.33%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	104.10%

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

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

Beresford School District No. 61-2
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 260,405	\$ 250,079	\$ 238,621	\$ 218,287	\$ 210,002	\$ 206,920	\$ 207,861	\$ 184,542	\$ 176,665	\$ 162,541
Contributions in relation to the contractually-required contribution	<u>260,405</u>	<u>250,079</u>	<u>238,621</u>	<u>218,287</u>	<u>210,002</u>	<u>206,920</u>	<u>207,861</u>	<u>184,542</u>	<u>176,665</u>	<u>162,541</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 4,340,082	\$ 4,167,984	\$ 4,027,016	\$ 3,638,111	\$ 3,500,024	\$ 3,448,658	\$ 3,464,355	\$ 3,075,700	\$ 2,944,399	\$ 2,709,010
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	5.93%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Beresford School District No. 61-2

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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%.

Beresford School District No. 61-2

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

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

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

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

Actuarial Method Changes

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