

Castlewood School District No. 28-1

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

**For the Year Ended
June 30, 2022**

Castlewood School District No. 28-1

School District Officials

June 30, 2022

Board Members

Craig Horn----- Board President

Alisha Nielsen -----Vice President

Todd Ries----- Member

Angela Heyn ----- Member

Jason Julius ----- Member

Peter Books-----Superintendent

Dawn Wiersma -----Business Manager

Castlewood School District No. 28-1

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

School Board
Castlewood School District No. 28-1
Hamlin 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 Castlewood School District No. 28-1, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 30, 2023, which was qualified because management has not implemented the provisions of Governmental Accounting Standards Board Statement No. 84 *Fiduciary Activities* and the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
March 30, 2023



**Independent Auditor’s Report on Compliance for each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

School Board
Castlewood School District No. 28-1
Hamlin County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Castlewood School District No. 28-1, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2022. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Castlewood School District No. 28-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

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

Elk Point, South Dakota
March 30, 2023

Castlewood School District No. 28-1
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements:

An unmodified opinion was issued on the financial statements of the business-type activities and the capital outlay, special education, capital projects governmental funds and the food service and preschool/driver's education enterprise funds. A qualified opinion for not implementing GASB 84 *Fiduciary Activities* and not recording OPEB liabilities was issued for the statements of the governmental activities, the general governmental fund and the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness identified: Yes X None reported

Significant deficiencies identified not considered to be material weaknesses: X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes X None reported

Significant deficiencies identified not considered to be material weaknesses: Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: Yes X No

Identification of major program:

| CFDA Number | Name of Federal Program |
|-------------|---|
| 84.425D | Elementary and Secondary School Emergency Relief Fund |
| 84.425U | American Rescue Plan Elementary and Secondary School Emergency Relief |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes x No

Castlewood School District No. 28-1
Schedule of Prior and Current Audit Findings and Questioned Costs
Year ended June 30, 2022

Section II – Financial Statement Findings

Prior Audit Findings

Finding 2021-001 – Lack of Segregation of Duties

A significant deficiency in internal controls was disclosed by our audit for lack of proper segregation of duties for revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2022-001.

Current Audit Findings

Finding 2022-001 – Lack of Segregation of Duties

Condition: There is a general lack of segregation of duties and monitoring of accounting functions including payroll, journal entries, and reconciliations specifically relating to year-end entries due to the small staff size and lack of involvement of other business office employees in the finance function of the District.

Criteria: Duties within the finance function of the District should be segregated among Business Office employees and activities monitored to mitigate risk of error.

Cause: This condition exists due to small staff size within the finance function of the District. These issues are common in a district of this size.

Effect: The Business Manager performs closing entries and reconciliations without oversight. The possibility of fraud or errors occurring and not being detected or corrected is present.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the Business Manager performing entries and reconciliations without proper oversight, because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: Yes

Section III – Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).

ADMINISTRATION
SUPERINTENDENT
Peter Books
K-12 PRINCIPAL
Angela Keszler
BUSINESS MANAGER
Dawn Wiersma

CASTLEWOOD SCHOOL DISTRICT #28-1

BOARD OF EDUCATION
Craig Horn, President
Alisha Nielsen, V. President
Angela Heyn, Member
Todd Ries, Member
Jason Julius, Member

“Working Together to Build a Foundation for Life”

310 East Harry Street
Castlewood, South Dakota 57223
Phone 605-793-2497 * Fax 605-793-2679

Corrective Action Plan (Unaudited)

Castlewood School District No. 28-1 respectfully submits the following corrective action plan for the year ended June 30, 2022:

Castlewood School District No. 28-1 has considered the lack of segregation of duties. At this time, it is not cost effective for the School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the School District to decrease the likelihood that financial data is adversely affected.

The Castlewood School District’s Board will continue to monitor the necessity to have segregation of duties and implement such segregation as budget dollars and board authority allow.

Name and address of independent public accounting firm:

ELO Prof. LLC
110 W Main
Elk Point, SD 57025

Name of Responsible Person: Dawn Wiersma, Business Manager

Name of Department Contact: Dawn Wiersma, Business Manager

Anticipated Date: Ongoing



Independent Auditor's Report

School Board
Castlewood School District No. 28-1
Hamlin, 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 Castlewood School District No. 28-1, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified 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 Castlewood School District No. 28-1 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 (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 qualified 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 services, 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.

The School District did not adopt Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses/expenditures of the governmental activities, the general governmental fund, and the aggregate remaining fund information is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Handwritten signature in blue ink that reads "CLO Prof LLC".

Elk Point, South Dakota
March 30, 2023

Castlewood School District No. 28-1
Statement of Net Position – Government-Wide
June 30, 2022

| | Primary Government | | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | |
| Assets: | | | |
| Cash and cash equivalents | \$ 2,293,055 | \$ 105,230 | \$ 2,398,285 |
| Investments - certificates of deposit | 150,000 | -- | 150,000 |
| Accounts receivable | 4,815,224 | 150 | 4,815,374 |
| Taxes receivable | 730,837 | -- | 730,837 |
| Other assets | 38,313 | -- | 38,313 |
| Net pension asset | 530,576 | 31,160 | 561,736 |
| Capital assets: | | | |
| Land and construction in progress | 4,632,223 | -- | 4,632,223 |
| Other capital assets, net | 1,831,254 | -- | 1,831,254 |
| Total Assets | 15,021,482 | 136,540 | 15,158,022 |
| Deferred Outflows of Resources: | | | |
| Pension-related deferred outflows | 723,440 | 42,486 | 765,926 |
| Total Deferred Outflows of Resources | 723,440 | 42,486 | 765,926 |
| Liabilities: | | | |
| Unearned revenue | -- | 20,593 | 20,593 |
| Other current liabilities | 3,895,186 | 20,947 | 3,916,133 |
| Long-term liabilities: | | | |
| Due within one year | 257,517 | -- | 257,517 |
| Due in more than one year | 1,333,415 | -- | 1,333,415 |
| Total Liabilities | 5,486,118 | 41,540 | 5,527,658 |
| Deferred Inflows of Resources: | | | |
| Taxes levied for future periods | 719,950 | -- | 719,950 |
| Pension related deferred inflows | 1,028,522 | 60,403 | 1,088,925 |
| Total Deferred Inflows of Resources | 1,748,472 | 60,403 | 1,808,875 |
| Net Position: | | | |
| Net investment in capital assets | 4,894,394 | -- | 4,894,394 |
| Restricted for: | | | |
| Capital outlay | 2,310,443 | -- | 2,310,443 |
| Special education | 259,825 | -- | 259,825 |
| Insurance purposes | 38,313 | -- | 38,313 |
| SDRS pension purposes | 225,494 | 13,242 | 238,736 |
| Unrestricted | 781,863 | 63,841 | 845,704 |
| Total Net Position | \$ 8,510,332 | \$ 77,083 | \$ 8,587,415 |

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

Castlewood School District No. 28-1
Statement of Activities – Government-Wide
June 30, 2022

| 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 | \$ 1,721,663 | \$ -- | \$ 660,100 | \$ (1,061,563) | \$ -- | \$ (1,061,563) |
| Support services | 1,453,048 | 158,992 | 110,080 | (1,183,976) | -- | (1,183,976) |
| Interest on long-term debt* | 29,078 | -- | -- | (29,078) | -- | (29,078) |
| Cocurricular activities | 265,072 | 69,462 | -- | (195,610) | -- | (195,610) |
| Total Governmental Activities | 3,468,861 | 228,454 | 770,180 | (2,470,227) | -- | (2,470,227) |
| Business-Type Activities: | | | | | | |
| Food service | 252,441 | 20,527 | 255,795 | -- | 23,881 | 23,881 |
| Preschool and drivers education | 76,815 | 16,450 | -- | -- | (60,365) | (60,365) |
| Total Business Type Activities | 329,256 | 36,977 | 255,795 | -- | (36,484) | (36,484) |
| Total Primary Government | \$ 3,798,117 | \$ 265,431 | \$ 1,025,975 | (2,470,227) | (36,484) | (2,506,711) |
| | | General Revenues: | | | | |
| | | Taxes: | | | | |
| | | | Property taxes | 1,599,814 | -- | 1,599,814 |
| | | | Gross receipts taxes | 89,994 | -- | 89,994 |
| | | Revenue from state sources: | | | | |
| | | | State aid | 1,632,287 | -- | 1,632,287 |
| | | | Other | 1,307 | -- | 1,307 |
| | | | Unrestricted investment earnings | 1,652 | 38 | 1,690 |
| | | | Other general revenues | 90,271 | -- | 90,271 |
| | | | Transfers | (63,000) | 63,000 | -- |
| | | | Extraordinary items - tornado | 3,661,363 | (50,981) | 3,610,382 |
| | | | Total General Revenues, Extraordinary items, and Transfers | 7,013,688 | 12,057 | 7,025,745 |
| | | | Change in Net Position | 4,543,461 | (24,427) | 4,519,034 |
| | | | Net Position - Beginning of Year | 3,966,871 | 101,510 | 4,068,381 |
| | | | Net Position - End of Year | \$ 8,510,332 | \$ 77,083 | \$ 8,587,415 |

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

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

Castlewood School District No. 28-1

Balance Sheet – Governmental Funds

June 30, 2022

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Capital Projects #2</u> | <u>Capital Projects #1</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------------|------------------------------|--------------------------------|--------------------------------|---|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 729,487 | \$ 551,727 | \$ 295,829 | \$ -- | \$ 716,012 | \$ 2,293,055 |
| Investments - certificates of deposit | 150,000 | -- | -- | -- | -- | 150,000 |
| Accounts receivable | 1,719 | -- | -- | 4,433,941 | -- | 4,435,660 |
| Taxes receivable - current | 288,494 | 225,240 | 206,216 | -- | -- | 719,950 |
| Taxes receivable - delinquent | 5,880 | 2,649 | 2,358 | -- | -- | 10,887 |
| Due from other governments | 126,779 | -- | 3,208 | -- | 249,577 | 379,564 |
| Deposits NPIP Reserve | 23,619 | 14,694 | -- | -- | -- | 38,313 |
| Total Assets | <u>\$ 1,325,978</u> | <u>\$ 794,310</u> | <u>\$ 507,611</u> | <u>\$ 4,433,941</u> | <u>\$ 965,589</u> | <u>\$ 8,027,429</u> |
| Liabilities and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 16,041 | \$ 2,865 | \$ 22,286 | \$ 3,640,598 | \$ -- | \$ 3,681,790 |
| Contracts payable | 144,646 | -- | 15,031 | -- | -- | 159,677 |
| Payroll deductions and withholding and employer matching payable | 49,466 | -- | 4,253 | -- | -- | 53,719 |
| Total Liabilities | <u>210,153</u> | <u>2,865</u> | <u>41,570</u> | <u>3,640,598</u> | <u>--</u> | <u>3,895,186</u> |
| Deferred Inflows of Resources: | | | | | | |
| Taxes levied for future period | 288,494 | 225,240 | 206,216 | -- | -- | 719,950 |
| Delinquent taxes not available | 5,880 | 2,649 | 2,358 | -- | -- | 10,887 |
| Total Deferred Inflows of Resources | <u>294,374</u> | <u>227,889</u> | <u>208,574</u> | <u>--</u> | <u>--</u> | <u>730,837</u> |
| Fund Balances: | | | | | | |
| Nonspendable | 23,619 | 14,694 | -- | -- | -- | 38,313 |
| Restricted: | | | | | | |
| For capital outlay | -- | 548,862 | -- | 793,343 | 965,589 | 2,307,794 |
| For special education | -- | -- | 257,467 | -- | -- | 257,467 |
| Unassigned | 797,832 | -- | -- | -- | -- | 797,832 |
| Total Fund Balances | <u>821,451</u> | <u>563,556</u> | <u>257,467</u> | <u>793,343</u> | <u>965,589</u> | <u>3,401,406</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,325,978</u> | <u>\$ 794,310</u> | <u>\$ 507,611</u> | <u>\$ 4,433,941</u> | <u>\$ 965,589</u> | <u>\$ 8,027,429</u> |

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

Castlewood School District No. 28-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds \$ 3,401,406

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 6,463,477

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

| | | |
|-----------------------------|-----------------|-------------|
| Promissory Note | (169,083) | |
| Capital Outlay Certificates | (1,400,000) | |
| Accrued Leave | <u>(21,849)</u> | (1,590,932) |

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

| | |
|--------------------------------------|--------|
| Delinquent Property Taxes Receivable | 10,887 |
|--------------------------------------|--------|

| | |
|--|---------|
| Proportionate Share of Net Pension Asset | 530,576 |
|--|---------|

| | |
|---|-------------|
| Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. | (1,028,522) |
|---|-------------|

| | |
|---|----------------|
| Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. | <u>723,440</u> |
|---|----------------|

| | |
|--|----------------------------|
| Net Position - Governmental Activities | <u><u>\$ 8,510,332</u></u> |
|--|----------------------------|

Castlewood School District No. 28-1

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

June 30, 2022

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Capital Projects #2</u> | <u>Capital Projects #1</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------|------------------------------|--------------------------------|--------------------------------|---|
| Revenues | | | | | | |
| Revenue from Local Sources: | | | | | | |
| Taxes: | | | | | | |
| Ad valorem taxes | \$ 649,311 | \$ 505,635 | \$ 436,415 | \$ -- | \$ -- | \$ 1,591,361 |
| Prior years' ad valorem taxes | 693 | 271 | 252 | -- | -- | 1,216 |
| Utility taxes | 89,994 | -- | -- | -- | -- | 89,994 |
| Penalties and interest on taxes | 1,651 | 1,317 | 1,068 | -- | -- | 4,036 |
| Earnings on Investments and Deposits | 1,257 | 167 | 210 | -- | 18 | 1,652 |
| Cocurricular Activities: | | | | | | |
| Admissions | 25,260 | -- | -- | -- | -- | 25,260 |
| Rentals | 240 | -- | -- | -- | -- | 240 |
| Other student activity income | 43,962 | -- | -- | -- | -- | 43,962 |
| Other Revenue from Local Sources: | | | | | | |
| Rentals | 7,914 | -- | -- | -- | -- | 7,914 |
| Contributions and donations | 1,574 | 6,025 | -- | -- | -- | 7,599 |
| Services provided other school districts | 19,051 | -- | -- | -- | -- | 19,051 |
| Refund of prior years' expenditures | 113 | -- | -- | -- | -- | 113 |
| Charges for services | 3,329 | -- | 1,307 | -- | -- | 4,636 |
| Other | 5,573 | -- | -- | -- | -- | 5,573 |
| Revenue from Intermediate Sources: | | | | | | |
| County Sources: | | | | | | |
| County apportionment | 13,792 | -- | -- | -- | -- | 13,792 |
| Revenue from State Sources: | | | | | | |
| Grants-in-Aid: | | | | | | |
| Unrestricted grants-in-aid | 1,632,287 | -- | -- | -- | -- | 1,632,287 |
| Restricted grants-in-aid | 1,307 | -- | -- | -- | -- | 1,307 |
| Revenue from Federal Sources: | | | | | | |
| Grants-in-Aid: | | | | | | |
| Restricted grants-in-aid received from federal government through an intermediate source | -- | 88,628 | -- | -- | -- | 88,628 |
| Restricted grants-in-aid received directly from federal government | -- | 21,452 | -- | -- | -- | 21,452 |
| Restricted grants-in-aid received from federal government through the state | 77,016 | -- | 3,208 | -- | 579,876 | 660,100 |
| Total Revenues | <u>\$ 2,574,324</u> | <u>\$ 623,495</u> | <u>\$ 442,460</u> | <u>\$ --</u> | <u>\$ 579,894</u> | <u>\$ 4,220,173</u> |

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

Castlewood School District No. 28-1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2022 (Continued)

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Capital Projects #2</u> | <u>Capital Projects #1</u> | <u>Total Governmental Funds</u> |
|---|----------------|---------------------------|------------------------------|--------------------------------|--------------------------------|---|
| Expenditures | | | | | | |
| Instructional Services: | | | | | | |
| Regular Programs: | | | | | | |
| Elementary | \$ 596,753 | \$ 13,512 | \$ -- | \$ -- | \$ -- | \$ 610,265 |
| Middle/junior high | 221,668 | 6,095 | -- | -- | -- | 227,763 |
| High school | 353,728 | 39,905 | -- | -- | -- | 393,633 |
| Special Programs: | | | | | | |
| Programs for special education | -- | -- | 326,754 | -- | -- | 326,754 |
| Educationally deprived | 77,972 | -- | -- | -- | -- | 77,972 |
| Support Services: | | | | | | |
| Students: | | | | | | |
| Attendance and social work | 289 | -- | -- | -- | -- | 289 |
| Guidance | 66,615 | 1,130 | -- | -- | -- | 67,745 |
| Psychological | -- | -- | 6,492 | -- | -- | 6,492 |
| Health | 44,541 | -- | -- | -- | -- | 44,541 |
| Speech pathology | -- | -- | 11,923 | -- | -- | 11,923 |
| Student therapy services | -- | -- | 7,932 | -- | -- | 7,932 |
| Instructional Staff: | | | | | | |
| Improvement of instruction | 4,823 | -- | 3,704 | -- | -- | 8,527 |
| Educational media | 137,887 | 18,032 | -- | -- | -- | 155,919 |
| General Administration: | | | | | | |
| Board of education | 28,889 | -- | 710 | -- | -- | 29,599 |
| Executive administration | 127,248 | -- | -- | -- | -- | 127,248 |
| School Administration: | | | | | | |
| Office of the principal | 191,279 | -- | -- | -- | -- | 191,279 |
| Other | 322 | -- | -- | -- | -- | 322 |
| Business: | | | | | | |
| Fiscal services | 91,212 | 5,701 | -- | -- | -- | 96,913 |
| Facilities acquisition and construction | -- | 91,490 | -- | -- | -- | 91,490 |
| Operation and maintenance of plant | 242,479 | 16,792 | -- | -- | 20,000 | 279,271 |
| Student transportation | 95,277 | -- | -- | -- | -- | 95,277 |
| Central: | | | | | | |
| Staff | 414 | -- | -- | -- | -- | 414 |
| Special Education: | | | | | | |
| Administrative costs | -- | -- | 4,942 | -- | -- | 4,942 |
| Other special education costs | -- | -- | 64,405 | -- | -- | 64,405 |

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

Castlewood School District No. 28-1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2022 (Continued)

| | <u>General</u> | <u>Capital Outlay</u> | <u>Special Education</u> | <u>Capital Projects #2</u> | <u>Capital Projects #1</u> | <u>Total Governmental Funds</u> |
|---|-------------------|---------------------------|------------------------------|--------------------------------|--------------------------------|---|
| Debt Services | -- | 82,495 | -- | -- | 27,500 | 109,995 |
| Cocurricular Activities: | | | | | | |
| Male activities | 75,492 | 7,313 | -- | -- | -- | 82,805 |
| Female activities | 56,052 | 3,463 | -- | -- | -- | 59,515 |
| Transportation | 23,004 | -- | -- | -- | -- | 23,004 |
| Combined activities | 71,647 | -- | -- | -- | -- | 71,647 |
| Capital Outlay | -- | 491,427 | -- | 3,640,598 | 966,805 | 5,098,830 |
| Total Expenditures | <u>2,507,591</u> | <u>777,355</u> | <u>426,862</u> | <u>3,640,598</u> | <u>1,014,305</u> | <u>8,366,711</u> |
| Excess of Revenue Over (Under) Expenditures | 66,733 | (153,860) | 15,598 | (3,640,598) | (434,411) | (4,146,538) |
| Other Financing Sources (Uses): | | | | | | |
| Transfer in | -- | -- | -- | -- | 1,400,000 | 1,400,000 |
| Transfer out | (63,000) | (1,400,000) | -- | -- | -- | (1,463,000) |
| General long-term debt issued | -- | 1,650,000 | -- | -- | -- | 1,650,000 |
| Sale of surplus property | 64 | 19,361 | -- | -- | -- | 19,425 |
| Compensation for loss of general cap assets | -- | 31,219 | -- | -- | -- | 31,219 |
| Total Other Financing Sources (Uses) | <u>(62,936)</u> | <u>300,580</u> | <u>--</u> | <u>--</u> | <u>1,400,000</u> | <u>1,637,644</u> |
| Extraordinary item - tornado | -- | -- | -- | 4,433,941 | -- | 4,433,941 |
| Net Change in Fund Balances | 3,797 | 146,720 | 15,598 | 793,343 | 965,589 | 1,925,047 |
| Fund Balance, Beginning of Year | 817,654 | 416,836 | 241,869 | -- | -- | 1,476,359 |
| Fund Balance, End of Year | <u>\$ 821,451</u> | <u>\$ 563,556</u> | <u>\$ 257,467</u> | <u>\$ 793,343</u> | <u>\$ 965,589</u> | <u>\$ 3,401,406</u> |

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

Castlewood School District No. 28-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2022

| | |
|--|----------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 1,925,047 |
| 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. | 5,098,830 |
| 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. | (281,015) |
| In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. | (772,578) |
| 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. | |
| Note payable | <u>80,917</u> 80,917 |
| 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." | 3,201 |
| The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. | (1,650,000) |
| Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses. | 221 |
| Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. | <u>138,838</u> |
| Change in net position of governmental activities | <u>\$ 4,543,461</u> |

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

Castlewood School District No. 28-1
Statement of Net Position – Proprietary Funds
June 30, 2022

| | Enterprise Funds | | |
|--|------------------------------|---|-------------------|
| | Food Service Fund | Preschool and Drivers Education Fund | Totals |
| Assets: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 86,802 | \$ 18,428 | \$ 105,230 |
| Accounts receivable, net | -- | 150 | 150 |
| Net pension asset | 20,256 | 10,904 | 31,160 |
| Total Current Assets | <u>107,058</u> | <u>29,482</u> | <u>136,540</u> |
| Total Assets | <u>\$ 107,058</u> | <u>\$ 29,482</u> | <u>\$ 136,540</u> |
| Deferred Outflows of Resources: | | | |
| Pension related deferred outflows | <u>\$ 27,619</u> | <u>\$ 14,867</u> | <u>\$ 42,486</u> |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 459 | \$ 2,127 | \$ 2,586 |
| Contracts payable | 391 | 12,744 | 13,135 |
| Accrued payroll expenses | 1,589 | 3,541 | 5,130 |
| Accrued leave payable | 45 | 51 | 96 |
| Unearned revenue | 20,593 | -- | 20,593 |
| Total Current Liabilities | <u>23,077</u> | <u>18,463</u> | <u>41,540</u> |
| Deferred Inflows of Resources: | | | |
| Pension related deferred inflows | <u>39,266</u> | <u>21,137</u> | <u>60,403</u> |
| Net Position: | | | |
| Restricted net position-pension | 8,609 | 4,633 | 13,242 |
| Unrestricted net position | <u>63,725</u> | <u>116</u> | <u>63,841</u> |
| Total Net Position | <u>\$ 72,334</u> | <u>\$ 4,749</u> | <u>\$ 77,083</u> |

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

Castlewood School District No. 28-1

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2022

| | Enterprise Funds | | Totals |
|---|------------------------------|---|------------------|
| | Food Service Fund | Preschool and Drivers Education Fund | |
| Operating Revenue: | | | |
| Food Sales: | | | |
| Student | \$ 13,852 | \$ -- | \$ 13,852 |
| Adult | 5,827 | -- | 5,827 |
| Ala carte | 326 | -- | 326 |
| Other charges for goods and services | 522 | 16,450 | 16,972 |
| Total Operating Revenue | 20,527 | 16,450 | 36,977 |
| Operating Expenses: | | | |
| Food Service: | | | |
| Salaries | 66,683 | 56,139 | 122,822 |
| Employee benefits | 29,837 | 17,144 | 46,981 |
| Purchased services | 20,425 | 1,808 | 22,233 |
| Supplies | 12,046 | 1,724 | 13,770 |
| Cost of sales - purchased | 99,248 | -- | 99,248 |
| Cost of sales - donated | 20,677 | -- | 20,677 |
| Other | 290 | -- | 290 |
| Depreciation | 3,235 | -- | 3,235 |
| Total Operating Expenses | 252,441 | 76,815 | 329,256 |
| Operating Income(Loss) | (231,914) | (60,365) | (292,279) |
| Nonoperating Revenues/Expenses: | | | |
| Investment earnings | 34 | 4 | 38 |
| Loss on disposal of capital assets | (50,981) | -- | (50,981) |
| State grants | 625 | -- | 625 |
| Federal grants | 235,013 | -- | 235,013 |
| Donated food | 20,157 | -- | 20,157 |
| Total Nonoperating Revenue/ (Expenses) | 204,848 | 4 | 204,852 |
| Income (Loss) Before Contributions and Transfers | (27,066) | (60,361) | (87,427) |
| Transfer | -- | 63,000 | 63,000 |
| Change in Net Position | (27,066) | 2,639 | (24,427) |
| Net Position - Beginning of Year | 99,400 | 2,110 | 101,510 |
| Net Position - End of Year | \$ 72,334 | \$ 4,749 | \$ 77,083 |

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

Castlewood School District No. 28-1
Statement of Cash Flows – Proprietary Funds
June 30, 2022

| | <u>Food Service</u> <u>Fund</u> | <u>Preschool and</u> <u>Drivers Education</u> <u>Fund</u> | <u>Totals</u> |
|---|------------------------------------|---|--------------------------|
| Cash Flows from Operating Activities | | | |
| Cash receipts from customers | \$ 28,075 | \$ 16,570 | \$ 44,645 |
| Cash payments to suppliers | (128,038) | (2,948) | (130,986) |
| Cash payments to employees | (101,632) | (71,644) | (173,276) |
| Net Cash (Used) by Operating Activities | <u>(201,595)</u> | <u>(58,022)</u> | <u>(259,617)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers in | -- | 63,000 | 63,000 |
| Cash reimbursements - state | 625 | -- | 625 |
| Cash reimbursements - federal | 235,013 | -- | 235,013 |
| Net Cash Provided by Noncapital Financing Activities | <u>235,638</u> | <u>63,000</u> | <u>298,638</u> |
| Cash Flows from Investing Activities: | | | |
| Investment Earnings | 34 | 4 | 38 |
| Net Cash Provided by Investing Activities | <u>34</u> | <u>4</u> | <u>38</u> |
| Net Change in Cash and Cash Equivalents | 34,077 | 4,982 | 39,059 |
| Cash and Cash Equivalents, Beginning of Year | 52,725 | 13,446 | 66,171 |
| Cash and Cash Equivalents, End of Year | <u>\$ 86,802</u> | <u>\$ 18,428</u> | <u>\$ 105,230</u> |
| Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities: | | | |
| Operating (Loss) | \$ (231,914) | \$ (60,365) | \$ (292,279) |
| Adjustments to reconcile operating (loss) to net cash (used) by operating activities: | | | |
| Depreciation expense | 3,235 | -- | 3,235 |
| Value of commodities used | 20,677 | -- | 20,677 |
| Change in Assets and Liabilities: | | | |
| Accounts receivable | -- | 120 | 120 |
| Inventory | 3,512 | -- | 3,512 |
| Deferred revenue | 7,548 | -- | 7,548 |
| Contracts payable | 132 | 3,759 | 3,891 |
| Accrued payroll expenses | (5,244) | (2,120) | (7,364) |
| Accounts payable | 459 | 584 | 1,043 |
| Net cash (used) by operating activities: | <u>\$ (201,595)</u> | <u>\$ (58,022)</u> | <u>\$ (259,617)</u> |
| Noncash Investing, Capital and Financing Activities | | | |
| Value of commodities received | <u>\$ 20,157</u> | <u>\$ --</u> | <u>\$ 20,157</u> |

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

Castlewood School District No. 28-1
Statement of Net Position – Fiduciary Funds
June 30, 2022

| | <u>Custodial Funds</u> |
|---------------------------|--------------------------------|
| Assets: | |
| Cash and cash equivalents | <u>\$ 20,182</u> |
| Total Assets | <u><u>\$ 20,182</u></u> |
| Liabilities: | |
| Amount held for others | <u>\$ 20,182</u> |
| Total Liabilities | <u><u>\$ 20,182</u></u> |

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Castlewood School District No. 28-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

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

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

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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

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

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.

The HVAC Capital Project Fund was opened in FY22.

The Tornado Capital Project Fund is for the construction and restoration of school assets destroyed by a Tornado. This fund was opened in FY22.

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.

Preschool/Drivers Education Fund: A fund used to record financial transactions related to preschool and driver’s education. This fund is financed by user charges and transfers from General Fund. This is a major fund.

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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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).

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 Castlewood School District No. 28-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2022 are due from federal government for grants and utility taxes.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

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

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately .28% 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, 2022 balance of capital assets for business-type activities are all valued at original cost.

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

| | Capitalization Threshold | Depreciation/ Amortization Method | Estimated Useful Life |
|-------------------------|-------------------------------------|--|----------------------------------|
| Land* | All Land | -- | -- |
| Intangible Lease Assets | \$ 45,000 | Straight-line | 5-50 years |
| Buildings | \$ 25,000 | Straight-line | 15-50 years |
| Improvements | \$ 10,000 | Straight-line | 10-15 years |
| Equipment | \$ 5,000 | Straight-line | 5-15 years |

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

Fund Financial Statements:

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. Long-Term Liabilities:

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

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

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

h. Deferred Outflows/Inflows of Resources:

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.

i. Program Revenues:

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 Government does not have a formal minimum fund balance policy.

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. Use of Estimates:

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

p. Pensions:

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

q. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

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.

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

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

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

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

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

3. Inventory:

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

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2022.

4. Property Tax:

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

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

5. 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 and no allowance has been provided for uncollectible amounts.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets:

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

| | <u>6/30/2021</u> | | | <u>6/30/2022</u> |
|---|---------------------|---------------------|-------------------|---------------------|
| | <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> |
| Governmental Activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 24,820 | \$ -- | \$ -- | \$ 24,820 |
| Construction in progress | -- | 4,607,403 | -- | 4,607,403 |
| Total capital assets not being depreciated/amortized | <u>24,820</u> | <u>4,607,403</u> | <u>--</u> | <u>4,632,223</u> |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | 4,519,189 | -- | 1,765,789 | 2,753,400 |
| Improvements | 296,866 | 174,000 | -- | 470,866 |
| Machinery & equipment | 942,524 | 317,427 | 201,447 | 1,058,504 |
| Total capital assets being depreciated/amortized | <u>5,758,579</u> | <u>491,427</u> | <u>1,967,236</u> | <u>4,282,770</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | 2,616,628 | 95,650 | 1,032,459 | 1,679,819 |
| Improvements | 246,660 | 23,676 | -- | 270,336 |
| Machinery & equipment | 501,871 | 161,689 | 162,199 | 501,361 |
| Total accumulated depreciation/amortization | <u>3,365,159</u> | <u>281,015</u> | <u>1,194,658</u> | <u>2,451,516</u> |
| Total capital assets being depreciated/amortized, net | <u>2,393,420</u> | <u>210,412</u> | <u>772,578</u> | <u>1,831,254</u> |
| Net Capital Assets | <u>\$ 2,418,240</u> | <u>\$ 4,817,815</u> | <u>\$ 772,578</u> | <u>\$ 6,463,477</u> |

Depreciation/amortization expense was charged to functions as follows:

| | |
|---|-------------------|
| Instruction | \$ 85,277 |
| Support services | 84,304 |
| Amortization | 83,333 |
| Co-curricular activities | 28,101 |
| Total Depreciation/ Amortization Expense | <u>\$ 281,015</u> |

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets: (Continued)

| | <u>Balance 6/30/21</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance 6/30/2022</u> |
|---|----------------------------|-------------------|------------------|------------------------------|
| Business-Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 25,000 | \$ -- | \$ 25,000 | \$ -- |
| Capital assets, being depreciated: | | | | |
| Equipment | 106,415 | -- | 106,415 | -- |
| Less accumulated depreciation for: | | | | |
| Less: Accumulated Depreciation | 77,199 | 3,235 | 80,434 | -- |
| Total capital assets being depreciated, net | <u>\$ 54,216</u> | <u>\$ (3,235)</u> | <u>\$ 50,981</u> | <u>\$ --</u> |

Depreciation expense was charged to functions as follows:

| | |
|---------------------------|-----------------|
| Business-type activities: | |
| Food service | <u>\$ 3,235</u> |

Construction Work in Progress at June30, 2022 is comprised of the following:

| <u>Project Name</u> | <u>Project Authorization</u> | <u>Through 6/30/2022</u> | <u>Committed</u> |
|----------------------------|----------------------------------|------------------------------|-------------------|
| HVAC Replacement | \$ 1,400,000 | \$ 966,805 | \$ 433,195 |
| Tornado Damage/Roof Repair | 4,200,000 | 3,640,598 | 559,402 |
| Total Work in Progress | <u>\$ 5,600,000</u> | <u>\$ 4,607,403</u> | <u>\$ 992,597</u> |

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities:

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

| | <u>6/30/2021</u> | <u>Increase</u> | <u>Decrease</u> | <u>6/30/2022</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------|---------------------|-------------------|---------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Capital Outlay Certificates: | | | | | |
| Capital outlay certificates | \$ -- | \$ 1,400,000 | \$ -- | \$ 1,400,000 | \$ 105,000 |
| Other Liabilities: | | | | | |
| Compensated absences | 22,070 | 21,849 | 22,070 | 21,849 | 21,849 |
| Note payable | -- | 250,000 | 80,917 | 169,083 | 130,668 |
| Total Governmental Activities | <u>\$ 22,070</u> | <u>\$ 1,671,849</u> | <u>\$ 102,987</u> | <u>\$ 1,590,932</u> | <u>\$ 257,517</u> |
| Business-Type Activities: | | | | | |
| Other Liabilities: | | | | | |
| Compensated absences | \$ 884 | \$ 96 | \$ 884 | \$ 96 | \$ -- |
| Total Business-Type Activities | <u>\$ 884</u> | <u>\$ 96</u> | <u>\$ 884</u> | <u>\$ 96</u> | <u>\$ --</u> |

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

Compensated Absences –

| | |
|---|-----------|
| Governmental - Payable from the fund to which payroll expenditures are charged | \$ 21,849 |
| Business-Type - Payable from the fund to which payroll expenditures are charged | \$ 96 |

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

| | | |
|--|---|--------------|
| Castlewood School District No 28-1 Capital Outlay Certificates Series 2022 | During April, 2022, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$1,400,000. There is an interest rate from 2.52% assessed on these certificates. Final payment is December 2034. The Capital Outlay Fund makes payment on this debt. | \$ 1,400,000 |
| Castlewood School District No 28-1 Promissory Note | During July 2021, the School District entered into an agreement with Citizens State Bank to receive \$250,000 for the purchase of computer equipment. There is an interest rate from 2.95% assessed on this note. Final payment is July 2023. The Capital Outlay Fund makes payment on this debt. | \$ 169,083 |

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

The annual requirements to amortize the Capital Outlay Certificates and Promissory Note outstanding at June 30, 2022, are as follows:

| Year Ending June 30, | Promissory Note | | Capital Outlay Certificates | | Totals | |
|-------------------------|-------------------|-----------------|-----------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 130,668 | \$ 4,988 | \$ 105,000 | \$ 38,661 | \$ 235,668 | \$ 43,649 |
| 2024 | 38,415 | 1,133 | 95,000 | 31,437 | 133,415 | 32,570 |
| 2025 | -- | -- | 95,000 | 29,043 | 95,000 | 29,043 |
| 2026 | -- | -- | 100,000 | 26,586 | 100,000 | 26,586 |
| 2027 | -- | -- | 100,000 | 24,066 | 100,000 | 24,066 |
| 2028-2032 | -- | -- | 545,000 | 80,325 | 545,000 | 80,325 |
| 2033-2037 | -- | -- | 360,000 | 13,860 | 360,000 | 13,860 |
| Totals | <u>\$ 169,083</u> | <u>\$ 6,121</u> | <u>\$ 1,400,000</u> | <u>\$ 243,978</u> | <u>\$ 1,569,083</u> | <u>\$ 250,099</u> |

8. Interfund Transfers:

Transfers to/from other funds at June 30, 2022, consist of the following:

| | |
|---|--------------|
| Transfer from the General Fund to the Other Enterprise Fund for Expenses. | \$ 63,000 |
| Transfer from the Capital Outlay Fund to the Capital Projects Fund to fund the capital projects fund from proceeds of long-term debt. | \$ 1,400,000 |

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

9. Restricted Net Position:

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

| <u>Purpose</u> | <u>Restricted By</u> | <u>Amount</u> |
|-----------------------|----------------------|---------------------|
| Major Purposes: | | |
| Capital Outlay | Law | \$ 2,310,443 |
| Special Education | Law | 259,825 |
| Insurance Purposes | Law | 38,313 |
| SDRS Pension Purposes | Law | 238,736 |
| Total | | <u>\$ 2,847,317</u> |

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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.

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022 | \$ 98,704 |
| 2021 | \$ 99,873 |
| 2020 | \$ 96,250 |

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

| | |
|---|----------------------------|
| Proportionate share of pension liability | \$ 10,170,983 |
| Less proportionate share of net pension restricted for pension benefits | 10,732,719 |
| Proportionate share of net pension (asset) | <u><u>\$ (561,736)</u></u> |

At June 30, 2022, the School District reported an (asset) of (\$561,736) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 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, 2021, the School District's proportion was 0.07335000%, which is an increase of 0.0002570% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of (\$147,221). At June 30, 2022, 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 | \$ 20,168 | \$ 1,473 |
| Changes in assumption | 645,990 | 281,309 |
| Net difference between projected and actual earnings on pension plan investments | -- | 802,450 |
| Changes in proportion and difference between district contributions and proportionate share of contributions | 1,064 | 3,693 |
| District contributions subsequent to the measurement date | 98,704 | -- |
| Total | <u><u>\$ 765,926</u></u> | <u><u>\$ 1,088,925</u></u> |

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

\$98,704 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

| Year Ended | |
|-------------------|---------------------|
| June 30, | |
| 2023 | \$ (105,457) |
| 2024 | (70,971) |
| 2025 | (19,530) |
| 2026 | (225,745) |
| Total | <u>\$ (421,703)</u> |

e. Actuarial Assumptions:

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

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

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

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global equity | 58.0% | 4.3% |
| Fixed income | 30.0% | 1.6% |
| Real estate | 10.0% | 4.6% |
| Cash | 2.0% | 0.9% |
| Total | <u>100.0%</u> | |

f. Discount Rate:

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

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

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|-----------------------|
| District's proportionate share of the net pension liability (asset) | <u>\$ 909,589</u> | <u>\$ (561,736)</u> | <u>\$ (1,756,109)</u> |

h. Pension Plan Fiduciary Net Position:

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

11. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members. The coverage includes the option of three different plans with a deductible from \$2,000 to \$4,000.

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

Liability Insurance:

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

Workers' Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

The School District annually budgets an amount in the General Fund for the payment of future unemployment benefits.

During the year ended June 30, 2022, no claims for unemployment were paid.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

12. Joint Ventures:

The School District participates in the Northeast Educational Services 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:

| | | | |
|--|--------------------------------|--|-------|
| | Henry School District No. 14-2 | 2.24% | |
| Arlington School District No. 38-1 | 3.26% | Iroquois School District No. 2-3 | 2.55% |
| Britton-Hecla School District No. 45-4 | 5.42% | Lake Preston School District No. 38-3 | 2.09% |
| Castlewood School District No. 28-1 | 3.95% | Oldham/Ramona School District No. 39-5 | 1.92% |
| Clark School District No. 12-2 | 5.49% | Rosholt School District No. 54-4 | 3.03% |
| DeSmet School District No. 38-2 | 3.60% | Rutland School District No. 39-4 | 2.21% |
| Deubrook School District No. 5-2 | 4.84% | Sioux Valley School District No. 5-5 | 8.35% |
| Deuel School District No. 19-4 | 6.51% | Summit School District No. 54-6 | 2.12% |
| Elkton School District No. 5-3 | 5.03% | Waubay School District No. 18-3 | 2.32% |
| Enemy Swim Day School | 1.69% | Waverly School District No. 14-5 | 3.17% |
| Estelline School District No. 28-2 | 3.42% | Webster School District No. 18-4 | 6.25% |
| Florence School District No. 14-1 | 3.59% | Willow Lake School District No. 12-3 | 3.51% |
| Hamlin School District No. 28-3 | 10.72% | Wilmot School District No. 54-7 | 2.72% |

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

At June 30, 2022, this joint venture had a total of \$1,232,381 net position, total liabilities and deferred inflows of resources of \$942,990, and net assets and deferred inflows of resources of \$2,175,371.

The school district participates in the Northeast Technical High School for the purpose of providing vocational education. Member school districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2022

12. Joint Ventures: (Continued)

The members of Northeast Technical High School and their relative participation are as follows:

| | |
|------------------------------------|--------|
| Castlewood School District No 28-1 | 4.88% |
| Florence School District No. 14-1 | 4.51% |
| Great Plains Lutheran School | 6.26% |
| Hamlin School District No. 28-3 | 6.32% |
| Henry School District No. 14-2 | 3.13% |
| Summit School District No. 54-6 | 3.24% |
| Watertown School District No. 14-4 | 67.52% |
| Waverly School District No. 14-5 | 4.14% |

The Northeast Technical High School’s governing board is composed of three Watertown School Board Members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School’s director, the superintendent of the Watertown School District, and one other superintendent of a member school district that is appointed by the governing board.

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

Separate financial statements for this joint venture are available from Northeast Technical High School.

At June 30, 2022, this joint venture’s statement of net position is as follows:

| | |
|--------------------------------|-----------|
| Assets | 1,665,110 |
| Deferred Outflows of Resources | 334,713 |
| Liabilities | 119,965 |
| Deferred Inflows of Resources | 466,815 |
| Net Position | 1,413,043 |

13. Significant Unusual and/or Infrequent Transactions:

In May 2022, the School District received significant wind and tornado damage. Amounts relating to this damage is reported as “extraordinary item – tornado” in the financial statements.

14. Subsequent Events:

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

Required Supplementary Information

Castlewood School District No. 28-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$ 634,550 | \$ 634,550 | \$ 649,311 | \$ 14,761 |
| Prior years' ad valorem taxes | 1,700 | 1,700 | 693 | (1,007) |
| Utility taxes | 60,000 | 60,000 | 89,994 | 29,994 |
| Penalties and interest on taxes | 1,750 | 1,750 | 1,651 | (99) |
| Earnings on Investments and Deposits | 2,000 | 2,000 | 1,257 | (743) |
| Cocurricular Activities: | | | | |
| Admissions | 20,000 | 20,000 | 25,260 | 5,260 |
| Rentals | 400 | 400 | 240 | (160) |
| Other student activity income | 29,600 | 29,600 | 43,962 | 14,362 |
| Other Revenue from Local Sources: | | | | |
| Rentals | 5,000 | 5,000 | 7,914 | 2,914 |
| Contributions and donations | 1,000 | 1,000 | 1,574 | 574 |
| Services provided other school districts | 19,105 | 19,105 | 19,051 | (54) |
| Refund of prior years' expenditures | -- | -- | 113 | 113 |
| Charges for services | 2,000 | 2,000 | 3,329 | 1,329 |
| Other | 8,000 | 8,000 | 5,573 | (2,427) |
| Revenue from Intermediate Sources: | | | | |
| County Sources: | | | | |
| County apportionment | 9,000 | 9,000 | 13,792 | 4,792 |
| Revenue in lieu of taxes | 100 | 100 | -- | (100) |
| Revenue from State Sources: | | | | |
| Grants-in-Aid: | | | | |
| Unrestricted grants-in-aid | 1,620,326 | 1,620,326 | 1,632,287 | 11,961 |
| Restricted grants-in-aid | -- | -- | 1,307 | 1,307 |
| Other state revenues | 500 | 500 | -- | (500) |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted grants-in-aid received from federal government through the state | 84,237 | 84,237 | 77,016 | (7,221) |
| Total Revenues | \$ 2,499,268 | \$ 2,499,268 | \$ 2,574,324 | \$ 75,056 |

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

Castlewood School District No. 28-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022 (Continued)

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Regular programs: | | | | |
| Elementary | \$ 587,990 | \$ 603,990 | \$ 596,753 | \$ 7,237 |
| Middle/junior high | 229,005 | 229,005 | 221,668 | 7,337 |
| High school | 360,250 | 360,250 | 353,728 | 6,522 |
| Special programs: | | | | |
| Educationally deprived | 87,275 | 87,275 | 77,972 | 9,303 |
| Support Services: | | | | |
| Students: | | | | |
| Attendance and social work | 750 | 750 | 289 | 461 |
| Guidance | 66,495 | 66,615 | 66,615 | -- |
| Health | 47,905 | 47,905 | 44,541 | 3,364 |
| Instructional Staff: | | | | |
| Improvement of instruction | 8,624 | 8,624 | 4,823 | 3,801 |
| Educational media | 156,596 | 156,596 | 137,887 | 18,709 |
| General Administration: | | | | |
| Board of education | 32,570 | 32,795 | 28,889 | 3,906 |
| Executive administration | 134,865 | 134,865 | 127,248 | 7,617 |
| School Administration: | | | | |
| Office of the principal | 207,725 | 207,725 | 191,279 | 16,446 |
| Other | 300 | 350 | 322 | 28 |
| Business: | | | | |
| Fiscal services | 90,495 | 91,215 | 91,212 | 3 |
| Operation and maintenance of plant | 258,160 | 258,660 | 242,479 | 16,181 |
| Student transportation | 113,760 | 113,760 | 95,277 | 18,483 |
| Central: | | | | |
| Staff | 800 | 800 | 414 | 386 |
| Nonprogrammed Charges: | | | | |
| Insurance costs | 2,000 | 2,000 | -- | 2,000 |
| Cocurricular Activities: | | | | |
| Male activities | 64,765 | 78,327 | 75,492 | 2,835 |
| Female activities | 59,095 | 60,555 | 56,052 | 4,503 |
| Transportation | 21,755 | 23,005 | 23,004 | 1 |
| Combined activities | 66,397 | 81,395 | 71,647 | 9,748 |
| Total Expenditures | <u>2,597,577</u> | <u>2,646,462</u> | <u>2,507,591</u> | <u>138,871</u> |
| Excess of Revenues Over Expenditures | <u>(98,309)</u> | <u>(147,194)</u> | <u>66,733</u> | <u>213,927</u> |
| Other Financing Sources: | | | | |
| Operating transfers in | 200,000 | 200,000 | -- | (200,000) |
| Operating transfers out | (81,895) | (81,895) | (63,000) | 18,895 |
| Sale of surplus property | -- | -- | 64 | 64 |
| Total Other Financing Sources: | <u>118,105</u> | <u>118,105</u> | <u>(62,936)</u> | <u>(181,041)</u> |
| Net Change in Fund Balances | 19,796 | (29,089) | 3,797 | 32,886 |
| Fund Balance, Beginning of Year | <u>817,654</u> | <u>817,654</u> | <u>817,654</u> | <u>--</u> |
| Fund Balance, End of Year | <u>\$ 837,450</u> | <u>\$ 788,565</u> | <u>\$ 821,451</u> | <u>\$ 32,886</u> |

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

Castlewood School District No. 28-1

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$ 495,000 | \$ 495,000 | \$ 505,635 | \$ 10,635 |
| Prior years' ad valorem taxes | 100 | 100 | 271 | 171 |
| Penalties and interest on taxes | 1,000 | 1,000 | 1,317 | 317 |
| Earnings on Investments & Deposits | 800 | 800 | 167 | (633) |
| Other Revenue from Local Sources: | | | | |
| Contributions and donations | 500 | 500 | 6,025 | 5,525 |
| Other | 50 | 50 | -- | (50) |
| Revenue from Intermediate Sources: | | | | |
| Revenue in lieu of taxes | 150 | 150 | -- | (150) |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted grants-in-aid received from federal government through an intermediate source | -- | -- | 88,628 | 88,628 |
| Restricted grants-in-aid received directly from federal government | -- | 14,655 | 21,452 | 6,797 |
| Restricted grants-in-aid received from federal government through the state | 208,618 | 208,618 | -- | (208,618) |
| Total Revenues | 706,218 | 720,873 | 623,495 | (97,378) |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Regular programs: | | | | |
| Elementary | 88,300 | 90,298 | 73,512 | 16,786 |
| Middle/junior high | 30,435 | 33,825 | 31,095 | 2,730 |
| High school | 169,150 | 180,583 | 179,905 | 678 |
| Support Services: | | | | |
| Students: | | | | |
| Guidance | 1,200 | 1,200 | 1,130 | 70 |
| Instructional Staff: | | | | |
| Educational media | 22,000 | 24,387 | 18,032 | 6,355 |
| Business: | | | | |
| Fiscal services | 6,000 | 6,000 | 5,701 | 299 |
| Facilities acquisition and construction | 396,033 | 396,033 | 265,490 | 130,543 |
| Operation and maintenance of plant | 94,550 | 113,544 | 109,219 | 4,325 |
| Debt Services | 83,000 | 83,000 | 82,495 | 505 |
| Cocurricular Activities: | | | | |
| Male activities | 12,200 | 12,200 | 7,313 | 4,887 |
| Female activities | 3,250 | 3,620 | 3,463 | 157 |
| Total Expenditures | 906,118 | 944,690 | 777,355 | 167,335 |
| Excess of Revenue Over (Under) | | | | |
| Expenditures | (199,900) | (223,817) | (153,860) | 69,957 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (200,000) | (1,600,000) | (1,400,000) | 200,000 |
| Proceeds of general long-term liabilities | 247,480 | 1,647,480 | 1,650,000 | 2,520 |
| Sale of surplus property | 500 | 500 | 19,361 | 18,861 |
| Compensation for loss of general cap assets | -- | -- | 31,219 | 31,219 |
| Total Other Financing Sources (Uses) | 47,980 | 47,980 | 300,580 | 252,600 |
| Net Change in Fund Balances | (151,920) | (175,837) | 146,720 | 322,557 |
| Fund Balance, Beginning of Year | 416,836 | 416,836 | 416,836 | -- |
| Fund Balance, End of Year | \$ 264,916 | \$ 240,999 | \$ 563,556 | \$ 322,557 |

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

Castlewood School District No. 28-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| Revenues | | | | |
| Revenue from Local Sources: | | | | |
| Taxes: | | | | |
| Ad valorem taxes | \$ 431,365 | \$ 431,365 | \$ 436,415 | \$ 5,050 |
| Prior years' ad valorem taxes | 700 | 700 | 252 | (448) |
| Penalties and interest on taxes | 1,000 | 1,000 | 1,068 | 68 |
| Earnings on Investments & Deposits | 500 | 500 | 210 | (290) |
| Other Revenue from Local Sources: | | | | |
| Charges for services | 1,600 | 1,600 | 1,307 | (293) |
| Revenue from Intermediate Sources: | | | | |
| Revenue in lieu of taxes | 150 | 150 | -- | (150) |
| Revenue from Federal Sources: | | | | |
| Grants-in-Aid: | | | | |
| Restricted grants-in-aid received from federal government through the state | -- | -- | 3,208 | 3,208 |
| Total Revenues | <u>435,315</u> | <u>435,315</u> | <u>442,460</u> | <u>7,145</u> |
| Expenditures | | | | |
| Instructional Services: | | | | |
| Special Programs: | | | | |
| Programs for special education | 381,488 | 381,488 | 326,754 | 54,734 |
| Support Services: | | | | |
| Students: | | | | |
| Psychological | 10,095 | 10,095 | 6,492 | 3,603 |
| Speech pathology | 18,845 | 18,845 | 11,923 | 6,922 |
| Student therapy services | 12,346 | 12,346 | 7,932 | 4,414 |
| Instructional Staff: | | | | |
| Improvement of instruction | 3,782 | 3,782 | 3,704 | 78 |
| General Administration: | | | | |
| Board of education | 876 | 876 | 710 | 166 |
| Special Education: | | | | |
| Administrative costs | 15,365 | 15,365 | 4,942 | 10,423 |
| Transportation costs | 2,020 | 2,020 | -- | 2,020 |
| Other special education costs | 72,000 | 78,315 | 64,405 | 13,910 |
| Total Expenditures | <u>516,817</u> | <u>523,132</u> | <u>426,862</u> | <u>96,270</u> |
| Net Change in Fund Balance | (81,502) | (87,817) | 15,598 | 103,415 |
| Fund Balance, Beginning of Year | <u>241,869</u> | <u>241,869</u> | <u>241,869</u> | <u>--</u> |
| Fund Balance, End of Year | <u>\$ 160,367</u> | <u>\$ 154,052</u> | <u>\$ 257,467</u> | <u>\$ 103,415</u> |

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

Castlewood School District No. 28-1
Notes to the Required Supplementary Information
June 30, 2022

1. Basis of Presentation:

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

2. Budgets and Budgetary Accounting:

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

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

Castlewood School District No. 28-1

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

| | <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) | 0.0733500% | 0.0730930% | 0.0740630% | 0.0720323% | 0.0713048% | 0.0700864% | 0.0719581% | 0.0739790% |
| District's proportionate share of net pension liability (asset) | \$ (561,735) | \$ (3,174) | \$ (7,849) | \$ (1,680) | \$ (6,471) | \$ 236,745 | \$ (305,195) | \$ (532,988) |
| District's covered-employee payroll | \$ 1,664,550 | \$ 1,604,168 | \$ 1,574,729 | \$ 1,497,379 | \$ 1,429,847 | \$ 1,332,692 | \$ 1,313,737 | \$ 1,293,683 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 33.75% | 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) | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% | 96.89% | 104.10% | 107.30% |

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

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

Castlewood School District No. 28-1
Schedule of the School District Contributions South Dakota Retirement System

| | <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 | \$ 98,704 | \$ 99,873 | \$ 96,250 | \$ 94,484 | \$ 89,843 | \$ 86,993 | \$ 79,962 | \$ 78,825 | \$ 77,621 |
| Contributions in relation to the contractually-required contribution | <u>98,704</u> | <u>99,873</u> | <u>96,250</u> | <u>94,484</u> | <u>89,843</u> | <u>86,993</u> | <u>79,962</u> | <u>78,825</u> | <u>77,621</u> |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| District's covered-employee payroll | \$ 1,645,070 | \$ 1,664,550 | \$ 1,604,168 | \$ 1,574,729 | \$ 1,497,379 | \$ 1,429,847 | \$ 1,332,692 | \$ 1,313,737 | \$ 1,293,683 |
| Contributions as a percentage of employee-covered payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.08% | 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.

Castlewood School District No. 28-1

Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

Supplementary Information

Castlewood School District No. 28-1
Schedule of Expenditures of Federal Awards
June 30, 2022

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal Assistance Listing Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|--|---|-----------------------------|
| U.S. Department of Agriculture: | | | |
| Pass through the S.D Department of Education | | | |
| Child Nutrition Cluster: | | | |
| Non-Cash Assistance (Commodities): | | | |
| National School Lunch Program | 10.555 | NA | \$ 20,677 |
| Cash Assistance: | | | |
| School Breakfast Program (Note 3) | 10.553 | NA | 39,461 |
| National School Lunch Program (Note 3) | 10.555 | NA | <u>187,908</u> |
| Total Child Nutrition Cluster | | | <u>248,046</u> |
| Other Programs: | | | |
| Discretionary Grants | 10.579 | | <u>7,644</u> |
| Total U.S. Department of Agriculture | | | <u>255,690</u> |
| U.S. Department of the FEMA | | | |
| Pass Through SD Office of Emergency Management | | | |
| Emergency Shelter Generator | 97.039 | NA | <u>88,628</u> |
| Total U.S. Department of Interior | | | <u>88,628</u> |
| U.S. Department of Education: | | | |
| Pass through the S.D. Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | NA | 58,268 |
| Rural Education | 84358 | NA | 21,452 |
| Supporting Effective Instruction State Grant | 84.367 | NA | 8,748 |
| Student Support and Academic Enrichment Program | 84.424A | NA | 10,000 |
| Elementary and Secondary School Emergency Relief Fund (Note 4) | 84.425D | NA | 208,618 |
| American Rescue Plan Elementary and Secondary School Emergency Relief (Note 4) | 84.425U | NA | <u>374,466</u> |
| Total ESSER Funds | | | <u>583,084</u> |
| Total U.S. Department of Education | | | <u>681,552</u> |
| Grand Total | | | <u>\$ 1,025,870</u> |

Castlewood School District No. 28-1
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Castlewood School District No. 28-1 under programs of the federal government for the year ended . The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Castlewood School District No. 28-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of Castlewood School District No. 28-1.

2. Summary of Significant Accounting Policies:

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

3. Federal Reimbursements:

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.