

EDGEMONT SCHOOL DISTRICT NO. 23-1

EDGEMONT, SOUTH DAKOTA

FINANCIAL REPORT

FOR THE ONE YEAR ENDING JUNE 30, 2022

WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

EDGEMONT SCHOOL DISTRICT NO. 23-1  
EDGEMONT, SOUTH DAKOTA

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AS OF AND FOR THE ONE YEAR ENDING June 30, 2022

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# **INDEPENDENT AUDIT SERVICES, PC**

Benjamin Elliott, CPA  
P.O. Box 262,  
Madison, South Dakota 57042  
605.270.3020

School Board  
Edgemont School District No. 23-1  
Edgemont, South Dakota

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions:**

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Edgemont School District No. 23-1 (School District), Edgemont, South Dakota as of June 30, 2022, and for the year 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 my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Edgemont School District No. 23-1 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions:**

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

### **Management's Responsibilities for the Financial Statements:**

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

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

Auditor's Responsibility for the Audit of the Financial Statements:

My 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 my 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 generally accepted auditing standards (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 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*, I:

- > 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 34 to 37), the School District's Proportionate Share of Net Pension (Asset)/Liability (page 38), and the Schedule of the School District's Contribution (page 38) 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

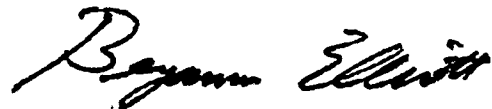
The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. My 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*, I have also issued my report dated October 9, 2023 (page 40) on my consideration of the School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

October 9, 2023

A handwritten signature in black ink, reading "Benjamin Elliott". The signature is written in a cursive, flowing style with a large initial "B".

## EDGEMONT SCHOOL DISTRICT NO. 23-1

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2022

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash	2,708,021	8,596	2,716,617
Advance payments	2,500		2,500
Receivables:			
Property taxes - current	792,871		792,871
Property taxes - delinquent	30,791		30,791
Due from other governments	56,588		56,588
Accounts	0	1,048	1,048
Inventory	12,697	5,008	17,705
Total current assets	3,603,468	14,652	3,618,120
Capital assets:			
Land	27,525		27,525
Buildings	1,575,730		1,575,730
Improvements	2,813,052		2,813,052
Equipment	538,618	75,251	613,869
Library books	212,027		212,027
Accumulated depreciation	-3,356,351	-61,915	-3,418,266
Total capital assets	1,810,601	13,336	1,823,937
Other assets:			
Net pension assets	415,058	7,350	422,408
Total assets	5,829,127	35,338	5,864,465
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension related deferred outflows	570,230	10,097	580,327
Total deferred outflow of resources	570,230	10,097	580,327
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	9,070		9,070
Contracts payable	153,120		153,120
Payroll deductions payable	47,881		47,881
Unearned revenue		8,931	8,931
Noncurrent liabilities due in one year:			
Leave payable	34,578	632	35,210
Total current liabilities	244,649	9,563	254,212
Noncurrent liabilities:			
None	0	0	0
Total noncurrent liabilities	0	0	0
Total liabilities	244,649	9,563	254,212
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a future period	792,871		792,871
Pension related deferred inflows	801,862	14,199	816,061
Total deferred inflow of resources	1,594,733	14,199	1,608,932
<b>NET POSITION</b>			
Net invested in capital assets	1,810,601	13,336	1,823,937
Restricted for:			
Capital outlay	1,751,863		1,751,863
Special education	50,627		50,627
Pension - SDRS	183,426	3,248	186,674
Unrestricted	763,458	5,089	768,547
Total net position	4,559,975	21,673	4,581,648

See accompanying notes.

EDGEMONT SCHOOL DISTRICT No. 23-1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2022

FOR THE YEAR ENDING JUNE 30, 2022		Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for	Operating	Capital			
Functions/Programs:	Expenses	Services and	Grants and	Grants and	Governmental	Business-type	
Primary government:		Reimbursements	Contributions	Contributions	Activities	Activities	Totals
<hr/>							
Governmental activities:							
Instruction	1,228,445		115,747		-1,112,698		-1,112,698
Support services	968,322	3,820	39,540		-924,962		-924,962
Nonprogram charges	644				-644		-644
Cocurricular activities	145,820	7,533			-138,287		-138,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	2,343,231	11,353	155,287	0	-2,176,591	0	-2,176,591
<hr/>							
Business-type activities:							
Food service	103,134	18,267	77,603			-7,264	-7,264
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total primary government	2,446,365	29,620	232,890	0	-2,176,591	-7,264	-2,183,855
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	General revenue:						
	Property taxes				1,720,508		1,720,508
	Gross receipts tax				41,505		41,505
	Revenue from federal sources				83,529		83,529
	Revenue from state sources:						
	State aid				492,194		492,194
	State apportionment				10,127		10,127
	Bank franchise				11,722		11,722
	Revenue from county sources				15,479		15,479
	Interest earnings				249	104	353
	Miscellaneous				3,645		3,645
	Sale of surplus property				1,700		1,700
	Transfer in (out)				-11,415	11,415	0
					<hr/>	<hr/>	<hr/>
	Total general revenue				2,369,243	11,519	2,380,762
					<hr/>	<hr/>	<hr/>
	Change in net position				192,652	4,255	196,907
	Net position, July 1, 2021				4,384,745	17,418	4,402,163
	Correction of prior year savings to checking adjustment				-17,422		-17,422
					<hr/>	<hr/>	<hr/>
	Net position, July 1, 2021, adjusted				4,367,323	17,418	4,384,741
					<hr/>	<hr/>	<hr/>
	Net position, June 30, 2022				4,559,975	21,673	4,581,648
					<hr/>	<hr/>	<hr/>

See accompanying notes.

EDGEMONT SCHOOL DISTRICT No. 23-1  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash	895,421	1,745,792	66,808	2,708,021
Advanced payments	2,500			2,500
Receivables:				
Property taxes - current	445,285	208,502	139,084	792,871
Property taxes - delinquent	19,106	7,226	4,459	30,791
Due from other governments	50,625		5,963	56,588
Inventory	12,697			12,697
<b>Total assets</b>	<b>1,425,634</b>	<b>1,961,520</b>	<b>216,314</b>	<b>3,603,468</b>
<b>LIABILITIES</b>				
Accounts payable	7,282	1,155	633	9,070
Contracts payable	134,537		18,583	153,120
Payroll deductions payable	40,494		7,387	47,881
<b>Total liabilities</b>	<b>182,313</b>	<b>1,155</b>	<b>26,603</b>	<b>210,071</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Taxes levied for a future period	445,285	208,502	139,084	792,871
Unavailable revenue:				
Property taxes - delinquent	19,106	7,226	4,459	30,791
<b>Total deferred inflow of resources</b>	<b>464,391</b>	<b>215,728</b>	<b>143,543</b>	<b>823,662</b>
<b>FUND BALANCE (DEFICIT)</b>				
Nonspendable	15,197			15,197
Restricted		1,744,637	46,168	1,790,805
Committed				0
Assigned				0
Unassigned	763,733			763,733
<b>Total fund balance</b>	<b>778,930</b>	<b>1,744,637</b>	<b>46,168</b>	<b>2,569,735</b>
<b>Total liabilities and fund balance</b>	<b>1,425,634</b>	<b>1,961,520</b>	<b>216,314</b>	<b>3,603,468</b>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 2,569,735

Amounts reported in the government-wide statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. Therefore:

Add the cost of capital assets 5,166,952  
Subtract accumulated depreciation -3,356,351

Some liabilities are not due and payable in the current period. Therefore, subtract the following liabilities:

Accrued leave -34,578

Assets such as taxes receivable (delinquent) are not available to pay of current period expenditures and therefore are deferred in the funds. 30,791

These pension related amounts are not an available financial resource and therefore are not reported in the funds.

Net pension assets 415,058  
Deferred outflow of resources 570,230  
Deferred inflow of resources -801,862

Total net position on government-wide statement of net position 4,559,975

See accompanying notes.



EDGEMONT SCHOOL DISTRICT No. 23-1  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	950,244	438,453	296,259	1,684,956
Prior year ad valorem taxes	18,760	6,791	3,861	29,412
Penalties and interest	5,500	1,311	740	7,551
Gross receipts	41,505			41,505
Interest earned	99	149	1	249
Cocurricular activities:				
Admissions	4,083			4,083
Other pupil activity	3,450			3,450
Other revenue from local sources:				
Medicaid administration pymt	3,201		619	3,820
Other	3,296		349	3,645
Total revenue from local sources	1,030,138	446,704	301,829	1,778,671
Revenue from intermediate sources:				
County sources:				
County apportionment	13,249			13,249
County severance	2,230			2,230
Revenue from state sources:				
Unrestricted grants-in-aid	502,321			502,321
Restricted grants-in-aid	8,253			8,253
Other	11,722			11,722
Revenue from federal sources:				
Unrestricted grants-in-aid	83,530			83,530
Restricted grants-in-aid	66,428	24,912	55,693	147,033
Total revenues	1,717,871	471,616	357,522	2,547,009
Expenditures:				
Instruction:				
Regular programs:				
Elementary school	514,818	8,343		523,161
High school	355,819	39,716		395,535
Teacher Aide salaries	5,500			5,500
Special programs:				
Programs for special educ.		766	221,465	222,231
Educ. deprived (Title I)	82,592			82,592
Total instruction	958,729	48,825	221,465	1,229,019
Support services:				
Pupils:				
Guidance	49,193			49,193
Health services	5,868			5,868
Special education			57,676	57,676
Instruction:				
Staff training	11,296		1,853	13,149
Educational media	20,035	50		20,085
Technology in school	58,934	275		59,209
General administration:				
Board of Education	29,790			29,790
Elections	0			0
Executive administration	89,866	63		89,929
School administration:				
Office of principal	96,264	63		96,327
Medicaid administration	298			298
Business:				
Fiscal services	95,498	1,713		97,211
Facility construction services	24,288	3,793		28,081
Operations and maintenance	284,519	6,511		291,030
Pupil transportation	41,411			41,411
Food service	9,443	378		9,821
Special education:				
Administration			55,947	55,947
Total support services	816,703	12,846	115,476	945,025

EDGEMONT SCHOOL DISTRICT No. 23-1  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2022 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Nonprogram charges:				
Recruitment	644			644
Total nonprogram charges	644	0	0	644
Cocurricular activities:				
Male activities	27,029	5,678		32,707
Female activities	35,005	1,865		36,870
Transportation	21,568			21,568
Combined activities	32,559	3,466		36,025
Total cocurricular services	116,161	11,009	0	127,170
Capital outlay:		2,612		2,612
Total expenditures	1,892,237	75,292	336,941	2,304,470
Excess of revenues over (under) expenditures	-174,366	396,324	20,581	242,539
Other financing sources (uses):				
Sale of surplus property	1,700			1,700
Transfer (out) - food service	-9,168	-2,247		-11,415
Net change in fund balance	-181,834	394,077	20,581	232,824
Fund balance:				
July 1, 2021	978,186	1,350,560	25,587	2,354,333
Correction of prior year savings to checking adjustment	-17,422			-17,422
July 1, 2021, adjusted	960,764	1,350,560	25,587	2,336,911
June 30, 2022	778,930	1,744,637	46,168	2,569,735

Reconciliation of the above statement of revenues, expenditures, and  
changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 232,824

Capital outlays are reported in governmental funds as expenditures.  
However, in the government-wide statement of activities, the cost  
of those assets is allocated over the estimated useful lives as  
depreciation expense. Therefore:

    Add the cost of capital asset purchases 2,612  
    Subtract depreciation taken on all capital assets -155,503

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues in  
the funds. Therefore:

    Subtract prior year delinquent taxes -32,203  
    Add current year delinquent taxes 30,791

Repayment of debt is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement  
of net position. Therefore:

    Add prior year accrued leave 36,100  
    Subtract current year accrued leave -34,578

Expenses and reductions of expenses related to pensions do not  
provide current financial resources and, therefore, are not  
reported in the funds 112,609

Change in net position on government-wide statement of activities 192,652

See accompanying notes.

EDGEMONT SCHOOL DISTRICT No. 23-1

STATEMENT OF NET POSITION - ENTERPRISE FUND  
AS OF JUNE 30, 2022

	Food Service Fund
<b>ASSETS</b>	
Current assets:	-----
Cash	8,596
Accounts	1,048
Inventory - supplies	857
Inventory - purchased goods	2,269
Inventory - commodities (donated)	1,882
Capital assets:	
Equipment	75,251
Accumulated depreciation	-61,915
Other assets:	
Net pension assets	7,350
	-----
Total assets	35,338
	=====
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pension related deferred outflows	10,097
	-----
Total deferred outflow of resources	10,097
	=====
<b>LIABILITIES</b>	
Current liabilities	
Unearned revenue	8,931
Accrued leave payable	632
	-----
Total liabilities	9,563
	=====
<b>DEFERRED INFLOW OF RESOURCES:</b>	
Pension related deferred inflows	14,199
	-----
Total deferred inflow of resources	14,199
	=====
<b>NET POSITION</b>	
Net invested in capital assets	13,336
Restricted - pension related	3,248
Unrestricted	5,089
	-----
Total net position	21,673
	=====
See accompanying notes.	

EDGEMONT SCHOOL DISTRICT No. 23-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2022

	Food Service Fund -----
Operating revenue:	
Sales to pupils	352
Sales to adults	3,278
Other sales	13,637
	-----
Total operating revenue	17,267
	-----
Operating expense:	
Salaries	33,388
Employee benefits	4,151
Purchased services	3,841
Supplies	6,214
Cost of sales:	
Purchased food	51,963
Donated food	3,758
Depreciation	1,461
Pension related expense reduction	-1,642
	-----
Total operating expenses	103,134
	-----
Operating income (loss)	-85,867
Nonoperating revenue (expense):	
Interest earned	104
Local donations	1,000
State source: Cash reimbursement	193
Federal source: Cash reimbursement	73,513
Donated food	3,897
	-----
Total nonoperating revenue (expense)	78,707
	-----
Income (loss) before transfers and contributions	-7,160
Transfer in - general fund	9,168
Capital contribution - capital outlay fund	2,247
	-----
Change in net position	4,255
Net position:	
July 1, 2021	17,418
	-----
June 30, 2022	21,673
	=====

See accompanying notes.

EDGEMONT SCHOOL DISTRICT No. 23-1  
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2022

	Food Service Fund -----
Operating activities:	
Receipts from customers	17,609
Payments to employees	-39,368
Payments to suppliers	-60,791
Net cash provided (used) by operating activities	----- -82,550
Noncapital financing activities:	
Due to other funds	-73
Local donations	1,000
Transfer in - general	9,168
Grant cash reimbursements, state	193
Grant cash reimbursements, federal	80,732
Capital financing activities:	
None	0
Investing activities:	
Interest earnings	104
Net increase (decrease) in cash and cash equivalents	----- 8,574
Cash and cash equivalents:	
July 1, 2021	22
June 30, 2022	----- 8,596 =====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	-85,867
Value of donated commodities used	3,758
Depreciation	1,461
Pension related expense reduction	-1,642
Change in operating accounts:	
Accounts receivable	342
Inventory - supplies	933
Inventory - purchased	344
Accounts payable	-50
Wages payable	-277
Payroll deductions payable	-32
Leave payable	-1,520
Net cash provided (used) by operating activities	----- -82,550 =====
Noncash investing, capital and financing activities:	
Value of donated commodities received:	3,897
Transfer in of equipment from capital outlay fund	2,247

See accompanying notes.

EDGEMONT SCHOOL DISTRICT No. 23-1

STATEMENT OF FIDUCIARY NET POSITIONS  
AS OF JUNE 30, 2022

	Private Purpose Trust (Scholarships)	Custodial Funds
	-----	-----
<b>ASSETS</b>		
Cash	5,915	101,758
Certificates of deposit	14,483	
	-----	-----
Total assets	20,398	101,758
	=====	=====
<b>LIABILITIES</b>		
Accounts payable		0
Due to general fund - advance		2,500
	-----	-----
Total liabilities	0	2,500
	=====	=====
<b>NET POSITIONS</b>		
Restricted for scholarships	20,398	
Restricted for student activities		99,258
	-----	-----
Total net positions	20,398	99,258
	=====	=====

STATEMENT OF CHANGES IN FIDUCIARY NET POSITIONS  
FOR THE YEAR ENDING JUNE 30, 2022

	Private Purpose Trust (Scholarships)	Custodial Funds
	-----	-----
<b>Additions:</b>		
Collections for student activities		68,446
Interest received		43
	-----	-----
Total additions	0	68,489
	-----	-----
<b>Deductions:</b>		
Payments for student activities		65,202
Scholarship awards		
	-----	-----
Total deductions	0	65,202
	-----	-----
Change in fiduciary net positions:	0	3,287
<b>Net Positions:</b>		
July 1, 2021	20,398	95,971
	-----	-----
June 30, 2022	20,398	99,258
	=====	=====

See accompanying notes.

EDGEMONT SCHOOL DISTRICT No. 23-1  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Edgemont School District's (School District) Board of Education.

The School District's officials at June 30, 2022 are:

Board Members:

Gary Darrow, Chairperson  
Connie Gerard  
Susan Humiston  
Shane Miller  
Justin Printz

Superintendent:

Amy Ferley

Business Manager:

Diane Stevens

Attorney:

Lynn, Jackson, Shultz & Lebrun, PC

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Edgemont School District does not have any component units.

The School District does participate with other school districts in cooperative service units. 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 to the School District.

b. Basis of Presentation:

*Government-wide Financial Statements:*

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested 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 function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:



## Governmental Funds

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

*Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:*

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, grants and donations and is a major fund.

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

## Enterprise Funds

*Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise fund:*

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

## Fiduciary Funds

Fiduciary funds consist of the following sub-category and are never considered to be major funds.

Private-purpose trust funds: Private-purpose trust funds are used to account for trust arrangements under which the principal and income benefit individuals, private organizations, or other governments. The School District maintains a private-purpose trust fund 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-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes and student clubs.

### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

#### *Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

#### *Basis of Accounting*

#### *Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:*

In the 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 School District's availability period for accruing and recording revenues is 60 days. The revenues which are accrued at June 30, 2022 are grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

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. However, the Edgemont School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. 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:

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, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2022 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 32.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/improvements	50,000	Straight-line	50-90
Improvements	5,000	Straight-Line	10-30
Equipment	5,000	Straight-line	5-25
Equipment - food service	1,000	Straight-line	5-20

Land is an inexhaustible capital asset and is not depreciated.

#### *Fund Financial Statements:*

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

#### h. Long-term Liabilities:

##### *Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of early retirement and accrued leave obligations.

##### *Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

#### *Sick Leave:*

Sick leave hours, equal to one day per month of scheduled daily hours for each position, will be credited to each employee at the end of each calendar month worked. Accumulated sick leave may not exceed 60 days on July 1 of each year.

i. Program Revenues and General 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

j. Deferred Outflows and Deferred Inflows of Resources:

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

In the government-wide financial statements, the only deferred outflow of resources reported is a deferred amount arising from the School District's pension plan for qualified retirees as discussed in Note 12.

In the fund financial statement there are no deferred outflows of resources reported in the governmental funds. There is deferred outflows of resources reported in the enterprise funds arising from School District's pension plan for qualified retirees as discussed in Note 12.

In addition to liabilities, the statement of financial position has a separate section to report 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.

In the government-wide financial statements, the only deferred inflow of resources reported are deferred amounts arising from the School District's pension plan and property taxes that are levied for future periods.

In the funds financial statement, governmental funds report deferred inflows of resources for property taxes levied but not collected within the available period and property taxes levied in the available period that are intended to finance operations of the next fiscal year. Enterprise funds report deferred inflows of resources arising from School District's pension plan for qualified retirees as discussed in Note 12.

k. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

1. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, 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 does not meet the criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements.

Fiduciary fund equity is reported as "Fiduciary Net Positions".

m. 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 (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by School Board, Superintendent, or Business Manager.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Edgemont School District fund balance classifications are made up of:

<u>Fund Balance Classification</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Inventory		12,697
	Advance payments		2,500
Restricted	Capital Outlay	Statute	1,744,637
	Special Education	Statute	46,168
Committed	None		0
Assigned	None		0
Unassigned	General		763,733
			-----
			2,569,735

The School District uses "restricted" and "committed" amounts first when 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 School District would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each special revenue fund and revenue source is:

Major Special Revenue Fund	Revenue Source: (see page 7)
* Capital Outlay	Property taxes, federal grants, and donations
* Special Education	Property taxes, Medicaid service payments, state and federal grants

n. 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 which can be charged to either restricted or unrestricted net position.

o. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

p. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectibles
- \* Inventory - estimated fair market value
- \* Depreciation - estimated cost of certain assets and service lives
- \* Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

### 3. DEPOSITS, INVESTMENTS AND 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 deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 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 better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Actual bank balances at June 30, 2022 were as follows: Insured \$389,971, Collateralized \*\* \$2,477,664, for a total of \$2,867,635.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2022 was \$2,838,551 which equals \$2,716,617 on the government-wide statement of net position plus \$122,156 on the fiduciary funds statement less \$222 of petty cash.

Investments - In general, SDCL 4-5-6 permits school district 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 (c) in shares of an open-end, no-load mutual 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 safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

For the year ending June 30, 2022, the School District had no investments. Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in First Interstate Bank.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2022, the School District's deposits in financial institutions were not exposed to custodial credit risk.

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



Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

#### 5. DUE FROM OTHER GOVERNMENTS

At June 30, 2022 amounts due from other governments were:

Utility taxes	\$ 41,286
REAP	6,093
Title	3,246
IDEA 611	5,963
	-----
	\$ 56,588

#### 6. INVENTORY

*Government-wide Statements: (consumption method)*

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are used. Inventory at June 30, 2022 is estimated to be \$12,697 primarily for fuel oil, printer cartridges and janitorial supplies in the general fund and \$5,008 primarily for food in the food service fund.

*Fund Financial Statements: (consumption method)*

In the fund financial statements, inventories of the general fund and special revenue funds (if any) consist of expendable supplies held for consumption. The cost is recorded as an asset and charged to expense as they are consumed. Any 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.

In the fund financial statements, inventory of the enterprise fund is stated at the lower of cost or market. The cost valuation method is first-in first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. Inventories of the food service fund are initially recorded as an asset and charged to expense as they are consumed.

#### 7. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of changes in capital assets for the fiscal year ending June 30, 2022 is found on schedule one at the end of these footnotes.

There is no construction-in-progress at June 30, 2022.

#### 8. CHANGES IN LONG-TERM LIABILITIES (see schedule two)

A summary of changes in long-term liabilities for the fiscal year ending June 30, 2022 is found on schedule two at the end of these footnotes.

The School District has no leases, direct borrowing debt, short-term or conduit debt.

## 9. INTERFUND BALANCES AND TRANSFERS

At June 30, 2022 the general fund advanced \$2,500 to the custodial fund for advance payments.

During the year ending June 30, 2022, the general fund transferred \$9,168 to the food service fund for operations. Also, the capital outlay fund transferred equipment that cost \$2,247 to the food service fund.

## 10. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
Capital outlay	Law	\$ 1,751,863	
Special education	Law	50,627	
SDRS Pension:			
General	Contract	183,426	
Food service	Contract		\$ 3,248
		-----	-----
Total restricted net position		\$ 1,985,916	\$ 3,248

## 11. UNEARNED REVENUE

Grants and payments received in advance of the eligibility criteria for revenue recognition are reported as unearned revenue.

## 12. PENSION PLAN

### Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

### Plan Information:

All employees, working more than 20 hours per week during the 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 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 South Dakota Codified Law 3-12. 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

### Benefits Provided:

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

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

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

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

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

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

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

### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ending June 30, 2022, 2021 and 2020 were \$79,324, \$75,101 and \$68,613, respectively (employer's share) equal to the required contribution each year.

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

At June 30, 2021 SDRS is 105.52% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of total pension liability	\$ 7,648,274
Less: Proportionate share of net position restricted for pension benefits	(8,070,682)
	-----
Proportionate share of net pension (asset)/liability	\$ (422,408)
	=====

At June 30, 2022 the School District reported a (asset)/liability of \$(422,408) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .000551570 which is an increase of .000030516 over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized net pension (expense reduction) of \$114,250.

At June 30, 2022 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,166	\$ 1,107
Change in assumptions	485,765	211,536
Net difference between projected and actual earnings on pension plan investments	0	603,418
Changes in proportion and difference between client contribution and proportionate share of contributions	72	
School District contributions subsequent to the measurement date	79,324	
	-----	-----
Totals	580,327	816,061
	(79,324)	=====
	(816,061)	
	-----	
To be amortized over 4 years	(315,058)	
	=====	

The \$79,324 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending June 30, 2023	\$ ( 77,599)
June 30, 2024	( 52,930)
June 30, 2025	( 14,807)
June 30, 2026	(169,722)
	-----
	(315,058)

#### Actuarial Assumptions:

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

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

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

#### Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
	-----	
	100.0%	
	=====	

#### Discount Rate:

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$683,984	\$(422,408)	\$(1,320,541)

#### Pension Plan Fiduciary Net Position:

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

### 13. PROPERTY TAXES

Property taxes are levied on or before 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 revenue 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 not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund 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". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 6 and 8.

#### 14. JOINT VENTURES

##### Black Hills Special Services Cooperative:

The School District participates in the Black Hills Special Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing pupil support services to member school districts.

The following 12 school districts are members of the co-op and each has an equal (8.33%) participation in the in the co-op: Belle Fourche, Custer, Douglas, Edgemont, Haakon, Hill City, Hot Springs, Lead-Deadwood, Meade, Oelrichs, Rapid City, and Spearfish.

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

The School District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. At June 30, 2022 this joint venture had a total AUDITED unrestricted equity of \$6,317,897 and \$37,968 in long-term liabilities. Separate financial statements for this joint venture are available from the Black Hills Special Services Cooperative at P.O. Box 218, Sturgis, South Dakota 57785 or call 605-347-4467.

#### 15. RISK MANAGEMENT

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

##### Health:

The School District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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:

The School District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The School District pays an annual premium to the pool to provide coverage for: property, automobile, general liability, and crime.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided up to a \$10,000,000 limit for property, \$5,000,000 per occurrence and an unlimited aggregate limit for general liability, \$5,000,000 limit for automobile liability, \$5,000,000 limit for employee benefits liability and a \$1,000,000 limit for crime.

Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School carries a \$2,500 deductible for the property and automobile and a \$1,000 deductible for crime coverage.

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 during the past three years.

#### Workmen'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 (Pool), which provides workers compensation insurance coverage for participating members of the pool.

The objective of the Pool 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 Pool 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 retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool 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 reinsurance 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 \$2,000,000 per individual per incident.

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 during the past three years.

#### Unemployment Benefits:

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. In FY22 School District did not make any unemployment payments and none are expected to be made in FY23.

#### 16. TAX ABATEMENTS

As of June 30, 2022 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.



## 17. LITIGATION

The School District is a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

## 18. EMERGING ACCOUNTING PRONOUNCEMENTS

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). GASB 96 affects any government entity that enters into a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 is effective for years beginning after June 15, 2022. The School District has not yet implemented this update and is in the process of assessing the effect on its financial statements.

## 19. OTHER DISCLOSURES AND SUBSEQUENT EVENT

The School District does not have any "Other Post Employment Benefits" except COBRA.

In FY23 the School District refitted its kitchen range hood and air exchange for \$129,344.

In FY23 the School District purchased a new activity bus for \$56,500.

In FY23 the School District purchased 2 simulators for the operation of construction equipment for approximately \$160,000.

Student enrollments for the past several years are:

FY09 = 137	FY12 = 169	FY15 = 148	FY18 = 153	FY21 = 158
FY10 = 154	FY13 = 170	FY16 = 150	FY19 = 161	FY22 = 159
FY11 = 157	FY14 = 164	FY17 = 142	FY20 = 161	FY23 = 122

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
 CHANGES IN CAPITAL ASSETS  
 FOR THE YEAR ENDING JUNE 30, 2022

	Beginning 6-30-21 -----	Book Adjustments -----	Additions -----	Deletions -----	Ending 6-30-22 -----	Accumulated Depreciation 6-30-21 -----	Book Adjustments -----	Depreciation Additions -----	Depreciation Deletions -----	Accumulated Depreciation 6-30-22 -----	Remaining Cost 6-30-22 -----
Non-depreciable:											
Land	27,525				27,525	0					27,525
Depreciable:											
Buildings	1,575,730				1,575,730	-1,117,971		-21,751		-1,139,722	436,008
Improvements	2,813,052				2,813,052	-1,493,533		-106,056		-1,599,589	1,213,463
Equipment	538,618				538,618	-386,939		-27,152		-414,091	124,527
Library books	209,415		2,612		212,027	-202,405		-544		-202,949	9,078
Totals	5,164,340	0	2,612	0	5,166,952	-3,200,848	0	-155,503	0	-3,356,351	1,810,601
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Governmental depreciation is allocated as follows:											
								57,649			
								79,204			
								18,650			
								-----			
								155,503			
								=====			
Enterprise fund:											
Food service fund:											
Equipment	73,003		2,248		75,251	-60,453		-1,462		-61,915	13,336
Totals	73,003	0	2,248	0	75,251	-60,453	0	-1,462	0	-61,915	13,336
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
 CHANGES IN LONG-TERM LIABILITIES  
 FOR THE YEAR ENDING JUNE 30, 2022

	Beginning 6-30-21	Additions	(Deletions)	Ending 6-30-22	Principal Due In FY23
GOVERNMENTAL - DIRECT BORROWING					
None					
GOVERNMENTAL - OTHER LIABILITIES					
Accrued leave liability:					
Sick leave, paid by general fund	32,166	31,483	-32,166	31,483	31,483
Sick leave, paid by special education fu	3,934	3,095	-3,934	3,095	3,095
	-----	-----	-----	-----	-----
	36,100	34,578	-36,100	34,578	34,578
	=====	=====	=====	=====	=====
BUSINESS-TYPE - DIRECT BORROWING					
None					
BUSINESS-TYPE - OTHER LIABILITIES					
Accrued leave liability:					
Sick leave	2,152	632	-2,152	632	632
	-----	-----	-----	-----	-----
	2,152	632	-2,152	632	632
	=====	=====	=====	=====	=====

EDGEMONT SCHOOL DISTRICT No. 23-1  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2022

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	948,335			948,335	1,909
Prior year ad valorem taxes	5,000			18,760	13,760
Penalties and interest	3,000			5,500	2,500
Gross receipts	40,582			41,505	923
Interest earned	4,000			99	-3,901
Cocurricular activities:					
Admissions	5,000			4,083	-917
Other pupil activity	2,000			3,450	1,450
Other revenue from local sources:					
Medicaid administration	1,000			3,201	2,201
Other	20,000			3,296	-16,704
Intermediate sources:					
County apportionment	10,000			13,249	3,249
County severance tax	6,000			2,230	-3,770
State sources:					
Unrestricted grants-in-aid	504,087			504,087	-1,766
Restricted grants-in-aid			2,324	8,253	5,929
Other	5,000			11,722	6,722
Federal sources:					
Unrestricted grants-in-aid	101,000			83,530	-17,470
Restricted grants-in-aid	80,105		26,779	66,428	-40,456
Total revenues	1,735,109	0	29,103	1,717,871	-46,341
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	518,772	8,874	7,882	514,818	20,710
High school	324,039	4,158	3,462	355,819	-24,160
Teacher Aide salaries	0		5,500	5,500	0
Other regular programs	569			569	569
Special programs:					
Educ. deprived (Title I)	73,921			82,592	-8,671
Support services:					
Pupils:					
Guidance	52,707			49,193	3,514
Health services	4,960	860		5,820	-48
Instruction:					
Staff training	0		9,449	11,296	-1,847
Educational media	18,380	2,030		20,035	375
Technology in school	62,518			58,934	3,584
General administration:					
Board of Education	26,994	1,211		29,790	-1,585
Elections	831			0	831
Executive administration	86,270	3,867		89,866	271
School administration:					
Office of principal	112,533			96,264	16,269
Medicaid admin fees	250			298	-48
Business:					
Fiscal services	89,921	6,998		95,498	1,421
Facility construction	10,000	13,531		24,288	-757
Operations and maintenance	303,609	10,028		284,519	29,118
Pupil transportation	45,780			41,411	4,369
Food preparation	5,890		2,810	8,700	-743
Nonprogram charges: Recruitment	530			644	-114
Cocurricular activities:					
Male activities	37,543			27,029	10,514
Female activities	36,539			35,005	1,534
Transportation	15,750	6,610		21,568	792
Combined activities	33,849	2,371		32,559	3,661
Contingencies:	70,000			70,000	70,000
Contingencies: Transferred		-60,538		-60,538	-60,538
Total expenditures	1,932,155	0	29,103	1,892,237	69,021
Other financing sources and (uses):					
Transfer in				0	0
Transfer out	-23,822			-23,822	14,654
Sale of surplus property				0	1,700
Net change in fund balance	-220,868	0	0	-220,868	39,034
Fund balance:					
July 1, 2021, adjusted	960,764			960,764	0
June 30, 2022	739,896	0	0	778,930	39,034

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2022

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	543,678		543,678	438,453	-105,225
Prior year's ad valorem tax	2,500		2,500	6,791	4,291
Penalties and interest	500		500	1,311	811
Interest earned	500		500	149	-351
Federal	22,277		22,277	24,912	2,635
	-----	-----	-----	-----	-----
Total revenues	569,455	0	569,455	471,616	-97,839
	-----	-----	-----	-----	-----
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	25,184		25,184	8,343	16,841
High school	20,911		20,911	39,716	-18,805
Programs for special education			0	766	-766
Support services:					
Instruction:					
Guidance			0		0
Instructional staff training	13,250		13,250		13,250
Educational media	5,000		5,000	2,662	2,338
Technology in school			0	275	-275
General administration:					
Executive administration			0	63	-63
School administration:					
Office of Principal			0	63	-63
Business:					
Fiscal services			0	1,713	-1,713
Facility construction services	205,000		205,000	3,793	201,207
Construction and improvements			0		0
Operation and maintenance	70,000		70,000	6,511	63,489
Transportation			0		0
Food service			0	378	-378
Cocurricular activities:					
Male activities	6,000		6,000	5,678	322
Female activities	5,000		5,000	1,865	3,135
Combined activities	13,000		13,000	3,466	9,534
	-----	-----	-----	-----	-----
Total expenditures	363,345	0	363,345	75,292	288,053
	-----	-----	-----	-----	-----
Other financing sources and (uses):					
Transfer out - food service			0	-2,247	-2,247
	-----	-----	-----	-----	-----
Net change in fund balance	206,110	0	206,110	394,077	187,967
	-----	-----	-----	-----	-----
Fund balance:					
July 1, 2021	1,350,560		1,350,560	1,350,560	0
	-----	-----	-----	-----	-----
June 30, 2022	1,556,670	0	1,556,670	1,744,637	187,967
	=====	=====	=====	=====	=====

EDGEMONT SCHOOL DISTRICT No. 23-1

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2022

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	266,392		266,392	296,259	29,867
Prior year ad valorem taxes:	1,000		1,000	3,861	2,861
Penalties and interest	500		500	740	240
Interest earned	500		500	1	-499
Medicaid administration pymt	500		500	619	119
Other			0	349	349
State sources:					
Restricted grants-in-aid			0		0
Federal sources:					
Restricted grants-in-aid	61,189		61,189	55,693	-5,496
Total revenues	330,081	0	330,081	357,522	27,441
Expenditures:					
Instruction:					
Special programs:					
Special education	226,739	5,402	232,141	221,465	10,676
Support services:					
Pupils:					
Special education	54,360	3,708	58,068	57,676	392
Instruction:					
Staff training	6,341		6,341	1,853	4,488
Other:					
Administration	59,353		59,353	55,947	3,406
Total expenditures	346,793	9,110	355,903	336,941	18,962
Other financing sources and (uses):					
Transfer in	23,822		23,822		-23,822
Net change in fund balance	7,110	-9,110	-2,000	20,581	22,581
Fund balance:					
July 1, 2021	25,587		25,587	25,587	0
June 30, 2022	32,697	-9,110	23,587	46,168	22,581

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

The School District follows 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 May of each year.
- c. The proposed budget is published for public review no later than July 15 of 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 number 1h below.
- 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.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See page 34 to 36
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2022.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds (if any) because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 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 service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

EDGEMONT SCHOOL DISTRICT No. 23-1  
 Required SUPPLEMENTARY INFORMATION  
 FOR THE EIGHT YEARS ENDING JUNE 30, 2021

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
 SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for a June 30th Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
-----	-----	-----	-----	-----	-----
June 30, 2021	0.0551570%	-422,408	1,251,683	(33.75%)	105.52%
June 30, 2020	0.0521054%	-2,262	1,143,550	(00.20%)	100.04%
June 30, 2019	0.0514216%	-5,449	1,093,333	(00.50%)	100.09%
June 30, 2018	0.0591137%	-1,379	1,228,917	(00.12%)	100.02%
June 30, 2017	0.0614424%	-5,576	1,248,383	(00.45%)	100.10%
June 30, 2016	0.0639407%	215,985	1,215,833	17.77%	96.89%
June 30, 2015	0.0635851%	-269,682	1,160,883	(23.23%)	104.10%
June 30, 2014	0.0631053%	-454,648	1,103,533	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the Plan Fiduciary's net pension (asset)/liability which is 6/30 of the School's previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

EDGEMONT SCHOOL DISTRICT No. 23-1  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE NINE YEARS ENDING JUNE 30, 2021

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its June 30th Year End	Contributions as a Percentage of Covered Employee Payroll
-----	-----	-----	-----	-----	-----
June 30, 2022	79,324	79,324	0	1,322,067	6.00%
June 30, 2021	75,101	75,101	0	1,251,683	6.00%
June 30, 2020	68,613	68,613	0	1,143,550	6.00%
June 30, 2019	65,600	65,600	0	1,093,333	6.00%
June 30, 2018	73,735	73,735	0	1,228,917	6.00%
June 30, 2017	74,903	74,903	0	1,248,383	6.00%
June 30, 2016	72,950	72,950	0	1,215,833	6.00%
June 30, 2015	69,653	69,653	0	1,160,883	6.00%
June 30, 2014	66,212	66,212	0	1,103,533	6.00%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (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%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes:

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

REPORT ON  
COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board  
Edgemont School District No. 23-1  
Edgemont, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Edgemont School District (School District), Edgemont, South Dakota, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated October 9, 2023, which was unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Edgemont School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-01 that I consider to be a significant deficiency.

Report on Internal Control and Compliance and Other Matters  
Page Two

*Government Auditing Standards* require the auditor to perform limited procedures on the School District's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and responses. The School District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Edgemont School District in a separate Letter of Comments dated October 9, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Edgemont School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the Edgemont School District in a separate Letter of Comments dated October 9, 2023.

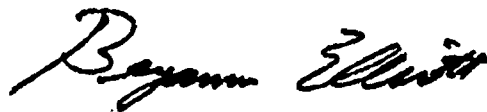
Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Edgemont School District's internal control over financial reporting 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.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

October 9, 2023



SCHEDULE OF PRIOR AUDIT FINDINGS

There are no written prior year audit findings.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

*Financial Statements*

Type of auditor's report issued: Unmodified:

Noncompliance material to financial  
statements noted? None Reported

Internal control over financial reporting:

\* Material weakness(es) identified? None Reported

\* Significant deficiency(ies) identified  
that are not considered to be material  
weaknesses? Finding 2022-01

Finding 2022-01: Lack of Proper Segregation of Duties  
(internal control)

*Criteria:*

The management of a school district is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

*Condition:*

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Edgemont School District.

*Effect:*

Inadequate segregation of duties can lead to misappropriation of funds.

*Recommendation:*

I recommend the Edgemont School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

*Management Response:*

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Edgemont School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Edgemont School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.