

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**ROSCOE, SOUTH DAKOTA**  
**AUDIT REPORT**  
**FOR THE YEAR THEN ENDED**  
**JUNE 30, 2023**

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
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# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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School Board  
Edmunds Central School District No. 22-5  
Edmunds County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Edmunds Central School District No. 22-5, South Dakota (School District) as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 8, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, items 2023-001, 2023-002, 2023-003, and 2023-004 that we consider to be material weaknesses.

*Jason W. Bauer, CPA, CGMA, PFS • [bauer@cahillbauer.com](mailto:bauer@cahillbauer.com)*

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### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Edmunds Central School District No. 22-5's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### School District's Response to Findings

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

### Purpose of this Report

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

*Calvin Bowen*

Mobridge, South Dakota  
December 8, 2023

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2023**

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**STATUS OF PRIOR AUDIT FINDINGS**

**Finding Number 2022-001:**

Internal control over financial reporting and compliance is not adequate.

**Current Status**

Condition still exists, see current audit finding number 2023-001.

**Finding Number 2022-002:**

Internal control does not provide for identifying material misstatements.

**Current Status**

Condition still exists, see current audit finding number 2023-002.

**Finding Number 2022-003:**

The District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

**Current Status**

Condition still exists, see current audit finding number 2023-003.

**Finding Number 2022-004:**

The School District's internal control should ensure that the audit report is made publically available on their website pursuant to SDCL 4-11-12.

**Current Status**

This condition has been corrected.

**Finding Number 2022-005:**

The District's internal control structure should ensure that grant revenues and expenditures are properly coded and accounted for.

**Current Status**

Condition still exists, see current audit finding number 2023-004.

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2023**

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**Finding Number 2022-006:**

The School District did not have proper documentation or itemized invoices on file for a check that was issued.

**Current Status**

This condition has been corrected.

**Finding Number 2022-007:**

The School District purchased a capital asset greater than \$1,000 from a Custodial Fund that did not meet the criteria for use of that fund.

**Current Status**

This condition has been corrected.

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

**Finding Number 2023-001:**

**Criteria**

The internal control system of a School can help assist in achieving its performance targets and prevent the loss of resources. It helps to ensure reliable financial reporting and the compliance with laws and regulations.

**Condition Found**

The School District has a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions because of a lack of segregation duties.

**Identification of Repeat Finding**

This is the 16th consecutive audit report in which this finding has appeared.

**Cause and Effect**

This condition increases the risk that fraud or errors might occur in the financial reporting process.

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS**  
**JUNE 30, 2023**

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**Recommendation**

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. Compensating controls should be implemented as necessary.

**Views of Responsible Officials**

Due to staff size, it is not deemed feasible to adequately segregate duties. However, the School District is aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

**Finding Number 2023-002:**

**Criteria**

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

**Condition Found**

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting

**Identification of Repeat Finding**

This is the 16th consecutive audit report in which this finding has appeared.

**Cause and Effect**

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

**Recommendation**

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

**Views of Responsible Officials**

The business manager, Kelly Toennies, is the contact person responsible for the corrective action plan for this comment. The School District is continuing its work in correcting this deficiency.



**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
JUNE 30, 2023**

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**Finding Number 2023-003:**

**Criteria**

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles.

**Condition Found**

The School does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

**Identification of Repeat Finding**

This is the 16th consecutive audit report in which this finding has appeared.

**Cause and Effect**

This condition may affect the School's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Recommendation**

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Views of Responsible Officials**

The School is continuing its work on correcting this deficiency.

**Finding Number 2023-004:**

**Criteria**

An organization's internal control structure should provide for accurate coding and tracking of grant expenditures in relation to grant revenues.

**Condition Found**

A finding has been identified as the School District receipted and expended federal grant money for a high school program into a custodial fund which was inappropriate.

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS**  
**JUNE 30, 2023**

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**Identification of Repeat Finding**

This is the 3rd consecutive audit report in which a finding has appeared in regards to grants management.

**Cause and Effect**

The School District does not have an internal control system in place to ensure that grant revenues and expenditures are properly coded and tracked which could lead to a misappropriation of assets.

**Recommendation**

The School District should review its processes of determining the appropriate fund for receipting and expending of each grant the School District is awarded to ensure revenues and expenditures are appropriately recorded.

**Views of Responsible Officials**

The business manager, Kelly Toennies, is the contact person responsible for the corrective action plan for this comment. The School District is continuing its work in correcting this deficiency.



# CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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School Board

Edmunds Central School District No. 22-5

Edmunds County, South Dakota

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Edmunds Central School District No. 22-5, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Edmunds Central School District No. 22-5 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

*Jason W. Bauer, CPA, CGMA, PFS • [bauer@cahillbauer.com](mailto:bauer@cahillbauer.com)*

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

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

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

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

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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.
4. 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.
5. conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Cahtel Bauer*

Mobridge, South Dakota  
December 8, 2023

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,754,440	\$ 59,501	\$ 3,813,941
Investments	408,923	-	408,923
Taxes receivable	884,804	-	884,804
Inventories	-	5,323	5,323
Other assets	228,733	-	228,733
Pension asset	4,501	138	4,639
Capital assets			
Land, improvements and const in progress	58,651	-	58,651
Other capital assets, net depreciation	8,304,468	73,470	8,377,938
<b>TOTAL ASSETS</b>	<b>13,644,520</b>	<b>138,432</b>	<b>13,782,952</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	443,742	13,638	457,380
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 443,742</b>	<b>\$ 13,638</b>	<b>\$ 457,380</b>

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 64,403	\$ -	\$ 64,403
Other current liabilities	296,479	14,839	311,318
Noncurrent liabilities:			
Due within one year	311,695	-	311,695
Due in more than one year	7,030,311	-	7,030,311
TOTAL LIABILITIES	7,702,888	14,839	7,717,727
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for future period	869,307	-	869,307
Pension related deferred inflows	263,753	8,106	271,859
TOTAL DEFERRED INFLOWS OF RESOURCES	1,133,060	8,106	1,141,166
NET POSITION			
Net Investment in			
Capital Assets	1,036,424	73,470	1,109,894
Restricted for:			
Capital Outlay	2,339,644	-	2,339,644
Special Education	695,199	-	695,199
SDRS Pension Purposes	184,490	5,670	190,160
Unrestricted	996,557	49,985	1,046,542
TOTAL NET POSITION	\$ 5,252,314	\$ 129,125	\$ 5,381,439

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities								
Instruction	\$ 1,660,739	\$ -	\$ 184,666	\$ -	\$ (1,476,073)	\$ -	\$ (1,476,073)	
Support services	941,169	1,378	254,501	49,857	(635,433)	-	(635,433)	
Cocurricular activities	169,669	10,987	-	-	(158,682)	-	(158,682)	
** Interest on long term debt	211,442	-	-	-	(211,442)	-	(211,442)	
Total governmental activities	2,983,019	12,365	439,167	49,857	(2,481,630)	-	(2,481,630)	
Business-type activities								
Food services	103,926	32,850	46,486	-	-	(24,590)	(24,590)	
Drivers education services	3,732	2,750	-	-	-	(982)	(982)	
Total business-type activities	107,658	35,600	46,486	-	-	(25,572)	(25,572)	
Total primary government	\$ 3,090,677	\$ 47,965	\$ 485,653	\$ 49,857	\$ (2,481,630)	\$ (25,572)	\$ (2,507,202)	
General Revenues								
Taxes								
Property taxes					2,417,854	-	2,417,854	
Utility taxes					49,898	-	49,898	
Revenue from state sources:								
State Aid					140,189	-	140,189	
Other					1,884	-	1,884	
Unrestricted investments earnings					33,428	-	33,428	
Other general revenues					15,815	-	15,815	
Transfers					(31,000)	31,000	-	
Total general revenues and transfers					2,628,068	31,000	2,659,068	
Change in net position					146,438	5,428	151,866	
Net position - beginning					5,105,876	123,697	5,229,573	
Net position - ending					\$ 5,252,314	\$ 129,125	\$ 5,381,439	

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

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



EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 997,440
Investments	-
Taxes-receivables	428,616
Taxes-delinquent	1,222
Due from state government	50,700
Due from federal government	174,444
Prepaid expenses	2,653
TOTAL ASSETS	<u>\$ 1,655,075</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 38,572
Contracts payable	147,361
Accrued interest	-
Payroll deductions and withholdings payable and employer matching payable	19,707
Total Liabilities	<u>205,640</u>
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	1,197
Taxes levied for future period	421,829
Total Deferred Inflows of Resources	<u>423,026</u>
Fund Balances:	
Reserved For:	
Unavailable - prepaid expense	2,653
Restricted	
Capital outlay	-
Special education	-
Assigned	
Unemployment	12,075
Unassigned	1,011,681
Total Fund Balance	<u>1,026,409</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 1,655,075</u>

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

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	2,040,020	\$	716,980	\$	3,754,440
	408,923		-		408,923
	393,450		60,879		882,945
	551		86		1,859
	810		126		51,636
	-		-		174,444
	-		-		2,653
\$	2,843,754	\$	778,071	\$	5,276,900
\$	14,150	\$	11,681	\$	64,403
	-		9,742		157,103
	102,442		-		102,442
	-		1,489		21,196
	116,592		22,912		345,144
	544		86		1,827
	387,518		59,960		869,307
	388,062		60,046		871,134
	-		-		2,653
	2,339,100		-		2,339,100
	-		695,113		695,113
	-		-		12,075
	-		-		1,011,681
	2,339,100		695,113		4,060,622
\$	2,843,754	\$	778,071	\$	5,276,900

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

Total fund balances - governmental funds	\$	4,060,622
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		4,501
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$10,019,054 and the accumulated depreciation/amortization is (\$1,655,935) for a net amount of \$8,363,119.		8,363,119
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		443,742
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$15,311, capital outlay certificates of \$7,325,000, lease liability of \$1,695, and accrued interest of \$15,738.		(7,357,744)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.		1,827
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(263,753)
Total net position - governmental funds	\$	5,252,314

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
REVENUES:	
Revenue from local sources:	
Taxes:	
Ad valorem taxes	\$ 1,266,252
Prior years' ad valorem taxes	5,950
Tax deed revenue	592
Utility taxes	49,898
Penalties and interest on taxes	2,680
Earnings on investments and deposits	33,428
Cocurricular activities:	
Admissions	9,347
Rentals	855
Other student activity	785
Other revenue from local sources:	
Contributions and donations	1,363
Refund of prior years' expenditures	209
Charges for services	1,242
Other	3,523
Total revenue from local sources	1,376,124
Revenue from intermediate sources	
County sources:	
County appointment	10,720
Total revenue from intermediate sources	10,720
Revenue from state sources:	
Grants-in-aid:	
Unrestricted grants-in-aid	140,189
Tax base on shooting areas	695
Other	254
Total revenue from state sources	141,138
Revenue from federal sources:	
Grants-in-aid:	
Restricted grants-in-aid from the federal government thru state	472,366
Total revenue from federal sources	472,366
Total revenues	\$ 2,000,348

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	984,192	\$	150,962	\$	2,401,406
	4,655		780		11,385
	-		-		592
	-		-		49,898
	2,190		340		5,210
	-		-		33,428
	-		-		9,347
	-		-		855
	-		-		785
	-		-		1,363
	-		-		209
	-		136		1,378
	-		-		3,523
	991,037		152,218		2,519,379
	-		-		10,720
	-		-		10,720
	-		-		140,189
	810		125		1,630
	-		-		254
	810		125		142,073
	11,995		4,663		489,024
	11,995		4,663		489,024
\$	1,003,842	\$	157,006	\$	3,161,196

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
Expenditures:	
Instruction:	
Regular programs:	
Elementary	\$ 606,261
Middle/junior high	223,581
High school	383,938
Preschool	21,792
Special programs:	
Programs for special education	-
Educationally deprived	122,941
Total instruction	<u>1,358,513</u>
Support services:	
Pupils:	
Guidance	2,827
Psychological	-
Speech pathology	-
Student therapy services	-
Instructional staff:	
Improvement of instruction	20,756
Educational media	73,513
General administration:	
Board of education	22,773
Executive administration	56,974
School administration:	
Office of the principal	40,344
Other support services	84
Business:	
Fiscal services	99,062
Operation and maintenance of plant	270,086
Pupil transportation	93,741
Food services	4,246
Central:	
Staff	107
Special education:	
Other	-
Total support services	<u>\$ 684,513</u>

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	2,834	\$	-	\$	609,095
	4,793		-		228,374
	9,391		-		393,329
	-		-		21,792
	-		214,394		214,394
	-		-		122,941
	17,018		214,394		1,589,925
	-		-		2,827
	-		3,370		3,370
	-		8,733		8,733
	-		24,200		24,200
	-		-		20,756
	8,532		-		82,045
	-		-		22,773
	-		-		56,974
	-		-		40,344
	-		-		84
	5,794		-		104,856
	34,287		-		304,373
	11,995		-		105,736
	-		-		4,246
	-		-		107
	-		79,574		79,574
\$	60,608	\$	115,877	\$	860,998

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
Debt Services	\$ -
Cocurricular activities:	
Male activities	19,046
Female activities	16,178
Transportation	29,982
Combined activities	33,503
Total cocurricular activities	98,709
Capital outlay	-
Total expenditures/expenses	2,141,735
Other financing sources (uses)	
Transfers in	445,000
Transfers out	(31,000)
Total other financing sources (uses)	414,000
Net change in fund balances	272,613
Fund balance - beginning	753,796
Fund balance - ending	\$ 1,026,409

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



Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 483,759	\$ -	\$ 483,759
-	-	19,046
-	-	16,178
-	-	29,982
-	-	33,503
-	-	98,709
143,256	-	143,256
704,641	330,271	3,176,647
-	-	445,000
(445,000)	-	(476,000)
(445,000)	-	(31,000)
(145,799)	(173,265)	(46,451)
2,484,899	868,378	4,107,073
\$ 2,339,100	\$ 695,113	\$ 4,060,622

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT**  
**OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds	\$	(46,451)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization expense exceeded capital outlay.		(117,733)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		(739)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		1,904
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses consist of reduction of pension expense of \$30,383, and reduction in accrued interest of \$2,317.		32,700
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		276,757
Change in net position of governmental activities	\$	<u>146,438</u>

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 55,483	\$ 4,018	\$ 59,501
Inventory of supplies	1,296	-	1,296
Inventory of store purchased for resale	2,225	-	2,225
Inventory of donated foods	1,802	-	1,802
Total Current Assets	60,806	4,018	64,824
Noncurrent assets			
Pension asset	138	-	138
Machinery and equipment	151,304	-	151,304
Accumulated depreciation	(77,834)	-	(77,834)
Total Noncurrent Assets	73,608	-	73,608
<b>TOTAL ASSETS</b>	<b>134,414</b>	<b>4,018</b>	<b>138,432</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	13,638	-	13,638
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>13,638</b>	<b>-</b>	<b>13,638</b>
<b>LIABILITIES</b>			
Current liabilities			
Benefits payable	197	-	197
Unearned revenue	14,642	-	14,642
Total current liabilities	14,839	-	14,839
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	8,106	-	8,106
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>8,106</b>	<b>-</b>	<b>8,106</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	73,470	-	73,470
SDRS pension purposes	5,670	-	5,670
Unrestricted	45,967	4,018	49,985
<b>TOTAL NET POSITION</b>	<b>\$ 125,107</b>	<b>\$ 4,018</b>	<b>\$ 129,125</b>

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

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Sales			
To pupils	\$ 25,016	\$ -	\$ 25,016
To adults	3,805	-	3,805
A la carte	4,029	-	4,029
Other charges for goods and services	-	2,750	2,750
Total operating revenues	<u>32,850</u>	<u>2,750</u>	<u>35,600</u>
<b>OPERATING EXPENSES</b>			
Salaries	40,846	3,276	44,122
Employee benefits	17,557	456	18,013
Purchased services	746	-	746
Supplies	1,537	-	1,537
Cost of sales - purchased food	22,583	-	22,583
Cost of sales - donated food	7,036	-	7,036
Other	1,010	-	1,010
Depreciation	12,611	-	12,611
Total operating expenses	<u>103,926</u>	<u>3,732</u>	<u>107,658</u>
Operating income(loss)	<u>(71,076)</u>	<u>(982)</u>	<u>(72,058)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State sources			
State grants	161	-	161
Federal sources			
Cash reimbursements	38,559	-	38,559
Donated food	7,766	-	7,766
Total nonoperating revenues	<u>46,486</u>	<u>-</u>	<u>46,486</u>
Income before contributions, special items, extraordinary items and transfers	(24,590)	(982)	(25,572)
Transfers in	<u>28,000</u>	<u>3,000</u>	<u>31,000</u>
Change in net position	3,410	2,018	5,428
Total net position - July 1, 2022	<u>121,697</u>	<u>2,000</u>	<u>123,697</u>
Total net position - June 30, 2023	<u>\$ 125,107</u>	<u>\$ 4,018</u>	<u>\$ 129,125</u>

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

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 39,254	\$ 2,750	\$ 42,004
Payments to employees for services	(58,846)	(3,732)	(62,578)
Payments to suppliers of goods and services	(25,851)	-	(25,851)
Net cash provided/(used) by operating activities	(45,443)	(982)	(46,425)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from the general fund	28,000	3,000	31,000
Operating grants	38,720	-	38,720
Net cash provided by noncapital financing activities	66,720	3,000	69,720
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	21,277	2,018	23,295
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	34,206	2,000	36,206
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 55,483	\$ 4,018	\$ 59,501
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</b>			
Operating income/(loss)	\$ (71,076)	\$ (982)	\$ (72,058)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/ (USED) BY OPERATING ACTIVITIES</b>			
Depreciation expense	12,611	-	12,611
Value of donated commodities used	7,036	-	7,036
Change in assets and liabilities			
Inventories	539	-	539
Accounts and other payables	(514)	-	(514)
Contracts payable and other benefits payable	139	-	139
Customer deposits	6,404	-	6,404
Change in pension asset/(liability)	(582)	-	(582)
Net cash provided/(used) by operating activities	\$ (45,443)	\$ (982)	\$ (46,425)
Noncash investing, capital and financing activities:			
Value of commodities received	\$ 7,766	\$ -	\$ 7,766

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

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2023**

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$          56,688</u>
TOTAL ASSETS	<u>                  56,688</u>
NET POSITION	
Restricted for student activities	<u>                  56,688</u>
TOTAL NET POSITION	<u><u>\$          56,688</u></u>

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2023**

	<u>Custodial Funds</u>
ADDITIONS	
Collections for student activities	<u>\$ 94,022</u>
Total Additions	<u>94,022</u>
DEDUCTIONS	
Payments for student activities	<u>128,187</u>
Total Deductions	<u>128,187</u>
Change in net position	(34,165)
Total net position - July 1, 2022	<u>90,853</u>
Total net position - June 30, 2023	<u><u>\$ 56,688</u></u>

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023  
(See Independent Auditors' Report)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

*a. Financial Reporting Entity*

The reporting entity of the Edmunds Central School District No. 22-5 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

*b. Basis of Presentation*

**Government-wide Financial Statements**

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

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



**NOTES TO FINANCIAL STATEMENTS - Page 2**  
**(See Independent Auditors' Report)**

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

**Fund Financial Statements**

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

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

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

**Governmental Funds**

**General Fund** - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 3**  
**(See Independent Auditors' Report)**

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

**Proprietary Funds**

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

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

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

Driver's Education Fund - A fund used to record financial transactions related to driver's education. This fund is financed by user charges. This is not a major fund.

**Fiduciary Funds**

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

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

*c. Measurement Focus and Basis of Accounting*

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

**NOTES TO FINANCIAL STATEMENTS - Page 4**  
**(See Independent Auditors' Report)**

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**Measurement Focus**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

**Basis of Accounting**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Edmunds Central School District No. 22-5, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2023 are expected county taxes, federal reimbursements, and utility taxes.

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

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 5**  
**(See Independent Auditors' Report)**

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*d. Interfund Eliminations and Reclassifications*

Government Wide Financial Statements:

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

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

*e. Deposits and Investments*

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

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

*f. Capital Assets*

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 6**  
**(See Independent Auditors' Report)**

*Government-Wide Statements*

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

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 5 percent for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	Any Amount	N/A	N/A
Improvements, other than buildings	\$ 5,000	Straight-line	25-40 years
Buildings	5,000	Straight-line	50-100 years
Machinery and equipment	5,000	Straight-line	10-20 years
Intangible lease assets	5,000	Straight-line	Various
Intangible subscription assets	5,000	Straight-line	Various

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements*

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

**NOTES TO FINANCIAL STATEMENTS - Page 7**  
**(See Independent Auditors' Report)**

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*g. Long-Term Liabilities*

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

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

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

*h. Leases*

**Lessee:**

The School District is a lessee for a noncancellable lease of two copy machines. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses the treasury yield that corresponds to the length of the lease contract.

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

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

**NOTES TO FINANCIAL STATEMENTS - Page 8**  
**(See Independent Auditors' Report)**

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*i. Program Revenues*

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

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

*j. Deferred Inflows and Deferred Outflows of Resources*

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

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

*k. Proprietary Funds Revenue and Expense Classifications*

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

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**(See Independent Auditors' Report)**

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*l. Cash and Cash Equivalents*

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

*m. Equity Classifications*

Government-wide Financial Statements

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

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

Fund Financial Statements

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

*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 for purposes for which both restricted and unrestricted net position are available.



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*o. Fund Balance Classification Policies and Procedures*

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

*p. Pensions*

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

**NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK**

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

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

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

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

As of June 30, 2023, all of the School District's investments were in certificates of deposit.

**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 to the General Fund.

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**(See Independent Auditors' Report)**

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**NOTE 3 - RECEIVABLES AND PAYABLES**

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

**NOTE 4 - INVENTORY**

Inventory is valued 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.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the School District's taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore and not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

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**(See Independent Auditors' Report)**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

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

	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Primary Government				
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	\$ 8,794	\$ -	\$ -	\$ 8,794
Construction in progress	-	49,857	-	49,857
Total capital assets, not being depreciated/amortized	8,794	49,857	-	58,651
Capital assets, being depreciated/amortized				
Buildings	9,040,044	-	-	9,040,044
Improvements other than buildings	52,824	70,994	-	123,818
Machinery and equipment	767,466	22,405	(6,833)	783,038
Intangible lease	13,503	-	-	13,503
Total capital assets, being depreciated/amortized	9,873,837	93,399	(6,833)	9,960,403
Less accumulated depreciation/amortization for				
Buildings	1,020,448	178,697	-	1,199,145
Improvements other than buildings	6,259	10,760	-	17,019
Machinery and equipment	370,008	64,780	(6,833)	427,955
Intangible lease	5,064	6,752	-	11,816
Total accumulated depreciation/amortization	1,401,779	260,989	(6,833)	1,655,935
Total capital assets, being depreciated/amortized, net	8,472,058	(167,590)	-	8,304,468
Governmental activity capital assets, net	\$ 8,480,852	\$ (117,733)	\$ -	\$ 8,363,119

Depreciation/amortization expense was charged to functions as follows:

	06/30/2023
Governmental activities	
Instructional	\$ 95,948
Support Services	93,110
Cocurricular	71,931
Total depreciation/amortization expense - governmental activities	\$ 260,989

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	<b>Balance 07/01/2022</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 06/30/2023</b>
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 151,304	\$ -	\$ -	\$ 151,304
Total capital assets, being depreciated	151,304	-	-	151,304
Less accumulated depreciation for				
Machinery and equipment	65,223	12,611	-	77,834
Total accumulated depreciation	65,223	12,611	-	77,834
Business-type activities capital assets, net	<u>\$ 86,081</u>	<u>\$ (12,611)</u>	<u>\$ -</u>	<u>\$ 73,470</u>

Depreciation expense was charged to functions as follows:

	<b>06/30/2023</b>
Business-type activities	
Food Service	<u>\$ 12,611</u>

**NOTE 7 - LONG-TERM LIABILITIES**

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

	<b>Beginning Balance 07/01/2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 06/30/2023</b>	<b>Due Within One Year</b>
Primary government					
Governmental activities					
Lease liability	\$ 8,452	\$ -	\$ (6,757)	\$ 1,695	\$ 1,695
Capital outlay certificates - 2015	515,000	-	(255,000)	260,000	260,000
Compensated absences	17,215	3,100	(5,004)	15,311	-
Capital outlay certificates - 2022	7,080,000	-	(15,000)	7,065,000	50,000
Total governmental activities	<u>\$ 7,620,667</u>	<u>\$ 3,100</u>	<u>\$ (281,761)</u>	<u>\$ 7,342,006</u>	<u>\$ 311,695</u>

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Long-term liabilities at June 30, 2023, is comprised of the following:

Capital Outlay Certificates, Series 2015, maturing December 2023, 3.28% interest, semi annual interest payments and annual principal payments, made from the Capital Outlay Fund.	\$ 260,000
Capital Outlay Certificates, Series 2022, maturing December 2034, 2.38% interest, semi annual interest payments and annual principal payments, made from the Capital Outlay Fund.	7,065,000
Lease liability, payments to be made by the Capital Outlay Fund.	1,695
Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within.	<u>15,311</u>
Total long-term debt	<u><u>\$7,342,006</u></u>

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

Year Ending June 30	Capital Outlay Certificates - 2015		Capital Outlay Certificates - 2022	
	Principal	Interest	Principal	Interest
2024	260,000	2,990	50,000	171,059
2025	-	-	330,000	155,495
2026	-	-	605,000	144,883
2027	-	-	620,000	130,979
2028	-	-	630,000	116,791
2029-2033	-	-	3,370,000	365,924
2034-2035	-	-	1,460,000	33,369
	<u>\$ 260,000</u>	<u>\$ 2,990</u>	<u>\$7,065,000</u>	<u>\$1,118,500</u>
<b>Lease Liability</b>				
Year Ending June 30	Principal	Interest		
2024	1,695	1		
	<u>\$ 1,695</u>	<u>\$ 1</u>		

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**NOTE 8 - INDIVIDUAL FUND INTERFUND BALANCES AND INTERFUND TRANSFERS**

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

	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Total</b>
General Fund	\$ 445,000	\$ (31,000)	\$ 414,000
Capital Outlay Fund	-	(445,000)	(445,000)
Drivers Education Fund	3,000	-	3,000
Food Service Fund	28,000	-	28,000
Total	<u>\$ 476,000</u>	<u>\$ (476,000)</u>	<u>\$ -</u>

Transfer from the General Fund to the Food Service Fund and Drivers Education Fund were made due to the revenues being insufficient to support the expenditures of the funds. Transfer from the Capital Outlay Fund to the General Fund were made in accordance with SDCL 13-16-6. These interfund transfers are not a violation of the statutory restrictions on interfund transfers.

**NOTE 9 - RESTRICTED NET POSITION**

<b><u>Fund</u></b>	<b><u>Restricted By</u></b>	<b><u>06/30/2023</u></b>
Special Education	Law	\$ 695,199
Capital Outlay	Law	2,339,644
SDRS Pension Purposes	Law	190,160
Total Restricted Net Position		<u>\$3,225,003</u>

These balances are restricted due to statutory requirements.

**NOTE 10 - PENSION PLAN**

**Plan Information:**

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

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**(See Independent Auditors' Report)**

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**Benefits Provided:**

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

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

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

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

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

If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:  
The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%

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

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

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



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**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022, and 2021 were \$71,845, \$69,875, and \$67,731, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$6,928,860
Proportionate share of net pension restricted for pension benefits	<u>6,933,499</u>
Proportionate share of net pension asset	<u>\$ (4,639)</u>

At June 30 2023, the School District reported an asset of \$4,639 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was .0490830%, which is a decrease of .0008223% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$29,612. At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 88,300	\$ 301
Changes in assumption	294,818	258,369
Net difference between projected and actual earnings on pension plan investments	-	11,116
Changes in proportion and difference between District contributions and proportionate share of contributions	2,417	2,073
District contributions subsequent to the measurement date	71,845	-
Total	<u>\$ 457,380</u>	<u>\$ 271,859</u>

\$71,845 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue as follows:

Year Ended June 30:	
2024	\$ 29,991
2025	65,050
2026	(73,323)
2027	91,958
TOTAL	<u>\$ 113,676</u>

**Actuarial Assumptions:**

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

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

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**Mortality Rates:**

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

**Active and Terminated Vested Members:**

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

**Retired Members:**

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

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

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

**Beneficiaries:**

PubG-2010 contingent survivor mortality table

**Disabled Members:**

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	2.7%

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**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.5%. 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 from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
School District's Proportionate share of the net pension liability/(asset)	\$ 963,173	\$ (4,639)	\$ (795,597)

**Pension Plan Fiduciary Net Position:**

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

**NOTE 11 - JOINT VENTURES**

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing Special Education Services to the member School Districts.

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

Doland School District	11.1%
Edmunds Central School District	11.1%
Frederick School District	11.1%
Groton School District	11.1%
Hitchcock Tulare School District	11.1%
Langford School District	11.1%
Leola School District	11.1%
Northwestern School District	11.1%
Warner School District	11.1%

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The North Central Special Education Cooperatives governing board is composed of one representative from each member School District, who is elected by the local School Board. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the North Central Special Education Cooperative, 1200 S Jay St, Aberdeen, SD 57401, 605-626-3359.

At June 30, 2023, this joint venture had net position of \$398,387 (unaudited), and no long-term debt outstanding.

The School District also participates in the joint venture known as Northern High Technology Module Consortium formed for the purpose of providing technological equipment to the member School Districts.

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

Edmunds Central School District No. 22-5	14.3%
Eureka School District No. 44-1	14.3%
Groton School District No. 6-3	14.3%
Leola School District No. 44-2	14.3%
Warner School District No.6-5	14.3%
Selby Area School District No. 62-5	14.3%
Ipswich School District No. 22-3	14.2%

The Northern High Technology Module Consortium governing board is composed of the superintendents from each member School District. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

Angie Vetter performs the recordkeeping for this consortium.

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

Separate financial statements for this joint venture are available from Angie Vetter.

At June 30, 2023, this joint venture had total assets of \$466, liabilities of \$2,582 and net position deficit of (\$2,116) and no reported long-term debt outstanding.

**NOTE 12 - RISK MANAGEMENT**

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

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*Employee Health Insurance*

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. 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 coverage provides a deductible ranging from \$1,000 to \$2,500 per person. The plan also provides for coinsurance of 80% up to \$2,000. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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 never exceeded the liability coverage.

*Liability Insurance*

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

During the year ended June 30, 2023, no claims for these matters were paid. At June 30, 2023 no claims had been filed for these matters and none are anticipated.

*Workman's Compensation*

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage to obtain lower costs for the coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

**NOTES TO FINANCIAL STATEMENTS - Page 24**  
**(See Independent Auditors' Report)**

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The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

For the year ended June 30, 2023, the pool's retained risk was \$300,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$700,000 for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to pool members for the year ended June 30, 2023.

*Unemployment Benefits*

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

The School District has Assigned Fund Balance in the general fund of \$12,075 for the payment of future unemployment benefits.

During the fiscal year ended June 30, 2023, no claims for unemployment benefits were paid. At June 30, 2023 there were no claims filed for unemployment benefits and no claims are anticipated in the next year.

**NOTE 13 - LITIGATION**

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

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 1,303,417	\$ 1,303,417	\$ 1,266,252	\$ (37,165)
1120	Prior Years' Ad Valorem Taxes	1,500	1,500	5,950	4,450
1130	Tax Deed Revenue	-	-	592	592
1140	Utility Taxes	40,000	40,000	49,898	9,898
1190	Penalties and Interest on Taxes	2,700	2,700	2,680	(20)
1510	Interest	20,000	20,000	33,428	13,428
1700	Cocurricular Activities:				
1710	Admissions	8,000	8,000	9,347	1,347
1740	Rentals	1,000	1,000	855	(145)
1790	Other student activity	-	-	785	785
1900	Other Revenue from Local Sources:				
1920	Contributions and Donations	1,000	1,000	1,363	363
1950	Refund of Prior Years' Expenditures	-	-	209	209
1970	Charges for Services	2,100	2,100	1,242	(858)
1990	Other	158,000	158,000	3,523	(154,477)
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2110	County Apportionment	30,000	30,000	10,720	(19,280)
2200	Revenue in lieu of taxes	2,500	2,500	-	(2,500)
3000	Revenue from State Sources:				
3110	Unrestricted Grants-in-Aid	147,000	147,000	140,189	(6,811)
3120	Restricted Grains-in-Aid	2,100	2,100	-	(2,100)
3210	Tax Base on Shooting Areas	-	-	695	695
3900	Other State Revenues	6,000	6,000	254	(5,746)
4000	Revenue from Federal Sources:				
4159-	Restricted Received				
4199	from Federal Government				
	Through the State	785,775	785,775	472,366	(313,409)
Total Revenue		\$ 2,511,092	\$ 2,511,092	\$ 2,000,348	\$ (510,744)

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 563,652	\$ 622,804	\$ 606,261	\$ 16,543
1120	Middle/Junior High	226,591	230,622	223,581	7,041
1130	High School	446,649	446,649	383,938	62,711
1140	Preschool	23,450	23,450	21,792	1,658
1200	Special Programs:				
1270	Educationally Deprived	161,182	161,182	122,941	38,241
2000	Support Services:				
2100	Pupils:				
2120	Guidance	22,700	23,152	2,827	20,325
2200	Support Services-Instructional Staff:				
2210	Improvement of Instruction	2,000	20,756	20,756	-
2220	Educational Media	76,425	76,425	73,513	2,912
2300	Support Services-General Administration:				
2310	Board of Education	44,775	44,775	22,773	22,002
2321	Executive Administration	68,673	68,673	56,974	11,699
2400	Support Services - School Administration:				
2410	Office of the Principal	42,551	42,551	40,344	2,207
2490	Other	500	500	84	416
2500	Support Services-Business				
2520	Fiscal Services	105,565	105,565	99,062	6,503
2540	Operation & Maintenance of Plant	271,672	271,672	270,086	1,586
2550	Pupil Transportation	106,850	106,850	93,741	13,109
2560	Food Service	5,600	5,600	4,246	1,354
2600	Support Services-Central				
2640	Staff	500	500	107	393
6000	Cocurricular Activities				
6100	Male Activities	41,039	41,754	19,046	22,708
6200	Female Activities	13,546	16,179	16,178	1
6500	Transportation	37,950	37,950	29,982	7,968
6900	Combined Activities	36,704	40,088	33,503	6,585
7000	Contingencies	20,000	-	-	-
Total Expenditures		2,318,574	2,387,697	2,141,735	245,962

(Continued on next page)

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Excess Revenue Over/Under Expenditures	\$ 192,518	\$ 123,395	\$ (141,387)	\$ (264,782)
Other Financing Sources				
5110 Transfer In	30,000	30,000	445,000	415,000
8110 Transfer Out	(31,000)	(31,000)	(31,000)	-
Total Other Financing Sources	(1,000)	(1,000)	414,000	415,000
Net Change in Fund Balances	191,518	122,395	272,613	150,218
Fund Balance - Beginning	753,796	753,796	753,796	-
Fund Balance - Ending	\$ 945,314	\$ 876,191	\$ 1,026,409	\$ 150,218

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Contr	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 928,026	\$ 928,026	\$ 984,192	\$ 56,166
1120	Prior Years' Ad Valorem Taxes	900	900	4,655	3,755
1190	Penalties and Interest on Taxes	3,000	3,000	2,190	(810)
3200	Revenue from State Sources:				
3210	Tax Base on Shooting Areas	-	-	810	810
4000	Revenue from Federal Sources:				
4159-	Restricted Received				
4199	from Federal Government Through the State	250,343	250,343	11,995	(238,348)
Total Revenue		\$ 1,182,269	\$ 1,182,269	\$ 1,003,842	\$ (178,427)

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**CAPITAL OUTLAY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Contr		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
		Original	Final		
	EXPENDITURES:				
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 3,000	8,881	\$ 8,881	\$ -
1120	Middle/Junior High	3,000	4,793	4,793	-
1130	High School	3,000	9,391	9,391	-
2200	Support Services-Instructional Staff:				
2220	Educational Media	12,952	16,484	16,484	-
2500	Support Services-Business				
2520	Fiscal Services	6,000	6,000	5,794	206
2530	Facilities Acquisition and Construction	141,450	188,018	129,257	58,761
2540	Operation & Maintenance of Plant	11,500	11,500	34,287	(22,787)
2550	Pupil Transportation	11,319	11,995	11,995	-
5000	Debt Services	523,525	523,525	483,759	39,766
6000	Cocurricular Activities				
6900	Combined Activities	10,000	10,000	-	10,000
	Total Expenditures	725,746	790,587	704,641	85,946
	Excess Revenue Over/Under Expenditures	456,523	391,682	299,201	(92,481)
	Other Financing Sources				
8110	Transfer Out	(40,000)	(40,000)	(445,000)	(405,000)
	Total Other Financing Sources	(40,000)	(40,000)	(445,000)	(405,000)
	Net Change in Fund Balances	416,523	351,682	(145,799)	(497,481)
	Fund Balance - Beginning	2,484,899	2,484,899	2,484,899	-
	Fund Balance - Ending	\$ 2,901,422	\$ 2,836,581	\$ 2,339,100	\$ (497,481)

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Contr	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 147,024	\$ 147,024	\$ 150,962	\$ 3,938
1120	Prior Years' Ad Valorem Taxes	300	300	780	480
1190	Penalties and Interest on Taxes	500	500	340	(160)
1900	Other Revenue from Local Sources:				
1970	Charges for Services	2,000	2,000	136	(1,864)
3000	Revenue from State Sources:				
3210	Tax Base on Shooting Areas	-	-	125	125
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government Through the State	-	-	4,663	4,663
Total Revenue		\$ 149,824	\$ 149,824	\$ 157,006	\$ 7,182

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SPECIAL EDUCATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Contr		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
		Original	Final		
EXPENDITURES:					
1200	Special Programs:				
1220	Programs for Special Education	\$ 218,893	\$ 222,486	\$ 214,394	\$ 8,092
2000	Support Services:				
2100	Pupils:				
2140	Psychological Services	3,871	3,871	3,370	501
2150	Speech	9,233	9,233	8,733	500
2170	Student Therapy Services	30,000	30,000	24,200	5,800
2700	Special Education:				
2750	Other Special Education Costs	80,000	80,000	79,574	426
Total Expenditures		341,997	345,590	330,271	15,319
Excess Revenue Over/Under Expenditures		(192,173)	(195,766)	(173,265)	22,501
Net Change in Fund Balances		(192,173)	(195,766)	(173,265)	22,501
Fund Balance - Beginning		868,378	868,378	868,378	-
Fund Balance - Ending		\$ 676,205	\$ 672,612	\$ 695,113	\$ 22,501

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

**NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING**

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

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



**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES**

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

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
SOUTH DAKOTA RETIREMENT SYSTEM**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0490830%	0.0492100%	0.0499053%	0.0529625%	0.0488567%	0.0419916%	0.0340834%	0.0372831%	0.0361365%
District's proportionate share of net pension liability (asset)	\$ (4,639)	\$ (378,480)	\$ (2,167)	\$ (5,612)	\$ (1,139)	\$ (3,811)	\$ 115,130	\$ (158,128)	\$ (260,348)
District's covered-employee payroll	\$ 1,164,587	\$ 1,128,854	\$ 1,095,271	\$ 1,126,092	\$ 1,015,676	\$ 852,197	\$ 652,042	\$ 680,678	\$ 631,928
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.40%	-33.53%	-0.20%	-0.50%	-0.11%	-0.45%	17.66%	-23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.29%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5  
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS  
SOUTH DAKOTA RETIREMENT SYSTEM**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 71,845	\$ 69,875	\$ 67,731	\$ 65,716	\$ 67,565	\$ 60,941	\$ 51,192	\$ 39,123	\$ 40,841
Contributions in relation to the contractually required contribution	\$ 71,845	\$ 69,875	\$ 67,731	\$ 65,716	\$ 67,565	\$ 60,941	\$ 51,192	\$ 39,123	\$ 40,841
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,197,413	\$ 1,164,587	\$ 1,128,854	\$ 1,095,271	\$ 1,126,092	\$ 1,015,676	\$ 853,200	\$ 652,042	\$ 680,678
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS**

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**Changes from prior valuation**

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

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

**Benefit Provision Changes**

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

**Actuarial Assumption Changes**

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

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

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

**EDMUNDS CENTRAL SCHOOL DISTRICT NO. 22-5**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION**  
**LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS**

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

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

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

**Actuarial Method Changes**

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