

Centerville School District No. 60-1

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

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

Centerville School District No. 60-1

School District Officials

June 30, 2022

Board Members

Laura Hybertson----- Board President

Ryan Austin -----Vice President

Maggie Stevens----- Member

Troy Knudson ----- Member

Mike Moore ----- Member

Eric Knight-----Superintendent

Angie Poll -----Business Manager

Centerville School District No. 60-1

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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
Centerville School District No. 60-1
Centerville, 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 Centerville School District No. 60-1, South Dakota, 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 January 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Elk Point, South Dakota
January 24, 2023

Centerville School District No. 60-1
Schedule of Prior and Current Audit Findings
Year ended June 30, 2022

Prior Audit Findings

There are no current audit findings to report.

Current Audit Findings

There are no prior other audit findings to report.



Independent Auditor's Report

School Board
Centerville School District No. 60-1
Centerville, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Centerville School District No. 60-1, Centerville, South Dakota, as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise Centerville School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Centerville School District No. 60-1 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 the accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Emphasis of Matter

As discussed in Note 16 to the financial statements, in 2022, the School District adopted Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standard* 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
January 24, 2023

Centerville School District No. 60-1
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 1,965,534	\$ 115,042	\$ 2,080,576
Accounts receivable	--	317	317
Taxes receivable	717,963	--	717,963
Due From Other Government	45,227	--	45,227
Inventories	--	3,390	3,390
Deposits	29,616	--	29,616
Net pension asset	547,109	--	547,109
Capital assets:			
Land and construction in progress	56,000	--	56,000
Other capital assets, net of depreciation	1,424,956	1,026,922	2,451,878
Total Assets	4,786,405	1,145,671	5,932,076
Deferred Outflows of Resources:			
OPEB-related deferred outflows	17,771	--	17,771
Pension-related deferred outflows	747,705	--	747,705
Total Deferred Outflows of Resources	765,476	--	765,476
Liabilities:			
Unearned revenue	--	4,439	4,439
Other current liabilities	255,391	--	255,391
Long-term liabilities:			
Due within one year	17,719	--	17,719
Due in more than one year	144,296	--	144,296
Total Liabilities	417,406	4,439	421,845
Deferred Inflows of Resources:			
Taxes levied for future periods	709,606	--	709,606
Pension related deferred inflows	1,059,317	--	1,059,317
OBEP-related deferred inflows	199,497	--	199,497
Total Deferred Inflows of Resources	1,968,420	--	1,968,420
Net Position:			
Net investment in capital assets	1,459,698	1,026,922	2,486,620
Restricted for:			
Capital outlay	580,067	--	580,067
Special education	415,677	--	415,677
Library	17,655	--	17,655
Insurance purposes	29,616	--	29,616
SDRS pension purposes	235,497	--	235,497
Unrestricted	427,845	114,310	542,155
Total Net Position	\$ 3,166,055	\$ 1,141,232	\$ 4,307,287

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

Centerville School District No. 60-1
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	\$ 1,750,167	\$ --	\$ 504,176	\$ (1,245,991)	\$ --	\$ (1,245,991)
Support services	1,285,188	153,061	25,817	(1,106,310)	--	(1,106,310)
Community services	15,915	--	--	(15,915)	--	(15,915)
Cocurricular activities	197,385	17,389	--	(179,996)	--	(179,996)
Total Governmental Activities	3,248,655	170,450	529,993	(2,548,212)	--	(2,548,212)
Business-Type Activities:						
Food service	255,946	24,580	205,361	--	(26,005)	(26,005)
Other Enterprise	44,774	27,796	42,482	--	25,504	25,504
Total Business Type Activities	300,720	52,376	247,843	--	(501)	(501)
Total Primary Government	<u>\$ 3,549,375</u>	<u>\$ 222,826</u>	<u>\$ 777,836</u>	<u>(2,548,212)</u>	<u>(501)</u>	<u>(2,548,713)</u>
General Revenues:						
Taxes:						
				1,602,645	--	1,602,645
				54,518	--	54,518
Revenue from state sources:						
				1,469,745	--	1,469,745
				8,061	307	8,368
				27,086	--	27,086
				108,524	--	108,524
				(592,737)	592,737	--
				<u>2,677,842</u>	<u>593,044</u>	<u>3,270,886</u>
				129,630	592,543	722,173
				<u>3,036,425</u>	<u>548,689</u>	<u>3,585,114</u>
				<u>\$ 3,166,055</u>	<u>\$ 1,141,232</u>	<u>\$ 4,307,287</u>

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

Centerville School District No. 60-1

Balance Sheet – Governmental Funds

June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 921,093	\$ 578,635	\$ 448,151	\$ 17,655	\$ 1,965,534
Taxes receivable - current	265,552	240,717	203,337	--	709,606
Taxes receivable - delinquent	5,617	1,432	1,308	--	8,357
Due from other governments	45,227	--	--	--	45,227
Deposits NPIP Reserve	29,616	--	--	--	29,616
Total Assets	<u>\$ 1,267,105</u>	<u>\$ 820,784</u>	<u>\$ 652,796</u>	<u>\$ 17,655</u>	<u>\$ 2,758,340</u>
Liabilities and Fund Balances:					
Liabilities:					
Contracts payable	\$ 155,194	\$ --	\$ 24,412	\$ --	\$ 179,606
Payroll deductions and withholding and employer matching payable	66,415	--	9,370	--	75,785
Total Liabilities	<u>221,609</u>	<u>--</u>	<u>33,782</u>	<u>--</u>	<u>255,391</u>
Deferred Inflows of Resources:					
Taxes levied for future period	265,552	240,717	203,337	--	709,606
Delinquent taxes not available	5,617	1,432	1,308	--	8,357
Total Deferred Inflows of Resources	<u>271,169</u>	<u>242,149</u>	<u>204,645</u>	<u>--</u>	<u>717,963</u>
Fund Balances:					
Nonspendable	29,616	--	--	--	29,616
Restricted:					
For capital outlay	--	578,635	--	--	578,635
For special education	--	--	414,369	--	414,369
For library fund	--	--	--	17,655	17,655
Assigned	225,594	--	--	--	225,594
Unassigned	519,117	--	--	--	519,117
Total Fund Balances	<u>774,327</u>	<u>578,635</u>	<u>414,369</u>	<u>17,655</u>	<u>1,784,986</u>
Total Liabilities and Fund Balances	<u>\$ 1,267,105</u>	<u>\$ 820,784</u>	<u>\$ 652,796</u>	<u>\$ 17,655</u>	<u>\$ 2,758,340</u>

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

Centerville School District No. 60-1

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

Total Fund Balances - Governmental Funds		\$ 1,784,986
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.		1,480,956
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Intangible Lease Assets	(21,258)	
Other Postemployment Benefits Payable	(87,911)	
Accrued Leave	<u>(52,846)</u>	(162,015)
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		8,357
Proportionate Share of Net Pension Asset		547,109
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(1,258,814)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds.		<u>765,476</u>
Net Position - Governmental Activities		<u>\$ 3,166,055</u>

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

Centerville School District No. 60-1

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>Non Major Library</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 581,978	\$ 545,998	\$ 463,469	\$ --	\$ 1,591,445
Prior years' ad valorem taxes	4,772	2,126	1,831	--	8,729
Utility taxes	54,518	--	--	--	54,518
Penalties and interest on taxes	1,522	963	823	--	3,308
Earnings on Investments and Deposits	4,101	2,069	1,839	52	8,061
Cocurricular Activities:					
Admissions	16,549	--	--	--	16,549
Other student activity income	840	--	--	--	840
Other Revenue from Local Sources:					
Contributions and donations	4,748	18,920	--	3,418	27,086
Charges for services	7,770	--	36,992	--	44,762
Other	28,318	17,093	--	1,522	46,933
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	16,829	--	--	--	16,829
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,467,715	--	--	--	1,467,715
Restricted grants-in-aid	1,780	--	--	--	1,780
Other state revenue	250	--	--	--	250
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received directly from federal government	15,817	--	--	10,000	25,817
Restricted grants-in-aid received from federal government through the state	88,860	321,403	93,913	--	504,176
Total Revenues	\$ 2,296,367	\$ 908,572	\$ 598,867	\$ 14,992	\$ 3,818,798

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

Centerville School District No. 60-1

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>Library</u>	<u>Total Governmental Funds</u>
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	\$ 456,550	\$ 32,067	\$ --	\$ --	\$ 488,617
Middle/junior high	288,983	31,567	--	--	320,550
High school	360,016	13,200	--	--	373,216
Preschool	50,887	--	--	--	50,887
Special Programs:					
Programs for special education	--	--	364,477	--	364,477
Educationally deprived	48,164	--	--	--	48,164
Support Services:					
Students:					
Guidance	64,071	--	--	--	64,071
Psychological	--	--	11,407	--	11,407
Health	60,793	--	--	--	60,793
Speech pathology	--	--	70,752	--	70,752
Student therapy services	--	--	53,269	--	53,269
Instructional Staff:					
Improvement of instruction	14,206	--	--	--	14,206
Educational media	40,342	500	--	--	40,842
General Administration:					
Board of education	41,332	--	--	--	41,332
Executive administration	126,632	--	--	--	126,632
School Administration:					
Office of the principal	151,063	--	--	--	151,063
Other	686	--	--	--	686
Business:					
Fiscal services	129,885	--	--	--	129,885
Facilities acquisition and construction	--	370,320	--	--	370,320
Operation and maintenance of plant	235,084	65,648	--	--	300,732
Student transportation	75,415	--	--	--	75,415
Food services	--	231,851	--	--	231,851
Special Education:					
Administrative costs	--	--	13,736	--	13,736
Community Services:					
Library	--	--	--	15,915	15,915
Cocurricular Activities:					
Male activities	--	1,976	--	--	1,976
Transportation	6,663	--	--	--	6,663
Combined activities	137,394	1,860	--	--	139,254
Capital Outlay	--	188,648	--	--	188,648
Total Expenditures	<u>2,288,166</u>	<u>937,637</u>	<u>513,641</u>	<u>15,915</u>	<u>3,755,359</u>
Net Change in Fund Balances	8,201	(29,065)	85,226	(923)	63,439
Fund Balance, Beginning of Year	<u>766,126</u>	<u>607,700</u>	<u>329,143</u>	<u>18,578</u>	<u>1,721,547</u>
Fund Balance, End of Year	<u>\$ 774,327</u>	<u>\$ 578,635</u>	<u>\$ 414,369</u>	<u>\$ 17,655</u>	<u>\$ 1,784,986</u>

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

Centerville School District No. 60-1

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	\$ 63,439
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.	188,648
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.	(295,880)
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	
Intangible Lease Liability	3,110
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."	(837)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.	836
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	153,628
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.	16,686
Change in net position of governmental activities	<u>\$ 129,630</u>

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

Centerville School District No. 60-1
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 50,199	\$ 64,843	\$ 115,042
Accounts receivable, net	317	--	317
Inventory - supplies	769	--	769
Inventory - stores for resale	2,556	--	2,556
Inventory of donated food	65	--	65
Total Current Assets	<u>53,906</u>	<u>64,843</u>	<u>118,749</u>
Noncurrent Assets:			
Building	853,813	--	853,813
Machinery and equipment - local funds	263,922	--	263,922
Less accumulated depreciation	(90,813)	--	(90,813)
Total Noncurrent Assets	<u>1,026,922</u>	<u>--</u>	<u>1,026,922</u>
Total Assets	<u><u>\$ 1,080,828</u></u>	<u><u>\$ 64,843</u></u>	<u><u>\$ 1,145,671</u></u>
Liabilities:			
Current Liabilities:			
Unearned revenue	\$ 4,439	\$ --	\$ 4,439
Total Current Liabilities	<u>4,439</u>	<u>--</u>	<u>4,439</u>
Net Position:			
Net investment in capital assets	1,026,922	--	1,026,922
Unrestricted net position	<u>49,467</u>	<u>64,843</u>	<u>114,310</u>
Total Net Position	<u><u>\$ 1,076,389</u></u>	<u><u>\$ 64,843</u></u>	<u><u>\$ 1,141,232</u></u>

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

Centerville School District No. 60-1

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

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Tuition and Fees:			
Driver's education fees	\$ --	\$ 4,725	\$ 4,725
Wellness center	--	288	288
Day care	--	22,783	22,783
Food Sales:			
Student	21,457	--	21,457
Adult	2,587	--	2,587
Other	536	--	536
Total Operating Revenue	<u>24,580</u>	<u>27,796</u>	<u>52,376</u>
Operating Expenses:			
Food Service:			
Salaries	54,075	30,838	84,913
Employee benefits	17,838	10,817	28,655
Purchased services	904	--	904
Supplies	6,206	3,119	9,325
Cost of sales - purchased	95,310	--	95,310
Cost of sales - donated	7,702	--	7,702
Other	49	--	49
Depreciation	73,862	--	73,862
Total Operating Expenses	<u>255,946</u>	<u>44,774</u>	<u>300,720</u>
Operating Income(Loss)	(231,366)	(16,978)	(248,344)
Nonoperating Revenues/Expenses:			
Investment earnings	68	239	307
Other local revenue	--	500	500
State grants	544	24,982	25,526
Federal grants	197,050	17,000	214,050
Donated food	7,767	--	7,767
Total Nonoperating Revenue/ (Expenses)	<u>205,429</u>	<u>42,721</u>	<u>248,150</u>
Income (Loss) Before Contributions and Transfers	(25,937)	25,743	(194)
Capital Contributions	<u>592,737</u>	<u>--</u>	<u>592,737</u>
Change in Net Position	566,800	25,743	592,543
Net Position - Beginning of Year	<u>509,589</u>	<u>39,100</u>	<u>548,689</u>
Net Position - End of Year	<u>\$ 1,076,389</u>	<u>\$ 64,843</u>	<u>\$ 1,141,232</u>

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

Centerville School District No. 60-1
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 25,109	\$ 27,796	\$ 52,905
Cash payments to suppliers	(103,970)	(3,140)	(107,110)
Cash payments to employees	(71,913)	(41,655)	(113,568)
Net Cash (Used) by Operating Activities	<u>(150,774)</u>	<u>(16,999)</u>	<u>(167,773)</u>
Cash Flows from Noncapital Financing Activities:			
Other local revenue	--	500	500
Cash reimbursements - state	544	24,982	25,526
Cash reimbursements - federal	197,050	17,000	214,050
Net Cash Provided by Noncapital Financing Activities	<u>197,594</u>	<u>42,482</u>	<u>240,076</u>
Cash Flows from Investing Activities:			
Investment Earnings	68	239	307
Net Cash Provided by Investing Activities	<u>68</u>	<u>239</u>	<u>307</u>
Net Change in Cash and Cash Equivalents	46,888	25,722	72,610
Cash and Cash Equivalents, Beginning of Year	3,311	39,121	42,432
Cash and Cash Equivalents, End of Year	<u>\$ 50,199</u>	<u>\$ 64,843</u>	<u>\$ 115,042</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities			
Operating (Loss)	\$ (231,366)	\$ (16,978)	\$ (248,344)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	73,862	--	73,862
Value of commodities used	7,702	--	7,702
Change in Assets and Liabilities:			
Accounts receivable	19	--	19
Inventory	(1,501)	--	(1,501)
Deferred revenue	510	--	510
Accounts payable	--	(21)	(21)
Net cash (used) by operating activities	<u>\$ (150,774)</u>	<u>\$ (16,999)</u>	<u>\$ (167,773)</u>
Noncash Investing, Capital and Financing Activities			
Equipment purchased by Capital Outlay Fund	\$ 592,737	\$ --	\$ 592,737
Value of commodities received	<u>\$ 7,767</u>	<u>\$ --</u>	<u>\$ 7,767</u>

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

Centerville School District No. 60-1
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 154,034
Accounts receivable	<u>2,449</u>
Total Assets	<u>\$ 156,483</u>
Net Position:	
Individuals, organizations, and other governments	<u>\$ 156,483</u>
Total Net Position	<u>\$ 156,483</u>

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

Centerville School District No. 60-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2022

	Custodial Funds
Additions:	
Collections for student activities	\$ 186,573
Total Additions	186,573
Deductions:	
Payments for student activities	114,180
Total Deductions	114,180
Change in Net Position	72,393
Net Position - Beginning of Year	--
Restatement-Implementation of GASB 84	84,090
Net Position - End of Year	\$ 156,483

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

Centerville School District No. 60-1

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 Centerville School District No. 60-1, 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 District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organizations governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The 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 revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Special Revenue Fund_ – 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.

Library Fund: A fund established for the purpose of paying for the purchases of books for the school district liability. This fund is financed by grants and donations. This is a non-major fund.

Proprietary Funds:

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

- 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.)
- Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Tuition and Fees Fund: A fund used to record financial transactions related to day care services and drivers’ education instruction conducted for the benefit of the children. This fund is financed by user charges. This is a major fund.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

Custodial Funds – 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 for the following purposes: Student Class Funds, Student Club Funds, Music Boosters, Library, and Clearing Accounts.

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).

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Centerville School District 13-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2022 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. 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 of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	ALL	NA	NA
Buildings	\$ 3,000	Straight-line	10-50 years
Improvements	\$ 3,000	Straight-line	5-20 years
Machinery and Equipment	\$ 3,000	Straight-line	5-20 years
Food Service Machinery and Equipment	\$ 1,000	Straight-line	5-20 years

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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. Leases:

Lessee:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$24,369 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.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

- 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.

h. Program Revenues:

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

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

i. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 11.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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."

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

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.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

<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.

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. Implementation of Accounting Standard:

During fiscal year 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset. The School District has reflected this implementation by restating beginning capital assets and lease liabilities.

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.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

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

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

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

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

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits. The School District has no certificates of deposit as of June 30, 2022.

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.

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investment to the General Fund, except for the private purpose trust funds which retains its investments income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

3. Receivables and Payables:

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

4. Inventory:

Inventory held for consumption is stated at cost.

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

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

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

5. 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 not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources-property taxes levied for future period in both the fund financial statements and government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$45,227 due from various county, school, state and federal governments.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

7. 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>
**Restatement due to GASB 87	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 56,000	\$ --	\$ --	\$ 56,000
Total capital assets not being depreciated/amortized	<u>56,000</u>	<u>--</u>	<u>--</u>	<u>56,000</u>
Capital assets being depreciated/amortized:				
Buildings	3,580,614	124,490	--	3,705,104
Improvements	852,799	61,933	--	914,732
Machinery & Equipment	736,875	--	--	736,875
Intangible Assets **	24,368	--	--	24,368
Library Books	77,208	2,225	--	79,433
Total capital assets being depreciated/amortized	<u>5,271,864</u>	<u>188,648</u>	<u>--</u>	<u>5,460,512</u>
Less accumulated depreciation/amortization for:				
Buildings	2,859,257	108,569	--	2,967,826
Improvements	347,715	79,174	--	426,889
Machinery & Equipment	503,788	100,916	--	604,704
Intangible Assets **	--	3,249	--	3,249
Library Books	28,916	3,972	--	32,888
Total accumulated depreciation/amortization	<u>3,739,676</u>	<u>295,880</u>	<u>--</u>	<u>4,035,556</u>
Total capital assets being depreciated/amortized, net	<u>1,532,188</u>	<u>(107,232)</u>	<u>--</u>	<u>1,424,956</u>
Net Capital Assets	<u>\$ 1,588,188</u>	<u>\$ (107,232)</u>	<u>\$ --</u>	<u>\$ 1,480,956</u>

Depreciation/Amortization expense was charged functions as follows:

Instruction	\$ 104,256
Support services	138,883
Amortization	3,249
Co-curricular activities	49,492
Total Depreciation/Amortization Expense	<u>\$ 295,880</u>

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets: (Continued)

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-Type Activities:				
Capital Assets, not being depreciated:				
Construction in Progress	\$ 506,835	\$ 592,737	\$ 1,099,572	\$ --
Capital assets, being depreciated:				
Equipment	34,902	245,760	16,739	263,923
Building	--	853,813	--	853,813
Less accumulated depreciation for:				
Machinery and Equipment	33,690	31,171	16,739	48,122
Building	--	42,691	--	42,691
Total capital assets, net	<u>\$ 508,047</u>	<u>\$ 1,618,448</u>	<u>\$ 1,099,572</u>	<u>\$ 1,026,923</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food service	<u>\$ 73,862</u>

8. 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</u>
**Restated-Implementation of GASB 87					<u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 53,680	\$ 12,347	\$ 13,181	\$ 52,846	\$ 12,976
OPEB	167,121	19,440	98,650	87,911	--
Right to Use asset:					
OSC Copier**	24,368	--	3,110	21,258	4,743
Total Long-Term Liabilities	<u>\$ 245,169</u>	<u>\$ 31,787</u>	<u>\$ 114,941</u>	<u>\$ 162,015</u>	<u>\$ 17,719</u>

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

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

8. Long-Term Liabilities: (Continued)

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

Compensated Absences –			
Payable from the fund to which payroll expenditures are charged		\$	52,846
Other Post Employment Benefits –			
Payable from the fund to which payroll expenditures are charged		\$	87,911
Centerville School District No. 60-1, Copier Lease Agreement	During 2022, the School District entered into an agreement to lease copiers in the amount of \$24,369. There is an imputed interest rate of 2% assessed on this lease. Final payment is October 2026. The Capital Outlay Fund makes payment on this debt.	\$	21,258

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2022 is as follows:

Year Ending June 30,	Lease Liability	
	Principal	Interest
2023	\$ 4,743	\$ 383
2024	4,839	286
2025	4,938	191
2026	5,037	89
2027	1,701	7
Totals	<u>\$ 21,258</u>	<u>\$ 956</u>

9. Interfund Transfers:

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

Transfer from Capital Outlay Fund to the Food Service Fund to cover construction costs.	\$ 592,737
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Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

10. 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	\$ 580,067
Special Education	Law	415,677
Insurance Purposes	Law	29,616
Library Purposes	Law	17,655
SDRS Pension Purposes	Law	235,497
Total		<u>\$ 1,278,512</u>

11. 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 employer¹²- 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.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

11. 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	\$ 97,839
2021	\$ 97,272
2020	\$ 96,761

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

11. 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	\$ 9,906,135
Less proportionate share of net pension restricted for pension	<u>10,453,243</u>
Proportionate share of net pension (asset)	<u><u>\$ (547,108)</u></u>

At June 30, 2022, the School District reported an asset of (\$547,108) 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 0.0714400%, which is a decrease of -0.0020405% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District reduction of pension expense of \$(153,643) At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 19,643	\$ 1,434
Changes in assumption	629,169	273,984
Net difference between projected and actual earnings on pension plan investments	--	781,555
Changes in proportion and difference between district contributions and proportionate share of contributions	1,055	2,392
District contributions subsequent to the measurement date	<u>97,839</u>	<u>--</u>
Total	<u><u>\$ 747,706</u></u>	<u><u>\$ 1,059,365</u></u>

\$97,839 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:

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

Year Ended	
June 30,	
2023	\$ (102,207)
2024	(68,385)
2025	(19,035)
2026	(219,871)
Total	<u>\$ (409,498)</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 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.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

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 net pension (asset)	<u>\$ 885,904</u>	<u>\$ (547,108)</u>	<u>\$ (1,710,381)</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.

i. Payables to the Pension Plan:

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

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

12. Postemployment Medical Plan:

Plan Description: Centerville School District has a pooled defined benefit medical plan administered by either Sanford Health of South Dakota or DakotaCare. This plan provides medical insurance benefits to eligible current employees as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any School District to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Centerville School District, PO Box 100, Centerville, SD 57014 or by calling 605-563-2291.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2022, the following employees were covered by the benefit terms:

Active employees	31
Retired employees	1

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS) as provided in the June 30, 2021 Actuarial Valuation Report. See Note 11 – Pension Note.

Sensitivity of liability (asset) to changes in the discount rate: The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.75%

Changes in the Total OPEB Liability

Service Cost	\$ 15,449
Interest on Total OPEB Liability	3,991
Effect of assumption changes or inputs	(94,758)
Benefit payments	<u>(3,892)</u>
Net change in total OPEB liability	(79,210)
Total OPEB liability, beginning	<u>167,121</u>
Total OPEB liability, ending	<u>\$ 87,911</u>

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

12. Postemployment Medical Plan: (Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 80,172</u>	<u>\$ 87,911</u>	<u>\$ 96,885</u>

For the year ended June 30, 2022, the School District recognized OPEB expense of \$12,794. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 10,882	\$ 11,451
Changes in assumption	<u>6,889</u>	<u>188,046</u>
Total	<u>\$ 17,771</u>	<u>\$ 199,497</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (revenue) as follows:

	<u>Year Ended June 30,</u>
2022	\$ (32,234)
2023	(32,234)
2024	(32,234)
2025	(31,597)
2026	(20,248)
Thereafter	<u>(23,179)</u>
Total	<u>\$ (171,726)</u>

13. Risk Management:

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

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

13. Risk Management: (Continued)

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 received from the members.

The coverage includes the option of three different plans with a deductible from \$750.00 to \$2,500.00

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

Liability Insurance:

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

Workers' Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits:

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

14. Significant Contingencies – Litigation:

At June 30, 2022, the School District was not involved in any litigation.

15. Related Party Transactions:

The School District currently has a board member who is the owner of AF Electric for which the sum of \$12,765.50 was paid for services during fiscal year 2022. This contract falls within the provisions of SDCL 6-1-2.

The School District currently has a board member who is the owner of Knudson Masonry for which the sum of \$130,867.58 was paid for services during the fiscal year 2022. This contract falls within the provisions of SDCL 6-1-2.

Centerville School District No. 60-1

Notes to the Financial Statements

June 30, 2022

16. Implementation of New Accounting Standard and Restatement:

As of June 30, 2021, the School District implemented GASB Statement No 84, *Fiduciary Activities* (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund.

The School District restated the Net Position and Fund Balance of the Custodial Funds indicated below to appropriately reflect the July 1, 2021 balance as follows:

Net position at June 30, 2021, as previously stated	\$	--
Restatement due to Implementation of GASB 84		<u>84,090</u>
Net position at July 1, 2021, as restated	\$	<u><u>84,090</u></u>

Required Supplementary Information

Centerville School District No. 60-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 584,163	\$ 584,163	\$ 581,978	\$ (2,185)
Prior years' ad valorem taxes	5,000	5,000	4,772	(228)
Utility taxes	40,000	55,000	54,518	(482)
Penalties and interest on taxes	2,000	2,000	1,522	(478)
Earnings on investments and deposits	7,000	7,000	4,101	(2,899)
Cocurricular Activities:				
Admissions	12,000	17,000	16,549	(451)
Rentals	600	600	--	(600)
Other student activity income	500	500	840	340
Other Revenue from Local Sources:				
Contributions and donations	500	5,500	4,748	(752)
Charges for services	5,000	5,000	7,770	2,770
Other	22,000	35,000	28,318	(6,682)
Revenue from Intermediate Sources:				
County sources				
County apportionment	13,000	13,000	16,829	3,829
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,437,219	1,471,219	1,467,715	(3,504)
Restricted grants-in-aid	--	1,725	1,780	55
Other state revenues	--	250	250	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	14,000	14,000	15,817	1,817
Restricted grants-in-aid received from federal government through the state	85,505	90,365	88,860	(1,505)
Total Revenues	\$ 2,228,487	\$ 2,307,322	\$ 2,296,367	\$ (10,955)

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

Centerville School District No. 60-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular programs				
Elementary	\$ 470,400	\$ 471,832	\$ 456,550	\$ 15,282
Middle/junior high	336,600	336,600	288,983	47,617
High school	410,100	410,100	360,016	50,084
Preschool	51,400	51,400	50,887	513
Special programs:				
Educationally Deprived	45,112	48,540	48,164	376
Support Services:				
Students:				
Guidance	65,308	65,308	64,071	1,237
Health	56,443	57,743	60,793	(3,050)
Instructional Staff:				
Improvement of instruction	15,000	18,850	14,206	4,644
Educational media	50,122	50,122	40,342	9,780
General Administration:				
Board of education	40,000	47,000	41,332	5,668
Executive administration	130,085	130,085	126,632	3,453
School Administration:				
Office of the principal	156,700	156,700	151,063	5,637
Other	1,000	1,000	686	314
Business:				
Fiscal services	132,500	132,500	129,885	2,615
Operation and maintenance of plant	264,900	265,200	235,084	30,116
Student transportation	78,300	82,300	75,415	6,885
Cocurricular Activities:				
Transportation	4,550	7,050	6,663	387
Combined activities	139,708	145,808	137,394	8,414
Contingencies:	25,000	--	--	--
Total Expenditures	<u>2,473,228</u>	<u>2,478,138</u>	<u>2,288,166</u>	<u>189,972</u>
Net Change in Fund Balances	(244,741)	(170,816)	8,201	179,017
Fund Balance, Beginning of Year	<u>766,126</u>	<u>766,126</u>	<u>766,126</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 521,385</u>	<u>\$ 595,310</u>	<u>\$ 774,327</u>	<u>\$ 179,017</u>

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

Centerville School District No. 60-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 550,000	\$ 550,000	\$ 545,998	\$ (4,002)
Prior years' ad valorem taxes	1,200	1,200	2,126	926
Penalties and interest on taxes	1,200	1,200	963	(237)
Earnings on investments & deposits	--	--	2,069	2,069
Other Revenue from Local Sources:				
Contributions and donations	--	--	18,920	18,920
Other	--	--	17,093	17,093
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	322,835	321,403	321,403	--
Total Revenues	<u>875,235</u>	<u>873,803</u>	<u>908,572</u>	<u>34,769</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	32,784	32,784	32,067	717
Middle/junior high	32,284	32,284	31,567	717
High school	37,475	37,475	13,200	24,275
Support Services:				
Instructional Staff:				
Educational media	3,000	3,000	2,725	275
Business:				
Facilities acquisition and construction	1,300,000	1,300,000	413,177	886,823
Operation and maintenance of plant	128,000	183,850	182,797	1,053
Food services	258,268	258,268	258,268	--
Cocurricular Activities:				
Male activities	2,000	2,000	1,976	24
Combined activities	3,000	3,000	1,860	1,140
Total Expenditures	<u>1,796,811</u>	<u>1,852,661</u>	<u>937,637</u>	<u>915,024</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(921,576)</u>	<u>(978,858)</u>	<u>(29,065)</u>	<u>949,793</u>
Other Financing Sources (Uses):				
Proceeds of general long-term liabilities	<u>600,000</u>	<u>600,000</u>	<u>--</u>	<u>(600,000)</u>
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>600,000</u>	<u>--</u>	<u>(600,000)</u>
Net Change in Fund Balances	<u>(321,576)</u>	<u>(378,858)</u>	<u>(29,065)</u>	<u>349,793</u>
Fund Balance, Beginning of Year	<u>607,700</u>	<u>607,700</u>	<u>607,700</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 286,124</u>	<u>\$ 228,842</u>	<u>\$ 578,635</u>	<u>\$ 349,793</u>

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

Centerville School District No. 60-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 450,000	\$ 464,000	\$ 463,469	\$ (531)
Prior years' ad valorem taxes	1,500	1,500	1,831	331
Penalties and interest on taxes	1,000	1,000	823	(177)
Earnings on investments & deposits	--	2,000	1,839	(161)
Other Revenue from Local Sources:				
Charges for services	15,500	36,500	36,992	492
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	76,544	93,951	93,913	(38)
Total Revenues	<u>544,544</u>	<u>598,951</u>	<u>598,867</u>	<u>(84)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for Special Education	406,100	406,100	364,477	41,623
Support Services:				
Students:				
Health	7,000	7,000	--	7,000
Psychological	9,000	11,500	11,407	93
Speech Pathology	68,400	71,500	70,752	748
Student therapy services	35,000	53,350	53,269	81
Special Education:				
Administrative costs	12,250	13,750	13,736	14
Total Expenditures	<u>537,750</u>	<u>563,200</u>	<u>513,641</u>	<u>49,559</u>
Net Change in Fund Balance	6,794	35,751	85,226	49,475
Fund Balance, Beginning of Year	<u>329,143</u>	<u>329,143</u>	<u>329,143</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 335,937</u>	<u>\$ 364,894</u>	<u>\$ 414,369</u>	<u>\$ 49,475</u>

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

Centerville School District No. 60-1
Notes to the Required Supplementary Information
June 30, 2022

1. Budgets and Budgetary Accounting:

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

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

2. GAAP/Budgetary Accounting Basis Differences:

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

Centerville School District No. 60-1
Schedule of Changes in Total OPEB Liability
June 30, 2022

Changes in the Total OPEB Liability

Service Cost	\$ 15,449
Interest on Total OPEB Liability	3,991
Effect of assumption changes or inputs	(94,758)
Benefit payments	<u>(3,892)</u>
Net change in total OPEB liability	(79,210)
Total OPEB liability, beginning	<u>167,121</u>
Total OPEB liability, ending	<u><u>\$ 87,911</u></u>

Centerville School District No. 60-1

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)	0.0714400%	0.0714400%	0.0724076%	0.0719113%	0.0688062%	0.0502068%	0.0524981%	0.5118710%
District's proportionate share of net pension liability (asset)	\$ (547,108)	\$ (3,103)	\$ (7,673)	\$ (1,677)	\$ (6,244)	\$ 169,594	\$ (222,659)	\$ (368,782)
District's covered-employee payroll	\$ 1,621,198	\$ 1,612,676	\$ 1,539,536	\$ 1,494,974	\$ 1,398,005	\$ 955,036	\$ 958,476	\$ 895,125
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.19%	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.

Centerville School District No. 60-1
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	\$ 97,839	\$ 97,272	\$ 96,761	\$ 92,372	\$ 89,698	\$ 83,880	\$ 57,278	\$ 57,508	\$ 53,707
Contributions in relation to the contractually-required contribution	<u>97,839</u>	<u>97,272</u>	<u>96,761</u>	<u>92,372</u>	<u>89,698</u>	<u>83,880</u>	<u>57,278</u>	<u>57,508</u>	<u>53,707</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	\$ 1,630,661	\$ 1,621,198	\$ 1,612,676	\$ 1,539,536	\$ 1,494,974	\$ 1,398,005	\$ 955,036	\$ 958,476	\$ 895,125
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Centerville School District No. 60-1

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are 2-8-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.