

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6

AUDIT REPORT

For the Fiscal Year Ended June 30, 2023

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
SCHOOL DISTRICT OFFICIALS
June 30, 2023

Board Members:

Laura Crooks
Cammy Haines
Carie Knutson
Jolene Landmark
Amy Otten
Chad Schulte
Thane Trooien

Superintendent:

Kimberly Kludt

Business Manager:

Kristi Andrews

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
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RUSSELL A. OLSON
AUDITOR GENERAL

**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***

Independent Auditor's Report

School Board
Deubrook Area School District No. 5-6
White, 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 Deubrook Area School District No. 5-6, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Russell A. Olson
Auditor General

May 16, 2024

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Findings:

The prior audit report contained no written audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

There are no written current audit findings to report.



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RUSSELL A. OLSON
AUDITOR GENERAL

Independent Auditor's Report

School Board
Deubrook Area School District No. 5-6
White, 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 Deubrook Area School District No. 5-6, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements 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 Deubrook Area School District No. 5-6 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 2 to the financial statements, in 2023, the School District implemented Governmental Accounting Standards (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs); however, this implementation did not result in a restatement of the net position as of July 1, 2022. 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District Pension Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Russell A. Olson
Auditor General

May 16, 2024

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 5,100,039.83	\$ 173,966.27	\$ 5,274,006.10
Taxes Receivable	1,560,030.82		1,560,030.82
Advance Payments	5,000.00		5,000.00
Accounts Receivable	495.00	1,300.00	1,795.00
Inventories		4,753.20	4,753.20
Other Assets	326,608.62		326,608.62
Net Pension Asset	9,013.72		9,013.72
Capital Assets:			
Land, Improvements and Construction/Development in Progress	95,799.68		95,799.68
Other Capital Assets, Net of Depreciation/Amortization	9,042,153.56	24,847.07	9,067,000.63
TOTAL ASSETS	\$ 16,139,141.23	\$ 204,866.54	\$ 16,344,007.77
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	\$ 913,182.26		\$ 913,182.26
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 913,182.26	\$ 0.00	\$ 913,182.26
LIABILITIES:			
Accounts Payable	\$ 59,103.99	\$ 324.38	\$ 59,428.37
Other Current Liabilities	360,517.75	13,662.34	374,180.09
Unearned Revenue		21,633.90	21,633.90
Unamortized Premium on Bonds	118,301.49		118,301.49
Noncurrent Liabilities:			
Due Within One Year	295,000.00		295,000.00
Due in More than One Year	3,045,000.00		3,045,000.00
TOTAL LIABILITIES	\$ 3,877,923.23	\$ 35,620.62	\$ 3,913,543.85
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for Future Period	\$ 1,555,442.16		\$ 1,555,442.16
Pension Related Deferred Inflows	524,243.15		524,243.15
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 2,079,685.31	\$ 0.00	\$ 2,079,685.31
NET POSITION:			
Net Investment in Capital Assets	\$ 5,797,953.24	\$ 24,847.07	\$ 5,822,800.31
Restricted For: (See Note 9)			
Capital Outlay Purposes	1,993,198.16		1,993,198.16
Special Education Purposes	894,773.23		894,773.23
SDRS Pension Purposes	397,952.83		397,952.83
Unrestricted	2,010,837.49	144,398.85	2,155,236.34
TOTAL NET POSITION	\$ 11,094,714.95	\$ 169,245.92	\$ 11,263,960.87

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,598,892.02	\$	\$ 304,836.76	\$ (2,294,055.26)	\$	\$ (2,294,055.26)
Support Services	1,743,608.35	2,531.63		(1,741,076.72)		(1,741,076.72)
*Interest on Long-term Debt	64,360.07			(64,360.07)		(64,360.07)
Cocurricular Activities	174,900.31	23,830.60		(151,069.71)		(151,069.71)
**Depreciation-Unallocated	239,143.32			(239,143.32)		(239,143.32)
Total Governmental Activities	4,820,904.07	26,362.23	304,836.76	(4,489,705.08)	0.00	(4,489,705.08)
Business-Type Activities:						
Food Service	236,456.82	132,032.38	106,545.52		2,121.08	2,121.08
Preschool	47,508.69	21,500.00			(26,008.69)	(26,008.69)
Driver's Education	10,162.59	8,925.00			(1,237.59)	(1,237.59)
Total Business-Type Activities	294,128.10	162,457.38	106,545.52	0.00	(25,125.20)	(25,125.20)
Total Primary Government	\$ 5,115,032.17	\$ 188,819.61	\$ 411,382.28	(4,489,705.08)	(25,125.20)	(4,514,830.28)

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

** This amount excludes the depreciation that is included in the direct expenses of the various functions. (See Note 7)

General Revenues:		
Taxes:		
Property Taxes	3,675,742.45	3,675,742.45
Utility Taxes	131,641.83	131,641.83
Revenue from State Sources:		
State aid	1,886,206.09	1,886,206.09
Unrestricted Investment Earnings	10,264.33	394.45
Other General Revenues	67,378.59	67,378.59
Sale of Surplus Property	628.00	628.00
Transfers	(30,240.00)	30,240.00
Total General Revenues and Transfers	5,741,621.29	30,634.45
Change in Net Position	1,251,916.21	5,509.25
Net Position - Beginning	9,775,584.82	163,736.67
Adjustments:		
Unrecognized Prior Year Receivables (See Notes 11.a.)	2,781.00	2,781.00
Prior Year Accumulated Depreciation Correction (See Note 11.b.)	55,659.61	55,659.61
Prior Year South Dakota Retirement System Calculation Errors (See Note 11.c.)	8,773.31	8,773.31
Adjusted Net Position - Beginning	9,842,798.74	163,736.67
Net Position - Ending	\$ 11,094,714.95	\$ 11,263,960.87

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 1,885,530.11	\$ 2,239,895.49	\$ 954,614.27	\$ 19,999.96	\$ 5,100,039.83
Taxes Receivable--Current	592,017.68	628,456.14	334,968.34		1,555,442.16
Taxes Receivable--Delinquent	2,570.04	1,381.91	636.71		4,588.66
Accounts Receivable, Net	495.00				495.00
Due from Local Government	257,819.43	65,862.96	2,926.23		326,608.62
Advance Payments	5,000.00				5,000.00
TOTAL ASSETS	<u>\$ 2,743,432.26</u>	<u>\$ 2,935,596.50</u>	<u>\$ 1,293,145.55</u>	<u>\$ 19,999.96</u>	<u>\$ 6,992,174.27</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 23,463.32	\$ 15,640.71	\$	\$ 19,999.96	\$ 59,103.99
Contracts Payable	260,712.34		55,681.28		316,393.62
Payroll Deductions and Withholdings and Employer Matching Payable	36,401.43		7,722.70		44,124.13
Total Liabilities	<u>320,577.09</u>	<u>15,640.71</u>	<u>63,403.98</u>	<u>19,999.96</u>	<u>419,621.74</u>
Deferred Inflows of Resources:					
Unavailable Revenue-Property Taxes	2,570.04	1,381.91	636.71		4,588.66
Taxes Levied for Future Period	592,017.68	628,456.14	334,968.34		1,555,442.16
Total Deferred Inflows of Resources	<u>594,587.72</u>	<u>629,838.05</u>	<u>335,605.05</u>	<u>0.00</u>	<u>1,560,030.82</u>
Fund Balances: (See Note 1.I.)					
Restricted		2,110,117.74	894,136.52		3,004,254.26
Assigned		180,000.00			180,000.00
Unassigned	1,828,267.45				1,828,267.45
Total Fund Balances	<u>1,828,267.45</u>	<u>2,290,117.74</u>	<u>894,136.52</u>	<u>0.00</u>	<u>5,012,521.71</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,743,432.26</u>	<u>\$ 2,935,596.50</u>	<u>\$ 1,293,145.55</u>	<u>\$ 19,999.96</u>	<u>\$ 6,992,174.27</u>

The notes to the financial statements are an integral part of this statement.

**DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023**

Total Fund Balances - Governmental Funds	\$ 5,012,521.71
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	9,013.72
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	9,137,953.24
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	913,182.26
Unamortized balance of premium on bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(118,301.49)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,340,000.00)
Bonds	\$ 2,840,000.00
CO Certificates	\$ 500,000.00
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	4,588.66
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(524,243.15)
Net Position - Governmental Activities	\$ 11,094,714.95

The notes to the financial statements are an integral part of this statement.

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DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 1,400,773.57	\$ 1,468,586.74	\$ 798,095.77	\$	\$ 3,667,456.08
Prior Years' Ad Valorem Taxes	907.64	542.17	237.95		1,687.76
Utility Taxes	131,641.83				131,641.83
Penalties and Interest on Taxes	2,527.19	2,057.79	1,130.57		5,715.55
Earnings on Investments and Deposits	5,629.78	2,773.01	1,662.71	198.83	10,264.33
Cocurricular Activities:					
Admissions	23,830.60				23,830.60
Other Revenue from Local Sources:					
Rentals	140.00				140.00
Contributions and Donations	1,634.50	21,806.00			23,440.50
Charges for Services	1,669.91		861.72		2,531.63
Other	22,205.72				22,205.72
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	21,592.37				21,592.37
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	1,886,206.09				1,886,206.09
Restricted Grants-in-Aid	19,884.05				19,884.05
Other State Revenue	1,507.84				1,507.84
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	410.11	806.76	430.00		1,646.87
Restricted Grants-in-Aid Received Directly from Federal Government	27,936.00				27,936.00

Restricted Grants-in-Aid Received from Federal Government Through the State	187,649.00	66,213.00			253,862.00
Total Revenues	<u>3,736,146.20</u>	<u>1,562,785.47</u>	<u>802,418.72</u>	<u>198.83</u>	<u>6,101,549.22</u>

Expenditures:

Instruction:

Regular Programs:

Elementary	969,482.41	100,526.03			1,070,008.44
Middle/Junior High	285,811.14	5,605.81			291,416.95
High School	612,078.77	95,844.77			707,923.54

Special Programs:

Programs for Special Education Educationally Deprived	76,961.11		480,080.20		480,080.20 76,961.11
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Support Services:

Students:

Guidance	101,297.17				101,297.17
Health	11,691.49				11,691.49
Psychological			11,723.88		11,723.88
Speech Pathology			20,015.78		20,015.78
Student Therapy Services			13,617.00		13,617.00

Support Services - Instructional Staff:

Improvement of Instruction	14,768.35				14,768.35
Educational Media	159,772.55	6,700.03			166,472.58

Support Services - General Administration:

Board of Education	21,395.83				21,395.83
Executive Administration	100,339.05				100,339.05

Support Services - School Administration:

Office of the Principal	120,675.08				120,675.08
Title I Program Administration	500.00				500.00
Other	63,839.23				63,839.23

Support Services - Business:

Fiscal Services	106,233.08	7,147.97			113,381.05
Facilities Acquisition and Construction		93,659.97		280,299.20	373,959.17
Operation and Maintenance of Plant	639,552.13	3,136.98			642,689.11
Student Transportation	289,688.81				289,688.81
Food Services		1,871.00			1,871.00

Support Services - Special Education:

Administrative Costs			29,399.43		29,399.43
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Debt Services

		367,350.00			367,350.00
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Cocurricular Activities:

Male Activities	31,670.14				31,670.14
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DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023
(Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Female Activities	40,330.43				40,330.43
Combined Activities	82,771.33	35,899.20			118,670.53
Total Expenditures	<u>3,728,858.10</u>	<u>717,741.76</u>	<u>554,836.29</u>	<u>280,299.20</u>	<u>5,281,735.35</u>
Excess of Revenue Over (Under) Expenditures	<u>7,288.10</u>	<u>845,043.71</u>	<u>247,582.43</u>	<u>(280,100.37)</u>	<u>819,813.87</u>
Other Financing Sources:					
Transfers In	4,435.72	182,765.70			187,201.42
Transfers Out	(210,240.00)	(2,773.01)	(1,662.71)	(2,765.70)	(217,441.42)
Sale of Surplus Property	628.00				628.00
Total Other Financing Sources (Uses)	<u>(205,176.28)</u>	<u>179,992.69</u>	<u>(1,662.71)</u>	<u>(2,765.70)</u>	<u>(29,612.00)</u>
Net Change in Fund Balance	<u>(197,888.18)</u>	<u>1,025,036.40</u>	<u>245,919.72</u>	<u>(282,866.07)</u>	<u>790,201.87</u>
Fund Balance - Beginning	2,023,374.63	1,265,081.34	648,216.80	282,866.07	4,219,538.84
Adjustments:					
Unrecognized Prior Year Receivables (See Note 11.a.)	<u>2,781.00</u>				<u>2,781.00</u>
Adjusted Fund Balance - Beginning	<u>2,026,155.63</u>	<u>1,265,081.34</u>	<u>648,216.80</u>	<u>282,866.07</u>	<u>4,222,319.84</u>
FUND BALANCE - ENDING	<u>\$ 1,828,267.45</u>	<u>\$ 2,290,117.74</u>	<u>\$ 894,136.52</u>	<u>\$ 0.00</u>	<u>\$ 5,012,521.71</u>

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	790,201.87
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		372,046.39
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(255,112.98)
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.		285,000.00
Bond	\$	135,000.00
CO Certificate	\$	150,000.00
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		883.06
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)		50,974.98
Pension Expense	\$	33,585.05
Amortization of Bond Premium	\$	17,389.93
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		7,922.89
Change in Net Position of Governmental Activities	\$	<u><u>1,251,916.21</u></u>

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Preschool and Driver's Education Fund	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 158,839.06	\$ 15,127.21	\$ 173,966.27
Accounts Receivable, Net		1,300.00	1,300.00
Inventories-Materials and Supplies	173.98		173.98
Inventories-Stores for Resale	4,579.22		4,579.22
Total Current Assets	163,592.26	16,427.21	180,019.47
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment--Local Funds	88,679.68		88,679.68
Less: Accumulated Depreciation (Credit)	(63,832.61)		(63,832.61)
Total Noncurrent Assets	24,847.07	0.00	24,847.07
TOTAL ASSETS	\$ 188,439.33	\$ 16,427.21	\$ 204,866.54
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 6,101.58	\$ 324.38	\$ 324.38
Contracts Payable		5,825.60	11,927.18
Payroll Deductions and Withholdings and Employer Matching Payable	805.84	929.32	1,735.16
Unearned Revenue	21,633.90		21,633.90
TOTAL LIABILITIES	\$ 28,541.32	\$ 7,079.30	\$ 35,620.62
NET POSITION:			
Net Investment in Capital Assets	\$ 24,847.07	\$ 9,347.91	\$ 24,847.07
Unrestricted Net Position	135,050.94		144,398.85
TOTAL NET POSITION	\$ 159,898.01	\$ 9,347.91	\$ 169,245.92

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Preschool and Driver's Education Fund	
Operating Revenues:			
Food Sales:			
Student	\$ 119,014.15	\$	\$ 119,014.15
Adult	7,821.57		7,821.57
Ala Carte	5,196.66		5,196.66
Tuition and Fees		30,425.00	30,425.00
Total Operating Revenues	<u>132,032.38</u>	<u>30,425.00</u>	<u>162,457.38</u>
Operating Expenses:			
Salaries	58,491.32	43,053.60	101,544.92
Employee Benefits	19,251.22	13,544.33	32,795.55
Purchased Services	5,125.00		5,125.00
Supplies	7,173.23	1,073.35	8,246.58
Cost of Sales - Purchased	126,050.34		126,050.34
Cost of Sales - Donated	14,810.53		14,810.53
Depreciation/Amortization	5,555.18		5,555.18
Total Operating Expenses	<u>236,456.82</u>	<u>57,671.28</u>	<u>294,128.10</u>
Operating Income (Loss)	<u>(104,424.44)</u>	<u>(27,246.28)</u>	<u>(131,670.72)</u>
Nonoperating Revenues:			
Investment Earnings	355.67	38.78	394.45
State Grants	558.20		558.20
Federal Grants	91,176.79		91,176.79
Donated Food	14,810.53		14,810.53
Total Nonoperating Revenues	<u>106,901.19</u>	<u>38.78</u>	<u>106,939.97</u>
Income (Loss) Before Transfers	2,476.75	(27,207.50)	(24,730.75)
Transfers In		30,240.00	30,240.00
Change in Net Position	2,476.75	3,032.50	5,509.25
Net Position - Beginning	<u>157,421.26</u>	<u>6,315.41</u>	<u>163,736.67</u>
NET POSITION - ENDING	<u><u>\$ 159,898.01</u></u>	<u><u>\$ 9,347.91</u></u>	<u><u>\$ 169,245.92</u></u>

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Preschool and Driver's Education Fund	
Cash Flows from Operating Activities:			
Cash Receipts from Customers	\$ 135,629.43	\$ 29,125.00	\$ 164,754.43
Cash Payments to Employees for Services	(79,058.06)	(56,160.43)	(135,218.49)
Cash Payments to Suppliers of Goods or Services	(137,294.40)	(748.97)	(138,043.37)
Net Cash Provided (Used) by Operating Activities	<u>(80,723.03)</u>	<u>(27,784.40)</u>	<u>(108,507.43)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund		30,240.00	30,240.00
Transfers from Trust and Agency	1,000.00		1,000.00
Operating Grants	98,344.99		98,344.99
Net Cash Flows from Noncapital Financing Activities	<u>99,344.99</u>	<u>30,240.00</u>	<u>129,584.99</u>
Cash Flows from Investing Activities:			
Cash Received for Interest	355.67	38.78	394.45
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 18,977.63</u>	<u>\$ 2,494.38</u>	<u>\$ 21,472.01</u>
Cash and Cash Equivalents at Beginning of Year	\$ 139,861.43	\$ 12,632.83	\$ 152,494.26
Cash and Cash Equivalents at End of Year	<u>158,839.06</u>	<u>15,127.21</u>	<u>173,966.27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 18,977.63</u>	<u>\$ 2,494.38</u>	<u>\$ 21,472.01</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (104,424.44)	\$ (27,246.28)	\$ (131,670.72)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation/Amortization Expense	5,555.18		5,555.18
Value of Donated Commodities Used	14,810.53		14,810.53
(Increase) decrease in Receivables	53.80	(1,300.00)	(1,246.20)
(Increase) decrease in Inventories	1,054.17		1,054.17
(Decrease) increase in Accounts and Other Payables		324.38	324.38
(Decrease) increase in Accrued Wages Payable	(1,315.52)	437.50	(878.02)
(Decrease) increase in Accrued Leave Payable	3,543.25		3,543.25
Net Cash Provided (Used) by Operating Activities	<u>\$ (80,723.03)</u>	<u>\$ (27,784.40)</u>	<u>\$ (108,507.43)</u>
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	\$ 14,810.53		\$ 14,810.53

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents	\$ 19,666.01	\$ 101,450.53
TOTAL ASSETS	\$ 19,666.01	\$ 101,450.53
LIABILITIES:		
TOTAL LIABILITIES	\$ 0.00	\$ 0.00
NET POSITION		
Restricted For:		
Individuals, Organizations, and Other Governments	\$	\$ 101,450.53
Held in Trust for Scholarships	19,666.01	
TOTAL NET POSITION	\$ 19,666.01	\$ 101,450.53

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Contributions and Donations	\$ 3,956.54	\$
Investment Earnings:		
Interest and Dividends	50.28	268.11
Collections for Student Activities		136,919.43
	<u>4,006.82</u>	<u>137,187.54</u>
Total Additions	<u>4,006.82</u>	<u>137,187.54</u>
DEDUCTIONS:		
Trust Deductions for Scholarships	3,755.45	
Payments for Student Activities		125,999.15
Other Deductions		1,523.25
	<u>3,755.45</u>	<u>127,522.40</u>
Total Deductions	<u>3,755.45</u>	<u>127,522.40</u>
Change in Net Position	251.37	9,665.14
Net Position - Beginning	<u>19,414.64</u>	<u>91,785.39</u>
NET POSITION - ENDING	<u>\$ 19,666.01</u>	<u>\$ 101,450.53</u>

The notes to the financial statements are an integral part of this statement.

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Deubrook Area School District No. 5-6 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net Position are 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 Law (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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

The Capital Projects Fund is the only capital projects fund maintained by the School District. The School District has elected to report as a major fund.

Proprietary Funds:

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

- a. *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.)*
- b. *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.*
- c. *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. The School District has elected to report as a major fund.

The Preschool and Driver's Education Fund is an enterprise fund maintained by the School District. It is used to record financial transactions related to providing preschool services and driver's education. The School District has elected to report as a major fund.

Fiduciary Funds:

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

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

DVC (Dakota Valley Conference) Scholarship Fund – A fund established from donations. The fund is used for athletic scholarships to students.

Ruby Schulz Scholarship Fund – A fund established from a donation to be used for unrestricted scholarships to students.

Milton Sorenson Scholarship Fund – A fund established from an estate given to the School District to be used for unrestricted scholarships to students.

Deubrook Scholarship Fund – A fund established from the residual class funds to be used for unrestricted scholarships to students.

Beste Family Scholarship Fund – A fund established from a donation to be used for unrestricted scholarships to students.

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 School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types 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 for the School District is 30 days. The revenues which are accrued at June 30, 2023 are federal assistance, state remittances, property taxes, and other collections made by the county (other than real estate taxes).

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

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

All proprietary fund and fiduciary fund types 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. 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 their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2023 balance of capital assets for governmental activities includes approximately one percent for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities includes approximately one percent for which the values were determined by estimates of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and based on estimates thereon.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's 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/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land	All	----N/A-----	----N/A-----
Improvements	\$ 15,000	Straight-line	15-25 years
Buildings	\$ 50,000	Straight-line	50-75 years
Machinery and Equipment			
Government Activities	\$ 5,000	Straight-line	5-20 years
Machinery and Equipment			
Business-Type Activities	\$ 5,000	Straight-line	5-10 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

e. 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 general obligation bonds and capital outlay certificates.

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

f. Program Revenues:

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

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

g. Deferred Inflows and Deferred Outflows of Resources:

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

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

h. 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.

i. 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.

j. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and 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.

k. Application of Net Position:

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

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

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

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

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Tax Levy and State Grants
Special Education Fund	Tax Levy and State Grants

A schedule of fund balances is provided as follows:

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted For:				
Capital Outlay Purposes	\$	\$ 2,110,117.74	\$	\$ 2,110,117.74
Special Education Purposes			894,136.52	894,136.52
Assigned To:				
Capital Outlay Purposes		180,000.00		180,000.00
Unassigned	<u>1,828,267.45</u>			<u>1,828,267.45</u>
Total Fund Balances	<u>\$ 1,828,267.45</u>	<u>\$ 2,290,117.74</u>	<u>\$ 894,136.52</u>	<u>\$ 5,012,521.71</u>

m. Pensions:

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

2. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement improves accounting and financial reporting for SBITAs; enhances the comparability of financial statements between governments; and also enhances the understandability, reliability, relevance, and consistency of information about SBITAs. Due to the immaterial nature, management has decided to not disclose any account information as it related to GASB No. 96. Management will maintain a listing of subscription-based information technology arrangements and will continually evaluate the potential effect to the financial statements. Therefore, there is no effect on beginning net position due to the implementation of this standard.

3. DEPOSITS AND INVESTMENTS FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires 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.

As of June 30, 2023, the School District did not have any investments.

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.

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the fund making the investment except for the Capital Outlay Fund, Special Education Fund, and Custodial Funds.

4. 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.

5. INVENTORY

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is First-in, First-out (FIFO) Basis. 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.

6. PROPERTY TAXES

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflow of resources-property taxes levied for future period in both the fund financial statements and the government-wide 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."

7. CHANGES IN CAPITAL ASSETS

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

Primary Government

	Balance 7/01/2022	Adjustments	Increases	Decreases	Balance 6/30/2023
Governmental Activities:					
Capital Assets, not being Depreciated:					
Land	\$ 95,799.68	\$	\$	\$	\$ 95,799.68
Construction in Progress	1,648,007.41			(1,648,007.41)	0.00
Total Capital Assets, not being Depreciated	1,743,807.09	0.00	0.00	(1,648,007.41)	95,799.68
Capital Assets, being Depreciated:					
Buildings	10,196,365.51		1,989,976.80		12,186,342.31
Improvements Other than Buildings	123,861.10				123,861.10
Machinery and Equipment	355,845.62		30,077.00	(28,555.25)	357,367.37
Total Capital Assets being Depreciated	10,676,072.23	0.00	2,020,053.80	(28,555.25)	12,667,570.78
TOTAL CAPITAL ASSETS	\$ 12,419,879.32	\$ 0.00	\$ 2,020,053.80	\$ (1,676,562.66)	\$ 12,763,370.46
Less Accumulated Depreciation for:					
Buildings	\$ (3,117,731.87)	\$ 55,659.61	\$ (234,940.66)	\$	\$ (3,297,012.92)
Improvements Other than Buildings	(57,757.26)		(4,202.66)		(61,959.92)
Machinery and Equipment	(279,029.97)		(15,969.66)	28,555.25	(266,444.38)
Total Accumulated Depreciation	(3,454,519.10)	55,659.61	(255,112.98)	28,555.25	(3,625,417.22)
Total Capital Assets, being Depreciated, Net	7,221,553.13	0.00	1,764,940.82	0.00	9,042,153.56
Governmental Activity Capital Assets, Net	\$ 8,965,360.22	\$ 55,659.61	\$ 1,764,940.82	\$ (1,648,007.41)	\$ 9,137,953.24

	FY2023
Depreciation expense was charged to functions as follows:	
Instruction	\$ 1,378.86
Support Services	10,321.54
Co-Curricular Activities	4,269.26
Depreciation-Unallocated	239,143.32
Total Depreciation Expense-Governmental Activities	<u>\$ 255,112.98</u>

	Balance 7/01/2022	Adjustments	Increases	Decreases	Balance 6/30/2023
Business-Type Activities:					
Capital Assets, being Depreciated:					
Machinery and Equipment	\$ 92,392.08	\$	\$	\$ (3,712.40)	\$ 88,679.68
Less Accumulated Depreciation for:					
Machinery and Equipment	(61,989.83)		(5,555.18)	3,712.40	(63,832.61)
Business-Type Activity Capital Assets, Net	<u>\$ 30,402.25</u>	<u>\$ 0.00</u>	<u>\$ (5,555.18)</u>	<u>\$ 0.00</u>	<u>\$ 24,847.07</u>

FY2023

Depreciation expense was charged to functions as follows:

Food Service	<u>\$ 5,555.18</u>
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8. LONG-TERM LIABILITIES

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

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Amounts Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds and Certificates Payable:					
General Obligation Bonds Payable	\$ 2,975,000.00	\$ 0.00	\$ 135,000.00	\$ 2,840,000.00	\$ 135,000.00
Capital Outlay Certificates	650,000.00	0.00	150,000.00	500,000.00	160,000.00
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,625,000.00</u>	<u>\$ 0.00</u>	<u>\$ 285,000.00</u>	<u>\$ 3,340,000.00</u>	<u>\$ 295,000.00</u>

Liabilities payable at June 30, 2023 are comprised of the following:

Governmental Activities:

General Obligation Bonds Payable:

Series 2021 Limited General Obligation Certificates,
Interest Rate 2%, Certificates mature in June 2041
and are paid from the Capital Outlay Fund

\$ 2,840,000.00

Capital Outlay Certificates:

Series 2020 Limited Capital Outlay Refunding Certificates,
Interest Rate 3% to 4%, Certificates mature in
June 2026 and are paid from the Capital Outlay Fund

\$ 500,000.00

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2023 are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2023

Year Ending June 30,	General Obligation		Capital Outlay		Total	
	Bonds Payable		Certificates Payable			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2024	\$ 135,000.00	\$ 55,450.00	\$ 160,000.00	\$ 16,800.00	\$ 295,000.00	\$ 72,250.00
2025	135,000.00	52,750.00	170,000.00	10,200.00	305,000.00	62,950.00
2026	140,000.00	50,000.00	170,000.00	3,400.00	310,000.00	53,400.00
2027	140,000.00	47,200.00			140,000.00	47,200.00
2028	145,000.00	44,350.00			145,000.00	44,350.00
2029-2033	760,000.00	177,200.00			760,000.00	177,200.00
2034-2038	840,000.00	97,200.00			840,000.00	97,200.00
2039-2041	545,000.00	16,450.00			545,000.00	16,450.00
TOTALS	<u>\$ 2,840,000.00</u>	<u>\$ 540,600.00</u>	<u>\$ 500,000.00</u>	<u>\$ 30,400.00</u>	<u>\$ 3,340,000.00</u>	<u>\$ 571,000.00</u>

9. RESTRICTED NET POSITION

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

Major Purposes:	Restricted By	
Capital Outlay Purposes	Law	\$ 1,993,198.16
Special Education Purposes	Law	894,773.23
SDRS Pension Purposes	Law	<u>397,952.83</u>
Total Restricted Net Position		<u>\$ 3,285,924.22</u>

These balances are restricted due to federal grant and statutory requirements.

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 were as follows:

Transfers From:	Transfers To:			Total
	General Fund	Capital Outlay Fund	Preschool and Driver's Education Fund	
Major Funds:				
General Fund	\$	\$ 180,000.00	\$ 30,240.00	\$ 210,240.00
Capital Outlay Fund	2,773.01			2,773.01
Special Education Fund	1,662.71			1,662.71
Capital Projects Fund		2,765.70		2,765.70
Total	\$ 4,435.72	\$ 182,765.70	\$ 30,240.00	\$ 217,441.42

Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the school board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers. Certain other statutes and debt covenants require earnings from investments and deposits to be retained in the fund that services the long-term debt. The School District typically budgets transfers to the Preschool and Driver's Education Fund to support the operation of the Preschool and Driver's Education programs. The School District transferred funds to the Capital Outlay Fund to support the School District's capital asset acquisition.

11. PRIOR PERIOD ADJUSTMENTS

- a. PRIOR PERIOD ADJUSTMENT – BEGINNING FUND BALANCE/NET POSITION ADJUSTMENT FOR THE UNDERSTATEMENT OF FEDERAL GRANT REVENUE AND DUE FROM OTHER GOVERNMENTS IN FY2022.

Beginning Fund Balance in the General Fund and Beginning Net Position for Governmental Activities was adjusted for the omission of a Due from Other Governments account receivable. A payment from the State of South Dakota that met the requirements to be recorded and reported as a Due from Other Governments accounts receivable and Restricted Grants-in-Aid Received from Federal Government Through the State revenue in the General Fund and Instruction Operating Grants and Contributions for Governmental Activities revenue.

- b. PRIOR PERIOD ADJUSTMENT – BEGINNING NET POSITION ADJUSTMENT FOR THE DEPRECIATION OF CAPITAL PROJECTS BEFORE COMPLETION DATE.

Beginning Net Position for Governmental Activities was adjusted for prior year depreciation of capital assets that were acquired over more than one fiscal period. Capital Assets that were acquired over more than one fiscal period had costs capitalized each fiscal period that the costs were incurred. The unfinished capital projects were then depreciated before the projects were completed.

c. PRIOR PERIOD ADJUSTMENT – BEGINNING NET POSITION ADJUSTMENT FOR ERROR IN PRIOR YEAR'S SOUTH DAKOTA RETIREMENT SYSTEM CALCULATIONS.

Beginning Net Position for Governmental Activities was adjusted for errors in the calculation of the District's Net Pension Asset, Pension Related Deferred Outflows of Resources, Pension Related Deferred Inflows of Resources, and Net Position Restricted for South Dakota Retirement System Pension Purposes. An incorrect amount of covered Payroll for the Month of June 2021 was used in the FY2021 calculation. The allocation percentage used for the FY2019 contributions was from a different School District for the FY2021 calculation and FY2022 calculation.

12. PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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 earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The School District’s share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021 were \$144,570.05, \$136,647.16, and \$149,563.20, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$	13,464,007.94
Less proportionate share of net pension restricted for pension benefits		13,473,021.66
Proportionate share of net pension asset	\$	(9,013.72)

At June 30, 2023, the School District reported an asset of \$9,013.72 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District’s proportion was 0.095377%, which is a decrease of (0.014467%) from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense (reduction of expense) of \$(41,507.93). At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 171,583.10	\$ 585.14
Changes in assumption	572,884.77	502,056.89
Net Difference between projected and actual earnings on pension plan investments		21,601.12
Changes in proportion and difference between District contributions and proportionate share of contributions	24,144.34	
School District contributions subsequent to the measurement date	<u>144,570.05</u>	
TOTAL	<u>\$ 913,182.26</u>	<u>\$ 524,243.15</u>

\$144,570.05 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended June 30,</u>	
2024	\$ 67,850.53
2025	131,782.59
2026	(136,343.82)
2027	<u>181,079.76</u>
TOTAL	<u>\$ 244,369.06</u>

Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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).

Sensitivity of liability (asset) to changes in the discount rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,871,617.06	\$ (9,013.72)	\$ (1,545,985.97)

Pension Plan Fiduciary Net Position:

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

13. JOINT VENTURES

The School District participates in the joint venture known as the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing appropriate educational services for all children and to offer, on a cooperative fee assessment basis, services that the districts would not be able to provide as effectively or as economically acting alone, to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	2%
Britton-Hecla School District No. 45-2	6%
Castlewood School District No. 28-1	4%
Clark School District No. 12-2	6%
DeSmet School District No. 38.2	4%
Deubrook School District No. 5-6	5%
Deuel School District No. 19-4	7%
Elkton School District No. 5-3	5%
Enemy Swim Day School	2%
Estelline School District No. 28-2	3%
Florence School District No. 14-1	4%
Hamlin School District No. 28-3	10%
Henry School District No. 14-2	2%
Iroquois School District No. 2-3	3%
Lake Preston School District No. 38-3	2%
Oldham Ramona School District No. 39-5	2%
Rosholt School District No. 54-4	3%
Rutland School District No. 39-4	2%
Sioux Valley School District No. 5-5	9%
Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%
Waverly School District No. 14-5	3%
Webster School District No. 18-5	6%
Willow Lake School District No. 12-3	4%
Wilmot School District No. 54-7	2%

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

The School District retains no equity in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2022, this joint venture had total assets of \$2,381,230.00, deferred outflows of \$1,131,401.00, total liabilities of \$530,765.00, total deferred inflows of \$674,326.00, and net position of \$2,307,540.00.

14. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

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

Worker's Compensation:

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

Unemployment Benefits:

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

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

15. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2023, the School District was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,452,144.00	\$ 1,452,144.00	\$ 1,400,773.57	\$ (51,370.43)
Prior Years' Ad Valorem Taxes	4,000.00	4,000.00	907.64	(3,092.36)
Utility Taxes	137,000.00	137,000.00	131,641.83	(5,358.17)
Penalties and Interest on Taxes	4,000.00	4,000.00	2,527.19	(1,472.81)
Earnings on Investments and Deposits	3,500.00	3,500.00	5,629.78	2,129.78
Cocurricular Activities:				
Admissions	20,000.00	20,000.00	23,830.60	3,830.60
Other Revenue from Local Sources:				
Rentals	0.00	0.00	140.00	140.00
Contributions and Donations	0.00	0.00	1,634.50	1,634.50
Charges for Services	2,000.00	2,000.00	1,669.91	(330.09)
Other	17,000.00	17,000.00	22,205.72	5,205.72
Revenue from Intermediate Sources:				
County Sources:				
County Apportionment	28,000.00	28,000.00	21,592.37	(6,407.63)
Revenue in Lieu of Taxes	500.00	500.00	0.00	(500.00)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid	1,805,386.00	1,805,386.00	1,886,206.09	80,820.09
Restricted Grants-in-Aid	10,230.00	19,430.00	19,884.05	454.05
Other State Revenue	0.00	0.00	1,507.84	1,507.84
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
Received from Federal Government Through an Intermediate Source	1,500.00	1,500.00	410.11	(1,089.89)
Restricted Grants-in-Aid				
Received Directly from Federal Government	24,512.00	24,512.00	27,936.00	3,424.00
Restricted Grants-in-Aid Received from Federal Government Through the State	165,205.00	205,205.00	187,649.00	(17,556.00)
Total Revenues	3,674,977.00	3,724,177.00	3,736,146.20	11,969.20
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	960,896.00	980,896.00	969,482.41	11,413.59
Middle/Junior High	290,403.00	295,403.00	285,811.14	9,591.86
High School	585,644.00	625,644.00	612,078.77	13,565.23
Special Programs:				
Educationally Deprived	77,764.00	77,764.00	76,961.11	802.89
Support Services:				
Students:				
Guidance	104,116.00	104,116.00	101,297.17	2,818.83
Health	15,000.00	15,000.00	11,691.49	3,308.51
Support Services - Instructional Staff:				
Improvement of Instruction	20,138.00	20,138.00	14,768.35	5,369.65
Educational Media	159,535.00	160,835.00	159,772.55	1,062.45
Support Services - General Administration:				
Board of Education	39,265.00	39,265.00	21,395.83	17,869.17
Executive Administration	103,826.00	103,826.00	100,339.05	3,486.95

REQUIRED SUPPLEMENTARY INFORMATION
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2023
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive (Negative)</u>
Support Services - School Administration:				
Office of the Principal	121,161.00	121,161.00	120,675.08	485.92
Title I Program Administration	500.00	500.00	500.00	0.00
Other	64,970.00	64,970.00	63,839.23	1,130.77
Support Services - Business:				
Fiscal Services	106,626.00	106,626.00	106,233.08	392.92
Operation and Maintenance of Plant	646,568.00	646,568.00	639,552.13	7,015.87
Student Transportation Services	281,000.00	289,700.00	289,688.81	11.19
Cocurricular Activities:				
Male Activities	33,134.00	33,134.00	31,670.14	1,463.86
Female Activities	46,790.00	46,790.00	40,330.43	6,459.57
Combined Activities	86,050.00	90,950.00	82,771.33	8,178.67
Total Expenditures	<u>3,743,386.00</u>	<u>3,823,286.00</u>	<u>3,728,858.10</u>	<u>94,427.90</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(68,409.00)</u>	<u>(99,109.00)</u>	<u>7,288.10</u>	<u>106,397.10</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	4,435.72	4,435.72
Transfers Out	(30,500.00)	(210,500.00)	(210,240.00)	260.00
Sale of Surplus Property	0.00	0.00	628.00	628.00
Total Other Financing Sources (Uses)	<u>(30,500.00)</u>	<u>(210,500.00)</u>	<u>(205,176.28)</u>	<u>5,323.72</u>
Net Change in Fund Balance	<u>(98,909.00)</u>	<u>(309,609.00)</u>	<u>(197,888.18)</u>	<u>111,720.82</u>
Fund Balance - Beginning	2,023,374.63	2,023,374.63	2,023,374.63	0.00
Adjustments:				
Unrecognized Prior Year Receivables (See Note 11.a.)	0.00	0.00	2,781.00	2,781.00
Adjusted Fund Balance - Beginning	<u>2,023,374.63</u>	<u>2,023,374.63</u>	<u>2,026,155.63</u>	<u>2,781.00</u>
FUND BALANCE - ENDING	<u>\$ 1,924,465.63</u>	<u>\$ 1,713,765.63</u>	<u>\$ 1,828,267.45</u>	<u>\$ 114,501.82</u>

**REQUIRED SUPPLEMENTARY INFORMATION
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 1,536,252.00	\$ 1,536,252.00	\$ 1,468,586.74	\$ (67,665.26)
Prior Years' Ad Valorem Taxes	2,500.00	2,500.00	542.17	(1,957.83)
Penalties and Interest on Taxes	2,000.00	2,000.00	2,057.79	57.79
Earnings on Investments and Deposits	0.00	0.00	2,773.01	2,773.01
Other Revenue from Local Sources:				
Contributions and Donations	19,000.00	19,000.00	21,806.00	2,806.00
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid				
Received from Federal				
Government Through an				
Intermediate Source	0.00	0.00	806.76	806.76
Restricted Grants-in-Aid				
Received from Federal				
Government Through the State	0.00	0.00	66,213.00	66,213.00
Total Revenue	<u>1,559,752.00</u>	<u>1,559,752.00</u>	<u>1,562,785.47</u>	<u>3,033.47</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	223,360.00	223,360.00	100,526.03	122,833.97
Middle/Junior High	92,680.00	92,680.00	5,605.81	87,074.19
High School	171,680.00	171,680.00	95,844.77	75,835.23
Preschool Services	500.00	500.00	0.00	500.00
Special Programs:				
Programs for Special Education	4,000.00	4,000.00	0.00	4,000.00
Support Services:				
Support Services - Instructional Staff:				
Educational Media	21,500.00	21,500.00	6,700.03	14,799.97
Support Services - General Administration:				
Executive Administration	1,000.00	1,000.00	0.00	1,000.00
Support Services - School Administration:				
Office of the Principal	1,000.00	1,000.00	0.00	1,000.00
Support Services - Business:				
Fiscal Services	9,100.00	9,100.00	7,147.97	1,952.03
Facilities Acquisition and Construction	230,000.00	230,000.00	93,659.97	136,340.03
Operation and Maintenance of Plant	25,000.00	25,000.00	3,136.98	21,863.02
Food Services	8,000.00	8,000.00	1,871.00	6,129.00
Debt Services	366,150.00	367,350.00	367,350.00	0.00
Cocurricular Activities:				
Combined Activities	55,000.00	55,000.00	35,899.20	19,100.80
Total Expenditures	<u>1,208,970.00</u>	<u>1,210,170.00</u>	<u>717,741.76</u>	<u>492,428.24</u>
Excess of Revenue Over (Under)				
Expenditures	<u>350,782.00</u>	<u>349,582.00</u>	<u>845,043.71</u>	<u>495,461.71</u>
Other Financing Sources (Uses):				
Transfers In	0.00	0.00	182,765.70	182,765.70
Transfers Out	(4,000.00)	(4,000.00)	(2,773.01)	1,226.99
Total Other Financing Sources (Uses)	<u>(4,000.00)</u>	<u>(4,000.00)</u>	<u>179,992.69</u>	<u>183,992.69</u>
Net Change in Fund Balance	346,782.00	345,582.00	1,025,036.40	679,454.40
Fund Balance - Beginning	<u>1,265,081.34</u>	<u>1,265,081.34</u>	<u>1,265,081.34</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>\$ 1,611,863.34</u>	<u>\$ 1,610,663.34</u>	<u>\$ 2,290,117.74</u>	<u>\$ 679,454.40</u>

**REQUIRED SUPPLEMENTARY INFORMATION
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 707,494.00	\$ 707,494.00	\$ 798,095.77	\$ 90,601.77
Prior Years' Ad Valorem Taxes	0.00	0.00	237.95	237.95
Penalties and Interest on Taxes	0.00	0.00	1,130.57	1,130.57
Earnings on Investments and Deposits	0.00	0.00	1,662.71	1,662.71
Other Revenue from Local Sources:				
Charges for Services	400.00	400.00	861.72	461.72
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	0.00	0.00	430.00	430.00
Total Revenues	<u>707,894.00</u>	<u>707,894.00</u>	<u>802,418.72</u>	<u>94,524.72</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for Special Education	548,895.00	548,895.00	480,080.20	68,814.80
Support Services:				
Students:				
Psychological	11,800.00	11,800.00	11,723.88	76.12
Speech Pathology	22,000.00	22,000.00	20,015.78	1,984.22
Student Therapy Services	13,700.00	13,700.00	13,617.00	83.00
Support Services - Special Education				
Administrative Costs	27,276.00	29,476.00	29,399.43	76.57
Total Expenditures	<u>623,671.00</u>	<u>625,871.00</u>	<u>554,836.29</u>	<u>71,034.71</u>
Excess of Revenue Over (Under) Expenditures	84,223.00	82,023.00	247,582.43	165,559.43
Other Financing Sources (Uses):				
Transfers Out	0.00	0.00	(1,662.71)	(1,662.71)
Net Change in Fund Balance	84,223.00	82,023.00	245,919.72	163,896.72
Fund Balance - Beginning	648,216.80	648,216.80	648,216.80	0.00
FUND BALANCE - ENDING	<u>\$ 732,439.80</u>	<u>\$ 730,239.80</u>	<u>\$ 894,136.52</u>	<u>\$ 163,896.72</u>

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget

1. Budgets and Budgetary Accounting:

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis 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.

**REQUIRED SUPPLEMENTARY INFORMATION
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS**

South Dakota Retirement System

*Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 144,570	\$ 136,647	\$ 149,563	\$ 138,917	\$ 141,445	\$ 142,529	\$ 137,719	\$ 118,329	\$ 116,980
Contributions in relation to the contractually required contribution	<u>144,570</u>	<u>136,647</u>	<u>149,563</u>	<u>138,917</u>	<u>141,445</u>	<u>142,529</u>	<u>137,719</u>	<u>118,329</u>	<u>116,980</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 2,409,499	\$ 2,277,448	\$ 2,492,713	\$ 2,314,749	\$ 2,360,437	\$ 2,375,486	\$ 2,295,210	\$ 1,972,633	\$ 1,949,664
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	5.99%	6.00%	6.00%	6.00%	6.00%

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

REQUIRED SUPPLEMENTARY INFORMATION
DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

*Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.095377%	0.109844%	0.105494%	0.110874%	0.114266%	0.112970%	0.103715%	0.106789%	0.112173%
District's proportionate share of net pension liability (asset)	\$ (9,014)	\$ (841,217)	\$ (4,582)	\$ (11,750)	\$ (2,665)	\$ (10,252)	\$ 350,340	\$ (452,923)	\$ (808,160)
District's covered payroll	\$ 2,277,448	\$ 2,492,713	\$ 2,314,749	\$ 2,360,437	\$ 2,375,486	\$ 2,295,210	\$ 1,972,633	\$ 1,949,664	\$ 1,961,589
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

DEUBROOK AREA SCHOOL DISTRICT NO. 5-6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July

2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes

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