

**Deuel School District No. 19-4**

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

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

**Deuel School District No. 19-4**

School District Officials

June 30, 2023

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Board Members

Wade Gubrud----- Chairman  
Michelle Prins----- Vice-Chairman  
Danay Nielsen----- Member  
Jessica TeKrony----- Member  
Joel Brandt----- Member

Chad Schiernbeck----- Superintendent

Dylan Amdahl----- Business Manager

Deuel School District No. 19-4

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

School Board  
Deuel School District No. 19-4  
Deuel County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Deuel School District No. 19-4, 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 August 9, 2024, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items 2023-001 and 2023-002 to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **School District's Response to Findings**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "CIO of LLC". The signature is written in a cursive, slightly slanted style.

Huron, South Dakota  
August 9, 2024

**Deuel School District No. 19-4**  
Schedule of Current Audit Findings  
June 30, 2023

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Finding 2023-001 - Lack of Segregation of Duties

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

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

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

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

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

Management's Response: Management agrees with the finding. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Repeat Finding from Prior Year(s): No

Finding 2023-002 - Preparation of Financial Statements and Footnotes

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures in accordance with generally accepted accounting principles.

Criteria: The District's internal control structure should provide for the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Cause: The District does not have adequate staff trained to prepare the financial statements and footnotes.

Effect: This condition may affect the District's ability to report financial data in accordance with generally accepted accounting principles.

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charges with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response: Management agrees with the finding. We requested that our auditors, ELO Prof. LLC, prepare the financial statements and notes to the financials as part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed and agree with material adjustments proposed during the audit.

Repeat Finding from Prior Year(s): No



## Independent Auditor's Report

School Board  
Deuel School District No. 19-4  
Summit, South Dakota

### Report on the Audit of the Financial Statements

#### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Deuel School District No. 19-4, 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, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Deuel School District No. 19-4 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Qualified and Unmodified Opinions

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

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

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District Contributions, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Changes in School District's Total OPEB Liability, Related Notes, and Ratios 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 August 9, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Handwritten signature in cursive script, appearing to read "CIO of LLC".

Huron, South Dakota  
August 9, 2024

**Deuel School District No. 19-4**  
Statement of Net Position – Government-Wide  
June 30, 2023

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 10,898,771	\$ 22,448	\$ 10,921,219
Taxes receivable	1,835,524	14,744	1,850,268
Inventories	--	5,297	5,297
Other assets	581,435	--	581,435
Net pension asset	11,573	408	11,981
Capital assets:			
Land and construction in progress	8,167,951	--	8,167,951
Other capital assets, net of depreciation/amortization	5,481,528	9,469	5,490,997
<b>Total Assets</b>	<b>26,976,782</b>	<b>52,366</b>	<b>27,029,148</b>
<b>Deferred Outflows of Resources:</b>			
OPEB related deferred outflows	29,898	2,600	32,498
Pension related deferred outflows	1,143,734	40,335	1,184,069
<b>Total Deferred Outflows of Resources</b>	<b>1,173,632</b>	<b>42,935</b>	<b>1,216,567</b>
<b>Liabilities:</b>			
Drafts payable	--	18,225	18,225
Accounts payable	739,654	--	739,654
Unearned revenue	--	45,760	45,760
Other current liabilities	508,274	20,225	528,499
Noncurrent liabilities:			
Due within one year	441,204	--	441,204
Due in more than one year	9,346,828	18,286	9,365,114
<b>Total Liabilities</b>	<b>11,035,960</b>	<b>102,496</b>	<b>11,138,456</b>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future periods	1,823,546	--	1,823,546
Pension related deferred inflows	674,525	23,788	698,313
OPEB related deferred inflows	69,803	6,070	75,873
<b>Total Deferred Inflows of Resources</b>	<b>2,567,874</b>	<b>29,858</b>	<b>2,597,732</b>
<b>Net Position:</b>			
Net investment in capital assets	3,861,447	9,469	3,870,916
Restricted for:			
Capital projects	1,666,022	--	1,666,022
Capital outlay	6,886,377	--	6,886,377
Special education	462,565	--	462,565
SDRS pension	480,782	16,955	497,737
Unrestricted	1,189,387	(63,477)	1,125,910
<b>Total Net Position</b>	<b>\$ 14,546,580</b>	<b>\$ (37,053)</b>	<b>\$ 14,509,527</b>

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

**Deuel School District No. 19-4**  
Statement of Activities – Government-Wide  
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>						
Instruction	\$ 3,234,218	\$ --	\$ 433,297	\$ (2,800,921)	\$ --	\$ (2,800,921)
Support services	2,836,085	41,176	--	(2,794,909)	--	(2,794,909)
Interest on long-term debt*	99,658	--	--	(99,658)	--	(99,658)
Cocurricular activities	324,313	34,397	--	(289,916)	--	(289,916)
<b>Total Governmental Activities</b>	<b>6,494,274</b>	<b>75,573</b>	<b>433,297</b>	<b>(5,985,404)</b>	<b>--</b>	<b>(5,985,404)</b>
<b>Business-Type Activities:</b>						
Food service	387,087	180,519	119,907	--	(86,661)	(86,661)
Driver's education	13,204	10,950	--	--	(2,254)	(2,254)
<b>Total Business Type Activities</b>	<b>400,291</b>	<b>191,469</b>	<b>119,907</b>	<b>--</b>	<b>(88,915)</b>	<b>(88,915)</b>
<b>Total Primary Government</b>	<b>\$ 6,894,565</b>	<b>\$ 267,042</b>	<b>\$ 553,204</b>	<b>(5,985,404)</b>	<b>(88,915)</b>	<b>(6,074,319)</b>
<b>General Revenues:</b>						
Taxes:						
				3,959,264	--	3,959,264
				283,165	--	283,165
Revenue from State Sources:						
				2,167,047	--	2,167,047
				407,964	--	407,964
				173,947	--	173,947
				<b>6,991,387</b>	<b>--</b>	<b>6,991,387</b>
				1,005,983	(88,915)	917,068
				<b>13,540,597</b>	<b>51,862</b>	<b>13,592,459</b>
				<b>\$ 14,546,580</b>	<b>\$ (37,053)</b>	<b>\$ 14,509,527</b>

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

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

**Deuel School District No. 19-4**  
Balance Sheet – Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,078,202	\$ 6,936,371	\$ 528,856	\$ 2,355,342	\$ 10,898,771
Taxes receivable - current	803,593	698,915	321,038	--	1,823,546
Taxes receivable - delinquent	7,098	3,215	1,665	--	11,978
Accounts receivable	1,546	--	--	--	1,546
Due from other governments	579,889	--	--	--	579,889
Total Assets	<u>\$ 2,470,328</u>	<u>\$ 7,638,501</u>	<u>\$ 851,559</u>	<u>\$ 2,355,342</u>	<u>\$ 13,315,730</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 252	\$ 49,994	\$ 88	\$ 689,320	\$ 739,654
Contracts payable	344,773	--	39,787	--	384,560
Payroll deductions and withholding and employer matching payable	97,298	--	26,416	--	123,714
Total Liabilities	<u>442,323</u>	<u>49,994</u>	<u>66,291</u>	<u>689,320</u>	<u>1,247,928</u>
Deferred Inflows of Resources:					
Taxes levied for future period	803,593	698,915	321,038	--	1,823,546
Delinquent taxes not available	7,098	3,215	1,665	--	11,978
Total Deferred Inflows of Resources	<u>810,691</u>	<u>702,130</u>	<u>322,703</u>	<u>--</u>	<u>1,835,524</u>
<b>Fund Balances:</b>					
Restricted:					
For capital projects	--	--	--	1,666,022	1,666,022
For capital outlay	--	6,886,377	--	--	6,886,377
For special education	--	--	462,565	--	462,565
Assigned - unemployment	17,707	--	--	--	17,707
Unassigned	1,199,607	--	--	--	1,199,607
Total Fund Balances	<u>1,217,314</u>	<u>6,886,377</u>	<u>462,565</u>	<u>1,666,022</u>	<u>10,232,278</u>
Total Liabilities and Fund Balances	<u>\$ 2,470,328</u>	<u>\$ 7,638,501</u>	<u>\$ 851,559</u>	<u>\$ 2,355,342</u>	<u>\$ 13,315,730</u>

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

**Deuel School District No. 19-4**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2023

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Total Fund Balances - Governmental Funds		\$ 10,232,278
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		13,649,479
Net pension (asset) reported in the governmental activities is not an available financial resource and therefore is not reported in the funds.		11,573
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Net OPEB Liability	(210,291)	
Intangible Lease Liabilities	(14,135)	
Capital Outlay Certificates	(9,525,000)	
Premiums on Debt Issued	<u>(38,606)</u>	<u>(9,788,032)</u>
Assets, such as taxes receivable that are not available to pay for the current period expenditures, are deferred in the funds.		11,978
Pension related deferred inflows are components of pension (asset) and therefore are not reported in the funds.		(674,525)
Pension related deferred outflows are components of pension (asset) and therefore are not reported in the funds.		1,143,734
OPEB related deferred inflows are components of net OPEB liability and therefore are not reported in the funds.		(69,803)
OPEB related deferred outflows are components of net OPEB liability and therefore are not reported in the funds.		<u>29,898</u>
Net Position - Governmental Activities		<u>\$ 14,546,580</u>

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

**Deuel School District No. 19-4**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,810,204	\$ 1,419,924	\$ 688,165	\$ --	\$ 3,918,293
Prior years' ad valorem taxes	14,510	10,348	5,291	--	30,149
Utility taxes	283,165	--	--	--	283,165
Penalties and interest on taxes	5,055	3,722	2,045	--	10,822
Earnings on Investments and Deposits	59,356	240,271	20,250	88,087	407,964
Food Service	32,148	--	--	--	32,148
Cocurricular Activities:					
Admissions	33,247	--	--	--	33,247
Other student activity income	1,150	--	--	--	1,150
Other Revenue from Local Sources:					
Rentals	5,200	--	--	--	5,200
Charges for services	5,534	--	3,494	--	9,028
Other	135,679	4,975	--	--	140,654
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	24,033	--	--	--	24,033
Revenue in lieu of taxes	4,060	--	--	--	4,060
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	2,167,047	--	--	--	2,167,047
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	363,539	69,758	--	--	433,297
<b>Total Revenues</b>	<u>\$ 4,943,927</u>	<u>\$ 1,748,998</u>	<u>\$ 719,245</u>	<u>\$ 88,087</u>	<u>\$ 7,500,257</u>

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

## Deuel School District No. 19-4

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

June 30, 2023 (Continued)

	General	Capital Outlay	Special Education	Capital Projects	Total Governmental Funds
<b>Expenditures</b>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 1,000,257	\$ 109,968	\$ --	--	\$ 1,110,225
Middle/junior high	446,354	13,404	--	--	459,758
High school	761,466	23,615	--	--	785,081
Preschool	68,065	--	--	--	68,065
Special Programs:					
Programs for special education	--	--	723,721	--	723,721
Educationally deprived	86,570	--	--	--	86,570
Support Services:					
Students					
Guidance	170,329	--	--	--	170,329
Psychological	--	--	14,346	--	14,346
Health	5,165	--	--	--	5,165
Speech pathology	--	--	23,602	--	23,602
Student therapy services	--	--	6,941	--	6,941
Instructional Staff:					
Improvement of instruction	23,189	--	--	--	23,189
Educational media	75,877	105,004	9,722	--	190,603
General Administration:					
Board of education	66,933	--	911	--	67,844
Executive administration	152,830	--	--	--	152,830
School Administration					
Office of the principal	242,788	--	--	--	242,788
Other	368	--	--	--	368
Business:					
Fiscal services	176,220	16,110	--	--	192,330
Facilities acquisition and construction	--	146,915	--	468,401	615,316
Operation and maintenance of plant	590,348	65,102	--	--	655,450
Student transportation	354,845	73	--	--	354,918
Food services	31,813	--	--	--	31,813
Internal services	15,258	4,728	--	--	19,986
Special Education:					
Transportation costs	--	--	470	--	470
Other special education costs	--	--	40	--	40
Debt Services:	--	115,498	--	--	115,498
Co-curricular Activities:					
Male activities	59,439	1,551	--	--	60,990
Female activities	65,094	24,191	--	--	89,285
Transportation	30,065	--	--	--	30,065
Combined activities	112,147	14,328	--	--	126,475
Capital Outlay	--	270,602	--	7,097,298	7,367,900
<b>Total Expenditures</b>	<b>4,535,420</b>	<b>911,089</b>	<b>779,753</b>	<b>7,565,699</b>	<b>13,791,961</b>
Excess of Revenue Over (Under) Expenditures	408,507	837,909	(60,508)	(7,477,612)	(6,291,704)
<b>Other Financing Sources (Uses):</b>					
Transfer in	--	700,000	--	--	700,000
Transfer out	(700,000)	--	--	--	(700,000)
Compensation for loss of general capital assets	--	17,798	--	--	17,798
Total Other Financing Sources (Uses)	(700,000)	717,798	--	--	17,798
Net Change in Fund Balances	(291,493)	1,555,707	(60,508)	(7,477,612)	(6,273,906)
<b>Fund Balance, Beginning of Year</b>	<b>1,508,807</b>	<b>5,330,670</b>	<b>523,073</b>	<b>9,143,634</b>	<b>16,506,184</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,217,314</b>	<b>\$ 6,886,377</b>	<b>\$ 462,565</b>	<b>\$ 1,666,022</b>	<b>\$ 10,232,278</b>

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

**Deuel School District No. 19-4**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
June 30, 2023

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Net Change in Fund Balances - Total Governmental Funds \$ (6,273,906)

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 7,367,900

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (171,306)

In the statement of activities gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (855)

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

Intangible Lease Liabilities 13,771  
Premiums on Debt Issued 2,069

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 1,484

Governmental funds do not reflect the change in Other Post Employment Benefits (OPEB), but the statement of activities reflects the change in OPEB through expenditures. (2,155)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 68,981

Change in net position of governmental activities \$ 1,005,983

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



**Deuel School District No. 19-4**  
Statement of Net Position – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ --	\$ 22,448	\$ 22,448
Accounts receivable, net	13,176	1,568	14,744
Inventory - supplies	1,874	--	1,874
Inventory - stores for resale	2,443	--	2,443
Inventory of donated food	980	--	980
Total Current Assets	<u>18,473</u>	<u>24,016</u>	<u>42,489</u>
Noncurrent Assets:			
Net Pension Asset	383	25	408
Machinery and equipment - local funds	61,635	--	61,635
Machinery and equipment -federal funds	2,893	--	2,893
Less accumulated depreciation	(55,059)	--	(55,059)
Total Noncurrent Assets	<u>9,852</u>	<u>25</u>	<u>9,877</u>
Total Assets	<u>\$ 28,325</u>	<u>\$ 24,041</u>	<u>\$ 52,366</u>
<b>Deferred Outflows of Resources:</b>			
Pension related deferred outflows	37,844	2,491	40,335
OPEB related deferred outflows	1,872	728	2,600
Total Deferred Outflows of Resources	<u>39,716</u>	<u>3,219</u>	<u>42,935</u>
<b>Liabilities:</b>			
Current Liabilities:			
Drafts payable	\$ 18,225	\$ --	\$ 18,225
Payroll deductions and withholdings and employer matching payable	8,736	122	8,858
Deposits payable	11,367	--	11,367
Unearned revenue	45,760	--	45,760
Total Current Liabilities	<u>84,088</u>	<u>122</u>	<u>84,210</u>
Noncurrent Liabilities:			
Net OPEB liability	13,166	5,120	18,286
Total Noncurrent Liabilities	<u>13,166</u>	<u>5,120</u>	<u>18,286</u>
Total Liabilities	<u>\$ 97,254</u>	<u>\$ 5,242</u>	<u>\$ 102,496</u>
<b>Deferred Inflows of Resources:</b>			
Pension related deferred inflows	22,319	1,469	23,788
OPEB related deferred inflows	4,370	1,700	6,070
Total Deferred Inflows of Resources	<u>26,689</u>	<u>3,169</u>	<u>29,858</u>
<b>Net Position:</b>			
Net investment in capital assets	9,469	--	9,469
Restricted for SDRS pension	15,908	1,047	16,955
Unrestricted net position	<u>(81,279)</u>	<u>17,802</u>	<u>(63,477)</u>
Total Net Position	<u>\$ (55,902)</u>	<u>\$ 18,849</u>	<u>\$ (37,053)</u>

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

**Deuel School District No. 19-4**

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Food Sales:			
Student	\$ 180,431	\$ --	\$ 180,431
Other charges for goods and services	88	10,950	11,038
Total Operating Revenue	180,519	10,950	191,469
<b>Operating Expenses:</b>			
Food Service:			
Salaries	113,067	11,690	124,757
Employee benefits	55,954	959	56,913
Purchased services	11,105	--	11,105
Supplies	7,940	555	8,495
Cost of sales - purchased	173,755	--	173,755
Cost of sales - donated	24,284	--	24,284
Other	204	--	204
Depreciation	778	--	778
Total Operating Expenses	387,087	13,204	400,291
Operating (Loss)	(206,568)	(2,254)	(208,822)
<b>Nonoperating Revenues:</b>			
State grants	743	--	743
Federal grants	94,888	--	94,888
Donated food	24,276	--	24,276
Total Nonoperating Revenue	119,907	--	119,907
Change in Net Position	(86,661)	(2,254)	(88,915)
<b>Net Position - Beginning of Year</b>	30,759	21,103	51,862
<b>Net Position - End of Year</b>	\$ (55,902)	\$ 18,849	\$ (37,053)

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

**Deuel School District No. 19-4**  
Statement of Cash Flows – Proprietary Funds  
June 30, 2023

	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers	\$ 219,787	\$ 25,076	\$ 244,863
Cash payments to suppliers	(191,120)	(555)	(191,675)
Cash payments to employees	(167,633)	(10,867)	(178,500)
Net Cash Provided (Used) by Operating Activities	(138,966)	13,654	(125,312)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash reimbursements - state	743	--	743
Cash reimbursements - federal	94,888	--	94,888
Net Cash Provided by Noncapital Financing Activities	95,631	--	95,631
<b>Net Change in Cash and Cash Equivalents</b>	(43,335)	13,654	(29,681)
<b>Cash and Cash Equivalents, Beginning of Year</b>	43,335	8,794	52,129
<b>Cash and Cash Equivalents, End of Year</b>	\$ --	\$ 22,448	\$ 22,448
<b>Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating (Loss)	\$ (206,568)	\$ (2,254)	\$ (208,822)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation expense	778	--	778
Value of commodities used	24,284	--	24,284
Change in Assets and Liabilities:			
Accounts receivable	(10,138)	--	(10,138)
Due from other governments	--	14,126	14,126
Inventory	1,884	--	1,884
Net pension asset	25,020	5,029	30,049
Pension related deferred outflows	(1,743)	5,314	3,571
OPEB related deferred outflows	367	147	514
Drafts payable	18,225	--	18,225
Deferred revenue	31,181	--	31,181
Accrued payroll expenses	5,600	--	5,600
Net OPEB Liability	(2,118)	(856)	(2,974)
Pension related deferred inflows	(26,968)	(8,324)	(35,292)
OPEB related deferred inflows	1,230	472	1,702
Net Cash Provided (Used) by Operating Activities	\$ (138,966)	\$ 13,654	\$ (125,312)
<b>Noncash Investing, Capital and Financing Activities</b>			
Value of commodities received	\$ 24,276	\$ --	\$ 24,276

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

**Deuel School District No. 19-4**  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private -Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 108,654	\$ 123,873
Accounts receivable	--	3,180
	<b>\$ 108,654</b>	<b>\$ 127,053</b>
Total Assets	<b>\$ 108,654</b>	<b>\$ 127,053</b>
<b>Liabilities:</b>		
Amounts held for others	\$ --	\$ 127,053
	--	127,053
Total Liabilities	--	127,053
<b>Net Position:</b>		
Held in trust for scholarships	\$ 108,654	\$ --

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

**Deuel School District No. 19-4**  
Statement of Changes in Fiduciary Net Position  
June 30, 2023

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	<b><u>Private-Purpose Trust Funds</u></b>
<b>Additions</b>	
Contributions and donations	\$ 43,090
<b>Total Additions</b>	<u>43,090</u>
<b>Deductions</b>	
Trust deductions for scholarships awarded	<u>25,820</u>
<b>Total Deductions</b>	<u>25,820</u>
<b>Change in Net Position</b>	<u>17,270</u>
Net Position - Beginning	<u>91,384</u>
Net Position - Ending	<u><u>\$ 108,654</u></u>

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

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**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 Deuel School District No. 19-4, 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 the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

**Governmental Funds:**

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

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

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

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

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

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

The School Addition Fund – The school addition fund is the only capital projects fund maintained by the School District. This is a major fund.

**Proprietary Funds:**

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

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

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

Other Enterprise Fund – The Other Enterprise Fund is a fund maintained by the School District for driver’s education fees. This is 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 one private-purpose trust fund for the purpose of accounting for the assets held in a trustee capacity for scholarships.

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-



**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

purpose trust funds. The district maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

**Measurement Focus:**

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

**Basis of Accounting:**

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Deuel School District No. 19-4 is 60 days. The revenues which are accrued at June 30, 2023 are amounts due from other governments.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

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

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

All proprietary and fiduciary 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. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

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 18 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by different deflated current replacement cost. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost.

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

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

	<b>Capitalization Threshold</b>	<b>Depreciation/ Amortization Method</b>	<b>Estimated Useful Life</b>
Land*	All	NA	NA
Buildings	\$ 50,000	Straight-line	50-100 years
Improvements	\$ 10,000	Straight-line	15-25 years
Machinery and equipment - governmental	\$ 5,000	Straight-line	5-20 years
Machinery and equipment - enterprise	\$ 1,500	Straight-line	20 years
Intangible lease and subscription assets	\$ 50,000	Straight-line	5-20 years

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.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of capital outlay certificates and related premiums, leases, and OPEB liability.

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

h. Program Revenues:

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

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

i. 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 inflow 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.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the school district considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

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

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

n. Fund Balance Classification Policies and Procedures:

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

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

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

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

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

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

o. 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.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

p. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

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

q. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

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

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

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

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

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

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

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

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



**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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

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

**Custodial Credit Risk – Deposits** – The risk that, in the event of depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**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 investments to the fund making the investment.

**3. Receivables and Payables:**

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

**4. 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 based on the first-in, first-out cost flow assumption. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**4. Inventory: (Continued)**

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

**5. Property Tax:**

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue 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."

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

**6. Changes in Capital Assets:**

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

	<u>6/30/2022</u> <u>(Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 101,083	\$ --	\$ --	\$ 101,083
Construction in progress	853,334	7,213,534	--	8,066,868
Total capital assets not being depreciated	<u>954,417</u>	<u>7,213,534</u>	<u>--</u>	<u>8,167,951</u>
Capital assets being depreciated/amortized:				
Buildings	7,217,254	--	--	7,217,254
Improvements	287,500	--	--	287,500
Machinery & Equipment	1,325,764	154,366	6,705	1,473,425
Intangible Lease Assets (Restated)	27,906	--	--	27,906
Total capital assets being depreciated/amortized	<u>8,858,424</u>	<u>154,366</u>	<u>6,705</u>	<u>9,006,085</u>
Less accumulated depreciation/amortization for:				
Buildings	2,246,922	88,088	--	2,335,010
Improvements	287,500	--	--	287,500
Machinery & Equipment	824,679	69,447	5,850	888,276
Intangible Assets	--	13,771	--	13,771
Total accumulated depreciation/amortization	<u>3,359,101</u>	<u>171,306</u>	<u>5,850</u>	<u>3,524,557</u>
Total capital assets being depreciated/amortized, net	<u>5,499,323</u>	<u>(16,940)</u>	<u>855</u>	<u>5,481,528</u>
Net Capital Assets	<u>\$ 6,453,740</u>	<u>\$ 7,196,594</u>	<u>\$ 855</u>	<u>\$ 13,649,479</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 86,051
Support services	67,757
Co-curricular activities	17,498
Total Depreciation/Amortization Expense	<u>\$ 171,306</u>

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

**6. Changes in Capital Assets: (Continued)**

	<u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 64,528	\$ --	\$ --	\$ 64,528
Less accumulated depreciation for:				
Machinery & Equipment	54,281	778	--	55,059
Total capital assets, net	\$ 10,247	\$ (778)	\$ --	\$ 9,469

Depreciation expense was charged to functions as follows:

Business-type activities:
Food service
\$ 778

Construction work in progress at June 30, 2023 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Through 6/30/2023</u>	<u>Committed</u>	<u>Required Future Financing</u>
School Additions & Remodeling	\$ 13,643,690	\$ 8,066,868	\$ 1,666,022	\$ 3,910,800

**7. Long-Term Liabilities:**

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

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital Outlay Certificates Series 2022	\$ 9,525,000	\$ --	\$ --	\$ 9,525,000	\$ 425,000
Plus unamortized premium	40,675	--	2,069	38,606	2,069
Leases (Restated)	27,906	--	13,771	14,135	14,135
OPEB	234,226	--	23,935	210,291	--
Total Long-Term Liabilities	\$ 9,827,807	\$ --	\$ 39,775	\$ 9,788,032	\$ 441,204

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
<b>Business-Type Activities:</b>					
OPEB	\$ 21,260	\$ --	\$ 2,974	\$ 18,286	\$ --
Total Long-Term Liabilities	\$ 21,260	\$ --	\$ 2,974	\$ 18,286	\$ --

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

**7. Long-Term Liabilities: (Continued)**

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

Deuel School District No. 19-4 Limited Tax General Obligation Certificates Series 2022	The School District issued \$9,955,000 of Limited Tax General Obligation Certificates, Series 2022. The certificates are payable March 2022 through August 2041 with interest rates from 1% to 3% depending on the length of time to maturity of the individual certificates; callable on or after August 1, 2023. The Capital Outlay Fund makes payment on this debt.	\$ 9,525,000
Deuel School District No. 19-4 Intangible Lease	During 2022, the School District entered into an agreement to lease copiers. There is an imputed interest rate of 2.88% assessed on this lease. Final payment is June 2024. The Capital Outlay Fund makes payment on this debt.	\$ 14,135
Other Post Employment Benefits - Payable from the general, food service, and other enterprise funds		\$ 228,577

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

Year Ending	Capital Outlay Certificates		Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30, 2024	\$ 425,000	\$ 195,807	\$ 14,135	\$ 221	\$ 439,135	\$ 196,028
2025	430,000	187,282	--	--	430,000	187,282
2026	435,000	182,740	--	--	435,000	182,740
2027	440,000	177,488	--	--	440,000	177,488
2028	450,000	170,128	--	--	450,000	170,128
2029-2033	2,380,000	716,319	--	--	2,380,000	716,319
2034-2038	2,625,000	472,728	--	--	2,625,000	472,728
2039-2042	2,340,000	130,140	--	--	2,340,000	130,140
Totals	<u>\$ 9,525,000</u>	<u>\$ 2,232,632</u>	<u>\$ 14,135</u>	<u>\$ 221</u>	<u>\$ 9,539,135</u>	<u>\$ 2,232,853</u>

**8. Restricted Net Position:**

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital projects	Law	\$ 1,666,022
Capital outlay	Law	6,886,377
Special education	Law	462,565
SDRS Pension Purposes	Law	497,737
Total		<u>\$ 9,512,701</u>

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**9. Interfund Transfers:**

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

Transfer from the General Fund to the Capital Outlay Fund for wind tax revenue.	\$ 700,000
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**10. 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 Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**10. Pension Plan: (Continued)**

All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earning based on investment returns.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 191,998
2022	181,681
2021	172,974

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**10. Pension Plan: (Continued)**

Pension Liabilities (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	\$ 17,896,909
Less proportionate share of net pension restricted for pension benefits	<u>17,908,890</u>
Proportionate share of net pension (asset)	<u><u>\$ (11,981)</u></u>

At June 30, 2023, the School District reported an asset of (\$11,981) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.12677900%, which is an increase of 0.0032751% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of (\$68,981). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 228,075	\$ 778
Changes in assumption	761,502	667,355
Net difference between projected and actual earnings on pension plan investments	--	28,713
Changes in proportion and difference between district contributions and proportionate share of contributions	2,494	1,467
School District contributions subsequent to the	<u>191,998</u>	<u>--</u>
Total	<u><u>\$ 1,184,069</u></u>	<u><u>\$ 698,313</u></u>



**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**10. Pension Plan: (Continued)**

\$191,998 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:

<b>Year Ended</b>	
<b>June 30,</b>	
2024	\$ 78,928
2025	167,052
2026	(189,643)
2027	237,421
Total	<u>\$ 293,758</u>

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, 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

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**10. Pension Plan: (Continued)**

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>100.0%</u>	

Discount Rate:

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

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**10. Pension Plan: (Continued)**

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

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
District's proportionate share of net pension (asset)	\$ 2,487,830	\$ (11,981)	\$ (2,054,988)

Pension Plan Fiduciary Net Position:

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

Payables to the Pension Plan:

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

**11. Joint Ventures:**

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

The members of the Northeast Technical High School and their relative percentage is as follows:

Castlewood School District No. 28-1	5%
Florence School District No. 14-1	4%
Great Plains Lutheran School	7%
Hamlin School District No. 28-3	6%
Henry School District No. 14-2	3%
Summit School District No. 54-6	3%
Watertown School District No. 14-4	67%
Waverly School District No. 14-5	5%

The School District retains no equity in net position of the NTHS but does have a responsibility to fund deficits of the NTHS in proportion to the relative participation described above. Separate financial statements for this joint venture are available from Northeast Technical High School.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**11. Joint Ventures: (Continued)**

At June 30, 2023, this joint venture had:

	<b>June 30, 2023</b>
Total Assets and Deferred Outflows	\$ 1,972,431
Total Liabilities and Deferred Inflows	\$ 300,321
Total Net Position	\$ 1,672,110

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member School Districts.

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

Arlington School District No. 38-1	3%	Henry School District No. 14-2	2%
Britton-Hecla School District No. 45-4	6%	Iroquois School District No. 02-3	3%
Castlewood School District No. 28-1	4%	Lake Preston School District No. 38-3	2%
Clark School District No. 12-2	6%	Oldham-Ramona School District No. 39-5	2%
DeSmet School District No. 38-2	4%	Rosholt School District No. 54-4	3%
Deubrook School District No. 5-6	5%	Rutland School District No. 39-4	2%
Deuel School District No. 19-4	7%	Sioux Valley School District No. 5-5	8%
Elkton School District No. 5-3	5%	Summit School District No. 54-6	2%
Enemy Swim Day School	2%	Waubay School District No. 18-3	2%
Estelline School District No. 28-2	3%	Waverly School District No. 14-5	3%
Florence School District No. 14-1	4%	Webster School District No. 18-4	6%
Hamlin School District No. 28-3	9%	Willow Lake School District No. 12-3	4%
		Wilmot School District No. 54-7	3%

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

As of June 30, 2023, this joint venture had:

	<b>June 30, 2023</b>
Total Assets and Deferred Outflows	\$ 3,512,631
Total Liabilities and Deferred Inflows	\$ 1,205,091
Total Net Position	\$ 2,307,540

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**12. 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 joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The school District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from \$1,500 to \$4,000.

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

Liability Insurance:

The school district purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials, injuries to employees and natural disasters 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 participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**12. Risk Management: (Continued)**

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

Unemployment Benefits:

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

The School District has Assigned Fund Balance in the General Fund in the amount of \$17,707 for the payment of future 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.

**13. Other Post Employment Benefits (OPEB):**

Plan Description: The School District administers a single-employer defined benefit plan which provides medical and prescription drug benefits for current employees, eligible retirees, and their immediate families as permitted by South Dakota Codified Law 6-1-16. No assets are accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

Individuals who are employed by the School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits, which results in an implicit rate subsidy and an OPEB liability.

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

Employees Covered by Benefit Terms: As of June 30, 2023, there were a total of 90 employees covered by the benefit terms. This includes 6 retirees currently receiving benefit payments and 84 active employees.

Total OPEB Liability: The School District's total OPEB liability of \$228,577 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, using the entry age normal actuarial cost method.

Inflation – 2.25%

Salary Increases – Graded by years of service, from 6.5% at entry to 3% after 25 years of service

Discount rate – 3.54%

Healthcare Cost Trend Rate – 5.7% initial rate decreasing annually to an ultimate rate of 3.7%

Retirees Share of Benefit-Related Cost – 100% of projected health insurance for retirees.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**13. Other Post Employment Benefits (OPEB): (Continued)**

The discount rate used to measure the total OPEB liability was 3.54% which is based on the 20 year Bond Buyer GO Index.

Mortality rates were based on 97% of the RP-2014 Mortality Table, white collar table for females and total dataset for males, adjusted to 2006 and projected generationally with MP-2021. Mortality rates for disabled members were based on the RP-2014 Disabled Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2021.

The plan has not had a formal actuarial experience study performed.

Changes in the Total OPEB Liability:

	<b>Total OPEB Liability</b>
Total OPEB liability, beginning of year	\$ 255,486
Changes for the year:	
Service cost	26,380
Interest on total OPEB liability	5,850
Effect of assumptions changes or inputs	(36,969)
Benefit payments	(22,170)
Total OPEB liability, end of year	\$ 228,577

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate: The following presents the School District's total OPEB liability, as well as what the School District's total OPEB liability would be if it were calculating using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current discount rate:

	<b>1% Decrease 2.54%</b>	<b>Discount Rate 3.54%</b>	<b>1% Increase 4.54%</b>
Total OPEB Liability	\$ 254,477	\$ 228,577	\$ 206,611

The following presents the School District's total OPEB liability, as well as what the School District's total OPEB liability would be if it were calculating using a current healthcare cost trend rates that is 1-percentage point lower or 1-percentage point higher than the current trend rate:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 198,908	\$ 228,577	\$ 265,134

For the years ended June 30, 2023, the School District recognized OPEB expense of \$23,567. At June 30, 2023, the School District reported \$32,498 of deferred outflows of resources related to OPEB and \$75,873 of deferred inflows of resources related to OPEB from economic/demographic (gains) or losses and changes in assumptions or inputs.

**Deuel School District No. 19-4**  
Notes to the Financial Statements  
June 30, 2023

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**13. Other Post Employment Benefits (OPEB): (Continued)**

The deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending</b>	
<b>June 30:</b>	<b>Amount</b>
2024	\$ (8,663)
2025	(8,663)
2026	(7,691)
2027	(6,337)
2028	(5,959)
Thereafter	(6,062)

**14. Implementation of New Standards and Restatement:**

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. The implementation of this standard had no effect on beginning net position, increased governmental capital assets by \$27,906, and increased governmental long-term liabilities by \$27,906.

**15. Subsequent Events:**

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



## Required Supplementary Information

## Deuel School District No. 19-4

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,763,000	\$ 1,763,000	\$ 1,810,204	\$ 47,204
Prior years' ad valorem taxes	15,000	15,000	14,510	(490)
Utility taxes	250,000	250,000	283,165	33,165
Penalties and interest on taxes	5,000	5,000	5,055	55
Earnings on Investments and Deposits	1,000	1,000	59,356	58,356
Food service	35,000	35,000	32,148	(2,852)
Cocurricular Activities:				
Admissions	27,300	27,300	33,247	5,947
Other student activity income	1,000	1,000	1,150	150
Other Revenue from Local Sources:				
Rentals	5,000	5,000	5,200	200
Charges for services	5,000	5,000	5,534	534
Other	14,000	14,000	135,679	121,679
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	40,000	40,000	24,033	(15,967)
Revenue in lieu of taxes	--	--	4,060	4,060
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,165,000	2,165,000	2,167,047	2,047
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	477,561	477,561	363,539	(114,022)
<b>Total Revenues</b>	<u>\$ 4,803,861</u>	<u>\$ 4,803,861</u>	<u>\$ 4,943,927</u>	<u>\$ 140,066</u>

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

## Deuel School District No. 19-4

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

Expenditures	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,065,000	\$ 1,065,000	\$ 1,000,257	\$ 64,743
Middle/junior high	472,200	472,200	446,354	25,846
High school	855,300	855,300	761,466	93,834
Preschool	36,750	61,376	68,065	(6,689)
Special Programs:				
Educationally deprived	82,800	85,172	86,570	(1,398)
Support Services:				
Students:				
Guidance	173,715	173,715	170,329	3,386
Health	5,000	5,165	5,165	--
Instructional Staff:				
Improvement of instruction	25,000	25,000	23,189	1,811
Educational media	79,590	81,500	75,877	5,623
General Administration:				
Board of education	58,150	66,016	66,933	(917)
Executive administration	149,607	152,829	152,830	(1)
School Administration:				
Office of the principal	230,760	240,329	242,788	(2,459)
Other	500	500	368	132
Business:				
Fiscal services	164,540	171,255	176,220	(4,965)
Operation and maintenance of plant	538,900	613,989	590,348	23,641
Student transportation	343,200	354,843	354,845	(2)
Food service	35,000	35,000	31,813	3,187
Internal services	17,000	17,865	15,258	2,607
Cocurricular Activities:				
Male activities	68,020	69,720	59,439	10,281
Female activities	57,200	70,678	65,094	5,584
Transportation	21,530	30,065	30,065	--
Combined activities	133,590	142,939	112,147	30,792
Contingencies	75,000	75,000	--	75,000
Total Expenditures	4,688,352	4,865,456	4,535,420	330,036
Excess of Revenues Over Expenditures	115,509	(61,595)	408,507	470,102
<b>Other Financing (Uses):</b>				
Transfers out	(700,000)	(700,000)	(700,000)	--
Total Other Financing (Uses):	(700,000)	(700,000)	(700,000)	--
Net Change in Fund Balances	(584,491)	(761,595)	(291,493)	470,102
<b>Fund Balance, Beginning of Year</b>	1,508,807	1,508,807	1,508,807	--
<b>Fund Balance, End of Year</b>	\$ 924,316	\$ 747,212	\$ 1,217,314	\$ 470,102

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

**Deuel School District No. 19-4**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,303,000	\$ 1,303,000	\$ 1,419,924	\$ 116,924
Prior years' ad valorem taxes	5,000	5,000	10,348	5,348
Penalties and interest on taxes	4,000	4,000	3,722	(278)
Earnings on Investments & Deposits	3,000	3,000	240,271	237,271
Other Revenue from Local Sources:				
Other	--	--	4,975	4,975
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	66,000	66,000	69,758	3,758
Total Revenues	<u>1,381,000</u>	<u>1,381,000</u>	<u>1,748,998</u>	<u>367,998</u>
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	110,500	110,500	109,968	532
Middle/junior high	25,200	25,200	13,404	11,796
High school	38,400	38,400	23,615	14,785
Support Services:				
Instructional Staff:				
Educational media	141,200	141,200	105,004	36,196
Business:				
Fiscal services	16,500	16,500	16,110	390
Facilities acquisition and construction	--	263,151	263,151	--
Operation and maintenance of plant	115,000	115,000	65,102	49,898
Student transportation	100,200	142,364	142,364	--
Internal service	20,000	20,000	4,728	15,272
Debt Services	627,180	627,180	115,498	511,682
Cocurricular Activities:				
Male activities	8,500	8,500	1,551	6,949
Female activities	16,800	35,780	24,191	11,589
Combined activities	25,000	25,270	26,403	(1,133)
Total Expenditures	<u>1,244,480</u>	<u>1,569,045</u>	<u>911,089</u>	<u>657,956</u>
Excess of Revenue Over (Under)				
Expenditures	<u>136,520</u>	<u>(188,045)</u>	<u>837,909</u>	<u>1,025,954</u>
<b>Other Financing Sources:</b>				
Transfers in	700,000	700,000	700,000	--
Compensation for loss of general capital assets	--	--	17,798	17,798
Total Other Financing Sources	<u>700,000</u>	<u>700,000</u>	<u>717,798</u>	<u>17,798</u>
Net Change in Fund Balances	836,520	511,955	1,555,707	1,043,752
<b>Fund Balance, Beginning of Year</b>	<u>5,330,670</u>	<u>5,330,670</u>	<u>5,330,670</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,167,190</u>	<u>\$ 5,842,625</u>	<u>\$ 6,886,377</u>	<u>\$ 1,043,752</u>

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

**Deuel School District No. 19-4**  
Required Supplementary Information – Budgetary Comparison  
Schedule – Special Education Fund – Budgetary Basis  
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 633,000	\$ 633,000	\$ 688,165	\$ 55,165
Prior years' ad valorem taxes	5,000	5,000	5,291	291
Penalties and interest on taxes	2,000	2,000	2,045	45
Earnings on Investments & Deposits	500	500	20,250	19,750
Other Revenue from Local Sources:				
Charges for services	2,500	2,500	3,494	994
Total Revenues	643,000	643,000	719,245	76,245
<b>Expenditures</b>				
Instructional Services:				
Special Programs:				
Programs for special education	703,350	764,763	723,721	41,042
Support Services:				
Students:				
Guidance	1,000	1,000	--	1,000
Psychological	21,000	21,000	14,346	6,654
Speech pathology	35,000	35,000	23,602	11,398
Student therapy services	9,500	10,384	6,941	3,443
Instructional Staff:				
Educational media	15,000	15,000	9,722	5,278
General Administration:				
Board of education	500	911	911	--
Special Education:				
Administrative costs	50,400	50,400	--	50,400
Transportation costs	--	510	470	40
Other special education costs	--	--	40	(40)
Total Expenditures	835,750	898,968	779,753	119,215
Net Change in Fund Balance	(192,750)	(255,968)	(60,508)	(42,970)
<b>Fund Balance, Beginning of Year</b>	523,073	523,073	523,073	--
<b>Fund Balance, End of Year</b>	\$ 330,323	\$ 267,105	\$ 462,565	\$ (42,970)

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

**Deuel School District No. 19-4**  
Notes to the Required Supplementary Information  
June 30, 2023

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**1. Budgets and Budgetary Accounting:**

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

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

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

1. 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.

**Deuel School District No. 19-4**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1267790%	0.1270380%	0.1235039%	0.1267813%	0.1238577%	0.1227692%	0.1194906%	0.1189989%	0.1245593%
District's proportionate share of net pension liability (asset)	\$ (11,981)	\$ (972,894)	\$ (5,364)	\$ (13,435)	\$ (2,889)	\$ (11,141)	\$ 403,628	\$ (504,708)	\$ (897,399)
District's covered-employee payroll	\$ 3,014,716	\$ 2,882,988	\$ 2,710,539	\$ 2,695,629	\$ 2,574,880	\$ 2,494,416	\$ 2,272,106	\$ 2,172,577	\$ 2,179,334
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.18%
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%

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

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

**Deuel School District No. 19-4**  
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 191,998	\$ 181,681	\$ 172,974	\$ 162,632	\$ 161,738	\$ 154,493	\$ 149,665	\$ 136,500	\$ 130,355
Contributions in relation to the contractually-required contribution	<u>\$ 191,998</u>	<u>\$ 181,681</u>	<u>\$ 172,974</u>	<u>\$ 162,632</u>	<u>\$ 161,738</u>	<u>\$ 154,493</u>	<u>\$ 149,665</u>	<u>\$ 136,500</u>	<u>\$ 130,355</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 3,195,563	\$ 3,014,716	\$ 2,882,988	\$ 2,710,539	\$ 2,695,629	\$ 2,574,880	\$ 2,494,416	\$ 2,272,106	\$ 2,172,577
Contributions as a percentage of employee-covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

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



## Deuel School District No. 19-4

### Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions

For the Year Ended June 30, 2023

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#### **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%.

## **Deuel School District No. 19-4**

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

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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.

**Deuel School District No. 19-4**  
Schedule of Changes in School District's Total OPEB Liability, Related Notes, and Ratios  
For the Year Ended June 30, 2023

	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Service cost	\$ 26,380	\$ 22,147	\$ 18,253	\$ 19,188	\$ 19,287	\$ 20,946
Interest cost	5,850	5,338	7,415	10,261	9,280	7,467
Effect of economic/demographic gains or losses	--	8,109	--	(19,800)	--	--
Effect of assumption changes or inputs	(36,969)	13,502	23,254	(42,729)	(6,426)	(16,560)
Benefit payments	<u>(22,170)</u>	<u>(25,981)</u>	<u>(20,128)</u>	<u>(18,412)</u>	<u>(13,873)</u>	<u>(12,094)</u>
Net change in total OPEB liability	(26,909)	23,115	28,794	(51,492)	8,268	(241)
Total OPEB liability beginning of year	<u>255,486</u>	<u>232,371</u>	<u>203,577</u>	<u>255,069</u>	<u>246,801</u>	<u>247,042</u>
Total OPEB liability end of year	<u>\$ 228,577</u>	<u>\$ 255,486</u>	<u>\$ 232,371</u>	<u>\$ 203,577</u>	<u>\$ 255,069</u>	<u>\$ 246,801</u>
School District's Covered Payroll	\$ 3,195,563	\$ 3,014,716	\$ 2,882,988	\$ 2,710,539	\$ 2,695,629	\$ 2,582,526
Total OPEB Liability as a % of Covered Payroll	7.15%	8.47%	8.06%	7.51%	9.46%	9.56%

Notes to Schedule of Changes in School District's Total OPEB Liability and Related Ratios

*Changes in Benefit Terms:*

There were no significant changes in benefit terms.

*Changes in Assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year ended June 30, 2023	3.54%
Year ended June 30, 2022	2.16%
Year ended June 30, 2021	2.21%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.87%
Year ended June 30, 2018	3.58%