

Elkton School District No. 5-3

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

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

Elkton School District No. 5-3

School District Officials

June 30, 2023

Board Members

Derek Frerichs ----- Board President

Arend Schuurman-----Vice President

Waylen Blasius----- Member

Nathan Kinner ----- Member

Brooks VanDyke ----- Member

Brian Jandahl-----Superintendent

Mike Frederiksen-----Business Manager

Elkton School District No. 5-3

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

School Board
Elkton School District No. 5-3
Brookings County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elkton School District No. 5-3, South Dakota, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated May 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Prior and Current Audit Findings as item 2023-001 to be a material weakness.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "CLO Prof LHC".

Elk Point, South Dakota
May 10, 2024

Elkton School District No. 5-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2023

Prior Audit Findings

There are no prior other audit findings to report.

Current Audit Findings

Finding Number 2023-001 – Internal Control Finding

Material Weakness

Internal Control Over Year-End Closing Procedures Including Preparation of Financial Statements

Criteria: Elkton School District No. 5-3 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2023. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Condition: The School District's internal control structure should be designed to provide for the preparation of financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes.

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

Recommendation: This circumstance is not unusual for an organization of this size. 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 the cost or other considerations. Also, a thorough review of the transaction in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.



Independent Auditor's Report

School Board
Elkton School District No. 5-3
Brookings 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 Elkton School District No. 5-3, Brookings County, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Elkton 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 Elkton School District No. 5-3 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 the 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*, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of School District Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CIO Prof LHC".

Elk Point, South Dakota
May 10, 2024

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Elkton School District 5-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the School's net position increased by \$705,027 compared to the \$1,060,826 net position increase in the prior year. This is a \$355,799 decrease from prior year which is due to a larger increase in expenses than income in the current year.

Overview of the Financial Statements

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the school are the School's Food Service Fund and Other Enterprise Fund.
 - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Elkton School's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds and the fiduciary component units)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This includes the General Fund, Capital Outlay Fund, Special Education Fund, and Bond Redemption Fund.

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The School charges a fee to students to help cover the costs of providing hot lunch services to all students. There is a fee charged for Drivers Ed which is also one of the business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes:

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) and the Other Enterprise Fund are the same as its business-type activities, but provides more detail and additional information such as cash flows.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
 Elkton School District 5-3
 Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 8,733,865	\$ 8,199,254	\$ 152,311	\$ 177,575	\$ 8,886,176	\$ 8,376,829	-5.73%
Capital Assets (Net of Depreciation)	10,511,807	10,838,490	31,588	26,688	10,543,395	10,865,178	3.05%
Total Assets	19,245,672	19,037,744	183,899	204,263	19,429,571	19,242,007	-0.97%
Pension Related Deferred Outflows	1,004,120	904,548	--	--	1,004,120	904,548	-9.92%
Total Deferred Outflows or Resources	1,004,120	904,548	--	--	1,004,120	904,548	-9.92%
Long-Term Liabilities Outstanding	4,239,882	3,997,966	--	--	4,239,882	3,997,966	-5.71%
Other Liabilities	486,616	676,605	45,583	37,003	532,199	713,608	34.09%
Total Liabilities	4,726,498	4,674,571	45,583	37,003	4,772,081	4,711,574	-1.27%
Taxes Levied for Future Period	1,816,371	1,731,602	--	--	1,816,371	1,731,602	-4.67%
Pension Related Deferred Inflows	1,406,288	559,401	--	--	1,406,288	559,401	-60.22%
Total Deferred Inflows of Resources	3,222,659	2,291,003	--	--	3,222,659	2,291,003	-28.91%
Net Investment in Capital Assets	6,271,925	6,840,524	31,588	26,688	6,303,513	6,867,212	8.94%
Restricted	5,157,028	5,183,779	--	--	5,157,028	5,183,779	0.52%
Unrestricted	871,682	952,415	106,728	140,572	978,410	1,092,987	11.71%
Total Net Position	12,300,635	12,976,718	138,316	167,260	12,438,951	13,143,978	5.67%
Beginning Net Position	11,311,020	12,300,635	67,105	138,316	11,378,125	12,438,951	9.32%
Increase (Decrease) in Net Position	\$ 989,615	\$ 676,083	\$ 71,211	\$ 28,944	\$ 1,060,826	\$ 705,027	-33.54%
Percentage of Increase (Decrease) in Net Position	8.75%	5.50%	106.12%	20.93%	9.32%	5.67%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of capital outlay certificates, energy loan, and direct borrowings. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The Elkton School District’s total revenues (excluding transfers) in FY23 were \$6,656,158. Approximately 60% of the School’s revenue comes from property and other taxes, with approximately 14% coming from state aid. (See Table A-2).

Table A-2
Elkton School District 5-3
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 3,976,099	59.74%
State Sources	960,784	14.43%
Charges For Services	784,204	11.78%
Operating Grants & Contributions	555,989	8.35%
Other General Revenues	303,370	4.56%
Unrestricted Investment Earnings	<u>75,712</u>	<u>1.14%</u>
Total Revenue	<u>\$ 6,656,158</u>	<u>100.00%</u>

The Elkton School District expenses totaled 5,951,131. The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, and driver’s education. (See Table A-3).

Table A-3
Elkton School District 5-3
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 2,962,676	49.78%
Support Services	2,021,149	33.96%
Interest - on Long-Term Debt	233,664	3.93%
Cocurricular Activities	456,284	7.67%
Food Service	270,717	4.55%
Drivers Education	<u>6,641</u>	<u>0.11%</u>
Total Expenditures	<u>\$ 5,951,131</u>	<u>100.00%</u>

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 512,130	\$ 619,927	\$ 29,428	\$ 164,277	\$ 541,558	\$ 784,204	44.81%
Operating Grants/ Contributions	436,558	413,964	282,996	142,025	719,554	555,989	-22.73%
General Revenues							
Taxes	4,010,964	3,976,099	--	--	4,010,964	3,976,099	-0.87%
Revenue State Sources	755,663	960,784	--	--	755,663	960,784	27.14%
Other							
Other general revenues	272,469	303,370	--	--	272,469	303,370	11.34%
Unrestricted Investment Earnings	75,152	75,712	--	--	75,152	75,712	0.75%
	<u>6,062,936</u>	<u>6,349,856</u>	<u>312,424</u>	<u>306,302</u>	<u>6,375,360</u>	<u>6,656,158</u>	<u>4.40%</u>
Expenses							
Instruction	3,011,053	2,962,676	--	--	3,011,053	2,962,676	-1.61%
Support Services	1,594,033	2,021,149	--	--	1,594,033	2,021,149	26.79%
Interest on long-term debt	139,556	233,664	--	--	139,556	233,664	67.43%
Co-curricular Activities	328,679	456,284	--	--	328,679	456,284	38.82%
Food Service	--	--	231,763	270,717	231,763	270,717	16.81%
Drivers Education	--	--	9,450	6,641	9,450	6,641	-29.72%
	<u>5,073,321</u>	<u>5,673,773</u>	<u>241,213</u>	<u>277,358</u>	<u>5,314,534</u>	<u>5,951,131</u>	<u>11.98%</u>
Increase (Decrease) in Net Position	989,615	676,083	71,211	28,944	1,060,826	705,027	-33.54%
Beginning Net Position	<u>11,311,020</u>	<u>12,300,635</u>	<u>67,105</u>	<u>138,316</u>	<u>11,378,125</u>	<u>12,438,951</u>	<u>9.32%</u>
Ending Net Position	<u>\$ 12,300,635</u>	<u>\$ 12,976,718</u>	<u>\$ 138,316</u>	<u>\$ 167,260</u>	<u>\$ 12,438,951</u>	<u>\$ 13,143,978</u>	<u>5.67%</u>

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues for the School's governmental activities increased approximately 4.7% while expenses for governmental activities increased by approximately 11.8%. The increases in revenues occurred due to increased charges for services and state sources. The increases in expenditures occurred mainly in support services and co-curricular activities.

Business-Type Activities

Revenues for the School's business-type activities decreased by 2% while expenses increased by 15%. The decrease in revenues is due to a decrease in operating grants and contributions. The expenses increased due to an increase in food service related expenses.

Financial Analysis of the School's Funds

The financial analysis of the School's funds mirror those highlighted in the analysis of governmental and business-type activities presented above.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this District.
- Increases in appropriations to prevent budget overruns in the general fund.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Capital Asset Administration

By the end of FY23, the School had invested \$10,865,178 (net of depreciation) in a broad range of capital assets, including, land, construction in progress, buildings, improvements, library books, and various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$321,783.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 85,302	\$ 85,302	\$ --	\$ --	\$ --	0.00%
Construction in progress	3,150,083	258,940	--	--	(2,891,143)	-91.78%
Buildings	4,211,449	7,264,186	--	--	3,052,737	72.49%
Improvements Other than Buildings	2,554,735	2,575,756	--	--	21,021	0.82%
Library Books	7,602	3,963	--	--	(3,639)	-47.87%
Machinery & Equipment	502,636	650,343	31,588	26,688	142,807	26.73%
Total Capital Assets	\$ 10,511,807	\$ 10,838,490	\$ 31,588	\$ 26,688	\$ 321,783	3.05%

Major capital outlay purchases in FY23 included new playground equipment, 2 new buses, new carpet and cabinets in a few classroom, and new additions and renovations to the design development construction in progress.

Long-Term Debt

At year-end, the School had \$3,997,966 in general long-term obligations. This balance includes Capital Outlay Certificates, Energy Loan, and Direct Borrowings. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
Capital Outlay Certificates	\$ 4,131,531	\$ 3,938,500	\$ (193,031)	-4.67%
Energy Loan	87,500	43,750	(43,750)	-50.00%
Direct Borrowing	20,851	15,716	(5,135)	-24.63%
Total Outstanding Debt	\$ 4,239,882	\$ 3,997,966	\$ (241,916)	-5.71%

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2023

Economic Factors and Next Year's Budgets And Rates

The School's current economic position has shown little change.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Elkton School District's Business Office, 508 Buffalo St., PO Box 190, Elkton, South Dakota 57026.

Elkton School District No. 5-3
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 5,155,827	\$ 166,923	\$ 5,322,750
Investments-certificates of deposit	50,000	--	50,000
Accounts receivable	562	--	562
Taxes receivable	1,762,812	--	1,762,812
Inventories	17,753	10,652	28,405
Other assets	196,359	--	196,359
Restricted Assets:			
Cash and cash equivalents	1,006,488	--	1,006,488
Net pension asset	9,453	--	9,453
Capital assets:			
Land and construction in progress	344,242	--	344,242
Other capital assets, net of depreciation	10,494,248	26,688	10,520,936
Total Assets	19,037,744	204,263	19,242,007
Deferred Outflows of Resources:			
Pension-related deferred outflows	904,548	--	904,548
Liabilities:			
Unearned revenue	33,204	18,388	51,592
Other current liabilities	643,401	18,615	662,016
Long-Term Liabilities:			
Due within one year	247,125	--	247,125
Due in more than one year	3,750,841	--	3,750,841
Total Liabilities	4,674,571	37,003	4,711,574
Deferred Inflows of Resources:			
Taxes levied for future periods	1,731,602	--	1,731,602
Pension related deferred inflows	559,401	--	559,401
Total Deferred Inflows of Resources	2,291,003	--	2,291,003
Net Position:			
Net investment in capital assets	6,840,524	26,688	6,867,212
Restricted for:			
Capital outlay	2,423,167	--	2,423,167
Special education	1,399,520	--	1,399,520
Debt Service	1,006,492	--	1,006,492
SDRS pension purposes	354,600	--	354,600
Unrestricted	952,415	140,572	1,092,987
Total Net Position	\$ 12,976,718	\$ 167,260	\$ 13,143,978

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

Elkton School District No. 5-3
Statement of Activities – Government-Wide
June 30, 2023

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
Instruction	\$ 2,962,676	\$ 557,297	\$ 413,964	\$ (1,991,415)	\$ --	\$ (1,991,415)
Support services	2,021,149	15,210	--	(2,005,939)	--	(2,005,939)
Interest on long-term debt	233,664	--	--	(233,664)	--	(233,664)
Cocurricular activities	456,284	47,420	--	(408,864)	--	(408,864)
Total Governmental Activities	<u>5,673,773</u>	<u>619,927</u>	<u>413,964</u>	<u>(4,639,882)</u>	<u>--</u>	<u>(4,639,882)</u>
Business-Type Activities:						
Food service	270,717	155,407	142,025	--	26,715	26,715
Driver's education	6,641	8,870	--	--	2,229	2,229
Total Business Type Activities	<u>277,358</u>	<u>164,277</u>	<u>142,025</u>	<u>--</u>	<u>28,944</u>	<u>28,944</u>
Total Primary Government	<u>\$ 5,951,131</u>	<u>\$ 784,204</u>	<u>\$ 555,989</u>	<u>(4,639,882)</u>	<u>28,944</u>	<u>(4,610,938)</u>
General Revenues:						
Taxes:						
				3,861,713	--	3,861,713
				114,386	--	114,386
Revenue from State Sources:						
				960,784	--	960,784
				75,712	--	75,712
				303,370	--	303,370
Total General Revenues				<u>5,315,965</u>	<u>--</u>	<u>5,315,965</u>
Change in Net Position				676,083	28,944	705,027
Net Position - Beginning of Year				<u>12,300,635</u>	<u>138,316</u>	<u>12,438,951</u>
Net Position - Ending of Year	<u>\$ 12,976,718</u>			<u>\$ 167,260</u>		<u>\$ 13,143,978</u>

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

Elkton School District No. 5-3
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 1,080,961	\$ 2,604,517	\$ 1,470,345	\$ 4	\$ 5,155,827
Investments-certificates of deposit	30,000	20,000	--	--	50,000
Cash with fiscal agent	--	--	--	1,006,488	1,006,488
Taxes receivable - current	816,701	644,297	270,604	--	1,731,602
Taxes receivable - delinquent	10,125	13,195	7,890	--	31,210
Accounts receivable	562	--	--	--	562
Due from other governments	190,189	6,170	--	--	196,359
Inventories-Materials and Supplies	17,753	--	--	--	17,753
Total Assets	<u>\$ 2,146,291</u>	<u>\$ 3,288,179</u>	<u>\$ 1,748,839</u>	<u>\$ 1,006,492</u>	<u>\$ 8,189,801</u>
Liabilities and Fund Balances:					
Liabilities:					
Contracts payable	\$ 277,762	\$ --	\$ 54,017	\$ --	\$ 331,779
Construction contracts payable	--	187,511	--	--	187,511
Payroll deductions and withholding and employer matching payable	99,413	--	24,698	--	124,111
Unearned revenue	--	33,204	--	--	33,204
Total Liabilities	<u>377,175</u>	<u>220,715</u>	<u>78,715</u>	<u>--</u>	<u>676,605</u>
Deferred Inflows of Resources:					
Taxes levied for future period	816,701	644,297	270,604	--	1,731,602
Delinquent taxes not available	10,125	13,195	7,890	--	31,210
Total Deferred Inflows of Resources	<u>826,826</u>	<u>657,492</u>	<u>278,494</u>	<u>--</u>	<u>1,762,812</u>
Fund Balances:					
Nonspendable-inventory	17,753	--	--	--	17,753
Restricted:					
For capital outlay	--	2,409,972	--	--	2,409,972
For special education	--	--	1,391,630	--	1,391,630
For debt service	--	--	--	1,006,492	1,006,492
Unassigned	924,537	--	--	--	924,537
Total Fund Balances	<u>942,290</u>	<u>2,409,972</u>	<u>1,391,630</u>	<u>1,006,492</u>	<u>5,750,384</u>
Total Liabilities and Fund Balances	<u>\$ 2,146,291</u>	<u>\$ 3,288,179</u>	<u>\$ 1,748,839</u>	<u>\$ 1,006,492</u>	<u>\$ 8,189,801</u>

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

Elkton School District No. 5-3

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

Total Fund Balances - Governmental Funds		\$ 5,750,384
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		10,838,490
Pension related deferred outflows are components of pension liability and therefore are not reported in the funds.		904,548
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Energy Loan	(43,750)	
Capital Outlay Certificates	(3,938,500)	
Direct Borrowing Notes	<u>(15,716)</u>	(3,997,966)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:		
Delinquent Property Taxes Receivable		31,210
Proportionate Share of Net Pension Asset		9,453
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(559,401)</u>
Net Position - Governmental Activities		<u><u>\$ 12,976,718</u></u>

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

Elkton School District No. 5-3

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

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,759,435	\$ 1,380,734	\$ 687,083	\$ --	\$ 3,827,252
Prior years' ad valorem taxes	41	18	10	--	69
Utility taxes	114,386	--	--	--	114,386
Penalties and interest on taxes	1,910	840	501	--	3,251
Tuition and Fees:					
Regular day school tuition	557,297	--	--	--	557,297
Regular day school transportation	5,670	--	--	--	5,670
Earnings on Investments and Deposits	75,712	--	--	--	75,712
Cocurricular Activities:					
Admissions	36,117	--	--	--	36,117
Rentals	810	--	--	--	810
Other student activity income	10,493	--	--	--	10,493
Other Revenue from Local Sources					
Rentals	11,000	--	--	--	11,000
Contributions and donations	1,153	--	--	--	1,153
Services Provided Other School Districts	9,540	--	--	--	9,540
Charges for services	42,174	--	174	--	42,348
Other	17,902	37,604	52	--	55,558
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	23,978	--	--	--	23,978
Other	519	125	--	--	644
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	948,303	--	--	--	948,303
Other state revenue	12,481	--	--	--	12,481
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	278,395	31,795	--	--	310,190
Other Federal Revenues	3,951	99,823	--	--	103,774
Total Revenues	\$ 3,911,267	\$ 1,550,939	\$ 687,820	\$ --	\$ 6,150,026

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

Elkton School District No. 5-3

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

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	\$ 1,042,226	\$ 72,500	\$ --	\$ --	\$ 1,114,726
Middle/junior high	341,962	13,703	--	--	355,665
High school	542,481	56,695	--	--	599,176
Preschool	26,844	--	--	--	26,844
Special Programs:					
Programs for special education	--	--	533,754	--	533,754
Educationally deprived	119,397	--	--	--	119,397
Support Services:					
Students:					
Attendance and social work	8,977	--	--	--	8,977
Guidance	61,253	5,842	--	--	67,095
Health	55,163	--	--	--	55,163
Psychological services	--	--	4,819	--	4,819
Speech pathology	--	--	7,845	--	7,845
Student therapy services	--	--	5,598	--	5,598
Instructional Staff:					
Educational media	87,295	3,903	--	--	91,198
General Administration:					
Board of education	40,111	--	--	--	40,111
Executive administration	215,648	542	--	--	216,190
School Administration:					
Office of the principal	262,945	8,146	--	--	271,091
Other	53	--	--	--	53
Business:					
Fiscal services	123,977	9,345	--	--	133,322
Facilities acquisition and construction	--	245,341	--	--	245,341
Operation and maintenance of plant	586,747	63,168	--	--	649,915
Student transportation	103,656	--	--	--	103,656
Other	--	12,340	--	--	12,340
Special Education:					
Administrative costs	--	--	41,202	--	41,202
Transportation costs	--	--	2,099	--	2,099
Debt Services					
	--	475,580	--	--	475,580
Cocurricular Activities:					
Male activities	86,402	59,019	--	--	145,421
Female activities	77,489	27,155	--	--	104,644
Transportation	17,374	--	--	--	17,374
Combined activities	81,955	8,161	--	--	90,116
Capital Outlay	--	684,136	--	--	684,136
Total Expenditures	3,881,955	1,745,576	595,317	--	6,222,848
 Excess of Revenue Over (Under) Expenditures	 29,312	 (194,637)	 92,503	 --	 (72,822)
Other Financing Sources (Uses):					
Transfer in	--	--	--	78,031	78,031
Transfer out	--	(78,031)	--	--	(78,031)
Sale of surplus property	400	--	--	--	400
Compensation for loss of general capital assets	--	117,872	--	--	117,872
Total Other Financing Sources (Uses)	400	39,841	--	78,031	118,272
 Net Change in Fund Balances	 29,712	 (154,796)	 92,503	 78,031	 45,450
Fund Balance, Beginning of Year	912,578	2,564,768	1,299,127	928,461	5,704,934
Fund Balance, Ending of Year	\$ 942,290	\$ 2,409,972	\$ 1,391,630	\$ 1,006,492	\$ 5,750,384

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

Elkton School District No. 5-3

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

Net Change in Fund Balances - Total Governmental Funds \$ 45,450

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 684,136

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (357,454)

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

Direct Borrowing Note	5,135	
Energy Loan	43,750	
CO Certificate	<u>193,031</u>	241,916

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 31,141

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 30,894

Change in net position of governmental activities \$ 676,083

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

Elkton School District No. 5-3
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Drivers Education Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 160,138	\$ 6,785	\$ 166,923
Inventory - stores for resale	5,038	--	5,038
Inventory of donated food	5,614	--	5,614
Total Current Assets	<u>170,790</u>	<u>6,785</u>	<u>177,575</u>
Noncurrent Assets:			
Machinery and equipment - local funds	127,565	--	127,565
Less accumulated depreciation	<u>(100,877)</u>	<u>--</u>	<u>(100,877)</u>
Total Noncurrent Assets	<u>26,688</u>	<u>--</u>	<u>26,688</u>
Total Assets	<u>\$ 197,478</u>	<u>\$ 6,785</u>	<u>\$ 204,263</u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 11,543	\$ 360	\$ 11,903
Accrued payroll expenses	6,663	49	6,712
Unearned revenue	<u>18,388</u>	<u>--</u>	<u>18,388</u>
Total Current Liabilities	<u>36,594</u>	<u>409</u>	<u>37,003</u>
Net Position:			
Net investment in capital assets	26,688	--	26,688
Unrestricted net position	<u>134,196</u>	<u>6,376</u>	<u>140,572</u>
Total Net Position	<u>\$ 160,884</u>	<u>\$ 6,376</u>	<u>\$ 167,260</u>

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

Elkton School District No. 5-3

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

	Enterprise Funds		
	Food Service Fund	Drivers Education Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 126,337	\$ --	\$ 126,337
Adult	8,793	--	8,793
Other charges for goods and services	20,115	8,870	28,985
Total Operating Revenue	155,245	8,870	164,115
Operating Expenses:			
Food Service:			
Salaries	80,160	5,400	85,560
Employee benefits	40,383	668	41,051
Purchased services	11,681	71	11,752
Supplies	7,054	502	7,556
Other	704	--	704
Cost of sales - purchased	108,215	--	108,215
Cost of sales - donated	17,620	--	17,620
Depreciation	4,900	--	4,900
Total Operating Expenses	270,717	6,641	277,358
Operating Income(Loss)	(115,472)	2,229	(113,243)
Nonoperating Revenues/Expenses:			
Other local revenue	162	--	162
State grants	607	--	607
Federal grants	126,509	--	126,509
Donated food	14,909	--	14,909
Total Nonoperating Revenue/ (Expenses)	142,187	--	142,187
Change in Net Position	26,715	2,229	28,944
Net Position - Beginning of Year	134,169	4,147	138,316
Net Position - Ending of Year	\$ 160,884	\$ 6,376	\$ 167,260

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

Elkton School District No. 5-3
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Food Service Fund	Drivers Education Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 153,084	\$ 8,870	\$ 161,954
Cash payments to suppliers	(131,539)	(2,309)	(133,848)
Cash payments to employees	(121,452)	(6,068)	(127,520)
Net Cash (Used) by Operating Activities	(99,907)	493	(99,414)
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	769	--	769
Cash reimbursements - federal	154,060	--	154,060
Net Cash Provided by Noncapital Financing Activities	154,829	--	154,829
Net Change in Cash and Cash Equivalents	54,922	493	55,415
Cash and Cash Equivalents, Beginning of Year	105,216	6,292	111,508
Cash and Cash Equivalents, End of Year	<u>\$ 160,138</u>	<u>\$ 6,785</u>	<u>\$ 166,923</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (115,472)	\$ 2,229	\$ (113,243)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	4,900	--	4,900
Value of commodities used	17,620	--	17,620
Change in Assets and Liabilities:			
Inventory	(111)	--	(111)
Accounts payable	(3,774)	(1,736)	(5,510)
Deferred revenue	(2,161)	--	(2,161)
Contracts Payable	(181)	--	(181)
Accrued wages and payroll expenses	(728)	--	(728)
Net cash (used) by operating activities:	<u>\$ (99,907)</u>	<u>\$ 493</u>	<u>\$ (99,414)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 14,909</u>	<u>\$ --</u>	<u>\$ 14,909</u>

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

Elkton School District No. 5-3
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 154,149
Accounts receivable	<u>6,298</u>
Total Assets	<u><u>\$ 160,447</u></u>
Net Position:	
Flex accounts	\$ 6,139
Individuals, organizations, and other governments	<u>154,308</u>
Total Net Position	<u><u>\$ 160,447</u></u>

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

Elkton School District No. 5-3
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Additions:	
Collections for student activities	\$ 240,907
Total Additions	240,907
Deductions:	
Payments for student activities	203,100
Total Deductions	203,100
Change in Net Position	37,807
Net Position - Beginning	122,640
Net Position - Ending	\$ 160,447

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

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 Elkton School District No. 5-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Debt Service Funds - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

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

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

Other Enterprise Fund – A fund used to record financial transactions related to the drivers’ education program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The district maintains custodial funds to hold assets as an agent in a trustee capacity for student funds generated within the School District by the students or other School District organizations.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Elkton School District is 60 days. The revenues which are accrued at June 30, 2023 are amounts due mainly from other governments for grants and tuition.

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

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

d. 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.

e. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	NA	NA
Buildings	\$ 5,000	Straight-line	50-99 years
Improvements	5,000	Straight-line	10 years
Vehicles	4,000	Straight-line	5-10 years
Equipment (governmental)	5,000	Straight-line	5-20 years
Equipment (proprietary)	500	Straight-line	12 years

*Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

f. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of capital outlay certificates, energy loan, and direct borrowing notes.

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

g. Leases:

The School District does not have any material leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 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 lease include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

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

h. Subscription-Based Information Technology Arrangements:

The School District does not have any material subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District did, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

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 nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

l. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its 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 (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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.

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 nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

p. Pensions:

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

2. Implementation of New Accounting Standard:

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

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

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

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

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

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

As of June 30, 2023, the investments reported in the financial statements consist of only certificates of deposit.

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.

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

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

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

4. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

\$1,006,488	For Debt Service, by debt covenants (sinking funds required to be in a separate account)
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5. Receivables and Payables:

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

6. Inventory:

Inventory held for consumption is stated at cost.

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

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

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

7. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources-property taxes levied for future period in both the fund financial statements and government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

8. Changes in Capital Assets:

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

	<u>6/30/2022</u> Balance	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u> Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 85,302	\$ --	\$ --	\$ 85,302
Construction in progress	3,150,083	258,940	3,150,083	258,940
Total capital assets not being depreciated/amortized	<u>3,235,385</u>	<u>258,940</u>	<u>3,150,083</u>	<u>344,242</u>
Capital assets being depreciated/amortized:				
Buildings	6,031,007	3,161,568	--	9,192,575
Improvements	4,712,120	130,802	--	4,842,922
Library Books	104,848	1,688	--	106,536
Equipment	1,704,957	281,222	--	1,986,179
Total capital assets being depreciated/amortized	<u>12,552,932</u>	<u>3,575,280</u>	<u>--</u>	<u>16,128,212</u>
Less accumulated depreciation/amortization for:				
Buildings	1,819,558	108,831	--	1,928,389
Improvements	2,157,385	109,781	--	2,267,166
Library Books	97,246	5,327	--	102,573
Equipment	1,202,321	133,515	--	1,335,836
Total accumulated depreciation/amortization	<u>5,276,510</u>	<u>357,454</u>	<u>--</u>	<u>5,633,964</u>
Total capital assets being depreciated/amortized, net	<u>7,276,422</u>	<u>3,217,826</u>	<u>--</u>	<u>10,494,248</u>
Net Capital Assets	<u>\$ 10,511,807</u>	<u>\$ 3,476,766</u>	<u>\$ 3,150,083</u>	<u>\$ 10,838,490</u>

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 213,114
Support services	45,611
Co-curricular activities	98,729
Total Depreciation/Amortization Expense	<u>\$ 357,454</u>

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

8. Changes in Capital Assets: (Continued)

	6/30/2022		Increases		Decreases		6/30/2023
	Balance						Balance
Business-Type Activities:							
Capital assets, being depreciated:							
Equipment	\$ 127,565	\$	--	\$	--	\$	127,565
Less accumulated depreciation for:							
Less: Accumulated Depreciation	95,977		4,900		--		100,877
Total capital assets being depreciated, net	\$ 31,588	\$	(4,900)	\$	--	\$	26,688

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 4,900

Construction Work in Progress at June 30, 2023 is composed of the following:

Project Name	Project Authorization	Expended Thru 6/30/2023	Committed
Locker Room Project	\$ 1,434,978	\$ 258,940	\$ 1,176,038
Total Work in Progress	\$ 1,434,978	\$ 258,940	\$ 1,176,038

9. Long-Term Liabilities:

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

	6/30/2022		Increase		Decrease		6/30/2023		Due Within One Year
Governmental Activities:									
Bonds Payable:									
Capital Outlay Certificates	\$ 4,131,531	\$	--	\$	193,031	\$	3,938,500	\$	198,031
Other Liabilities:									
Energy Loan	87,500		--	43,750		43,750		43,750	
Direct Borrowing Note	20,851		--	5,135		15,716		5,344	
Total Long-Term Liabilities	\$ 4,239,882	\$	--	\$	241,916	\$	3,997,966	\$	247,125

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

9. Long-Term Liabilities: (Continued)

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

Elkton School District No 5-3 Qualified School Construction Bonds, Series 2010	Qualified School Construction Bonds - Series 2010. The bonds are due in annual sinking fund payments of \$78,031 until 2028 with semi-annual interest payments at 5.32%. The payments will be made into an escrow account from the Capital Outlay Fund.	\$ 1,248,500
Elkton School District No. 5-3 Energy Efficient School Loan	Issued by the Governor's Office Economic Development in June 30, 2015. The first loan payment was due on July 31, 2016, payments made annually until July 31, 2023 at 0% interest rate. Payments will be made from the Capital Outlay Fund.	\$ 43,750
Elkton School District No 5-3 General Obligation Certificates, Series 2020	General Obligation Certificates, Series 2020, matures August 2040, interest rates range from 2% to 2.25% depending on length to maturity, payments are made from the Capital Outlay Fund.	\$ 2,690,000
Elkton School District No 5-3 Direct Borrowing	A Printer lease with Century Business Leasing was entered into during April 2021. Payments are made annually until 2026 at 0% interest rate. Payments are made from the Capital Outlay Fund.	\$ 15,716

The annual debt service requirements to maturity for all debt outstanding, other than postemployment benefits, and early retirement, as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Outlay Certificates</u>		<u>Direct Borrowing</u>		<u>Energy Loan</u>	<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 198,031	\$ 130,277	\$ 5,344	\$ 531	\$ 43,750	\$ 247,125	\$ 130,808
2025	203,031	126,602	5,562	314	--	208,593	126,916
2026	208,031	122,777	4,810	89	--	212,841	122,866
2027	208,031	108,877	--	--	--	208,031	108,877
2028	213,031	114,902	--	--	--	213,031	114,902
2029-2033	1,583,345	217,148	--	--	--	1,583,345	217,148
2034-2038	800,000	115,480	--	--	--	800,000	115,480
2039-2044	525,000	31,191	--	--	--	525,000	31,191
Totals	<u>\$ 3,938,500</u>	<u>\$ 967,254</u>	<u>\$ 15,716</u>	<u>\$ 934</u>	<u>\$ 43,750</u>	<u>\$ 3,997,966</u>	<u>\$ 968,188</u>

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

10. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 2,423,167
Special Education	Law	1,399,520
Debt Service	Debt Covenants	1,006,492
SDRS Pension Purposes	Law	354,600
Total		\$ 5,183,779

11. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the Debt Service Fund to fund \$ 78,031
the sinking fund payment requirements on the QSCB Bonds.

12. Pension Plan:

Plan Information:

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

Benefits Provided:

SDRS has four different classes of employees, 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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

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

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 123,785
2022	143,309
2021	131,873

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

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

Proportionate share of pension benefits	\$ 14,120,431
Less proportionate share of net pension restricted for pension benefits	14,129,884
Proportionate share of net pension (asset)	<u>\$ (9,453)</u>

At June 30, 2023, the School District reported an asset of (\$9,453) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District’s proportion was 0.10002700%, which is an increase of 0.0008259% from its proportion measured as of June 30, 2021.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District reduction of pension expense of \$(30,894) At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 179,948	\$ 614
Changes in assumption	600,815	526,534
Net difference between projected and actual earnings on pension plan investments	--	22,654
Changes in proportion and difference between district contributions and proportionate share of contributions	--	9,599
District contributions subsequent to the measurement date	123,785	--
Total	\$ 904,548	\$ 559,401

\$123,785 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 58,428
2025	128,606
2026	(152,052)
2027	186,380
Total	\$ 221,362

Actuarial Assumptions:

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

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

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 – 2020.

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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	<u>\$ 1,962,866</u>	<u>\$ (9,453)</u>	<u>\$ (1,621,359)</u>

Pension Plan Fiduciary Net Position:

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

13. Joint Ventures:

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing appropriate educational support services for all children, and to offer, on a cooperative fee assessment basis, services that the districts would not be able to provide as effectively, or as economically acting along, to the member school districts.

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

Arlington School District No. 38-1	3.4%	Florence School District No. 14-1	3.6%
Britton-Hecla School District No. 45-4	5.6%	Hamlin School District No. 28-3	10.3%
Castlewood School District No. 28-1	3.9%	Henry School District No. 14-2	2.2%
Clark School District No. 12-2	5.6%	Iroquois School District No. 02-3	2.7%
DeSmet School District No. 38-2	3.7%	Lake Preston School District No. 38-3	2.2%
Deubrook School District No. 5-6	4.8%	Oldham-Ramona School District No. 39-5	1.8%
Deuel School District No. 19-4	6.5%	Rosholt School District No. 54-4	3.0%
Elkton School District No. 5-3	5.0%	Rutland School District No. 39-4	2.3%
Enemy Swim Day School	1.8%	Sioux Valley School District No. 5-5	8.5%
Estelline School District No. 28-2	3.2%	Summit School District No. 54-6	2.0%
Waubay School District No. 18-3	2.2%	Willow Lake School District No. 12-3	3.5%
Waverly School District No. 14-5	3.2%	Wilmot School District No. 54-7	2.7%

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

At June 30, 2023, this joint venture had:

	<u>June 30, 2023</u>
Total Assets	\$ 2,381,230
Total Deferred Outflows	\$ 1,131,401
Total Liabilities	\$ 530,765
Total Deferred Inflows	\$ 674,326
Total net position	\$ 2,307,540

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2023

14. Risk Management:

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

Employee Health Insurance:

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

The coverage includes the option of three different plans with a deductible from \$1,000 to \$2,800.

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

Liability Insurance:

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

Workers' Compensation:

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

Unemployment Benefits:

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

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

15. Subsequent Events:

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

Required Supplementary Information

Elkton School District No. 5-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,913,992	\$ 1,913,992	\$ 1,759,435	\$ (154,557)
Prior years' ad valorem taxes	3,100	3,100	41	(3,059)
Utility taxes	106,000	106,000	114,386	8,386
Penalties and interest on taxes	3,000	3,000	1,910	(1,090)
Tuitions and Fees:				
Regular day school tuition	430,000	430,000	557,297	127,297
Regular day school transportation	6,300	6,300	5,670	(630)
Earnings on Investments and Deposits	6,000	6,000	75,712	69,712
Cocurricular Activities:				
Admissions	25,000	25,000	36,117	11,117
Rentals	100	100	810	710
Other student activity income	5,000	5,000	10,493	5,493
Other Revenue from Local Sources:				
Rentals	14,400	14,400	11,000	(3,400)
Contributions and donations	1,500	1,500	1,153	(347)
Services Provided Other School Districts	10,600	10,600	9,540	(1,060)
Charges for services	1,200	1,200	42,174	40,974
Other	20,000	20,000	17,902	(2,098)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	20,000	20,000	23,978	3,978
Other	--	--	519	519
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	726,000	726,000	948,303	222,303
Other state revenues	--	--	12,481	12,481
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	424,157	424,157	278,395	(145,762)
Other Federal Sources	10,000	10,000	3,951	(6,049)
Total Revenues	\$ 3,726,349	\$ 3,726,349	\$ 3,911,267	\$ 184,918

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

Elkton School District No. 5-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,227,555	\$ 1,227,555	\$ 1,042,226	\$ 185,329
Middle/junior high	248,598	331,894	341,962	(10,068)
High school	532,950	533,050	542,481	(9,431)
Preschool services	34,810	34,810	26,844	7,966
Special Programs:				
Educationally deprived	106,657	118,697	119,397	(700)
Support Services:				
Students:				
Attendance and social work	--	--	8,977	(8,977)
Guidance	71,507	72,207	61,253	10,954
Health	53,810	55,165	55,163	2
Instructional Staff:				
Educational media	92,733	92,733	87,295	5,438
General Administration:				
Board of education	31,309	43,322	40,111	3,211
Executive administration	227,836	235,482	215,648	19,834
School Administration:				
Office of the principal	252,706	262,816	262,945	(129)
Other	400	400	53	347
Business:				
Fiscal services	105,590	123,846	123,977	(131)
Facilities acquisition and construction	--	1,050	--	1,050
Operation and maintenance of plant	544,000	547,991	586,747	(38,756)
Student transportation	188,070	188,070	103,656	84,414
Cocurricular Activities:				
Male activities	67,411	85,786	86,402	(616)
Female activities	66,540	76,872	77,489	(617)
Transportation	15,500	17,375	17,374	1
Combined activities	88,542	88,542	81,955	6,587
Total Expenditures	<u>3,956,524</u>	<u>4,137,663</u>	<u>3,881,955</u>	<u>255,708</u>
Excess of Revenues Over Expenditures	<u>(230,175)</u>	<u>(411,314)</u>	<u>29,312</u>	<u>440,626</u>
Other Financing Sources:				
Operating transfers in	223,600	223,600	--	(223,600)
Sale of surplus property	--	--	400	400
Total Other Financing Sources:	<u>223,600</u>	<u>223,600</u>	<u>400</u>	<u>(223,200)</u>
Net Change in Fund Balances	(6,575)	(187,714)	29,712	217,426
Fund Balance, Beginning of Year	<u>912,578</u>	<u>912,578</u>	<u>912,578</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 906,003</u>	<u>\$ 724,864</u>	<u>\$ 942,290</u>	<u>\$ 217,426</u>

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

Elkton School District No. 5-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,445,021	\$ 1,445,021	\$ 1,380,734	\$ (64,287)
Prior years' ad valorem taxes	250	250	18	(232)
Penalties and interest on taxes	500	500	840	340
Other Revenue from Local Sources:				
Other	3,000	3,000	37,604	34,604
Revenue from Intermediate Sources:				
County Sources:				
Other	--	--	125	125
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	22,000	22,000	--	(22,000)
Restricted grants-in-aid received from federal government through the state	49,000	49,000	31,795	(17,205)
Other federal revenue	2,800	2,800	99,823	97,023
Total Revenues	<u>\$ 1,522,571</u>	<u>\$ 1,522,571</u>	<u>\$ 1,550,939</u>	<u>\$ 28,368</u>

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

Elkton School District No. 5-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 130,337	\$ 130,337	\$ 72,500	\$ 57,837
Middle/junior high	124,500	124,500	13,703	110,797
High school	115,000	115,000	56,695	58,305
Special Programs:				
Educationally deprived	1,500	1,500	--	1,500
Support Services:				
Students:				
Guidance	--	5,842	5,842	--
Instructional Staff				
Educational media	40,800	40,800	5,591	35,209
General Administration:				
Board of education	5,000	5,000	--	5,000
Executive administration	1,700	1,700	542	1,158
School Administration				
Office of the principal	10,000	10,000	8,146	1,854
Business:				
Fiscal services	25,100	25,100	9,345	15,755
Facilities acquisition and construction	435,000	497,048	646,567	(149,519)
Operation and maintenance of plant	181,200	181,200	142,676	38,524
Student transportation	230,000	230,000	201,714	28,286
Other	10,000	12,340	12,340	--
Debt Services:	388,844	553,122	475,580	77,542
Cocurricular Activities:				
Male activities	27,000	59,019	59,019	--
Female activities	22,000	27,155	27,155	--
Combined activities	16,000	16,000	8,161	7,839
Total Expenditures	<u>1,763,981</u>	<u>2,035,663</u>	<u>1,745,576</u>	<u>290,087</u>
Excess of Revenue Over (Under) Expenditures	<u>(241,410)</u>	<u>(513,092)</u>	<u>(194,637)</u>	<u>318,455</u>
Other Financing Sources (Uses):				
Transfers out	(230,175)	(230,175)	(78,031)	152,144
Compensation for loss of general capital assets	--	--	117,872	117,872
Total Other Financing Sources (Uses)	<u>(230,175)</u>	<u>(230,175)</u>	<u>39,841</u>	<u>270,016</u>
Net Change in Fund Balances	(471,585)	(743,267)	(154,796)	588,471
Fund Balance, Beginning of Year	<u>2,564,768</u>	<u>2,564,768</u>	<u>2,564,768</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 2,093,183</u>	<u>\$ 1,821,501</u>	<u>\$ 2,409,972</u>	<u>\$ 588,471</u>

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

Elkton School District No. 5-3
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 596,800	\$ 596,800	\$ 687,083	\$ 90,283
Prior years' ad valorem taxes	600	600	10	(590)
Penalties and interest on taxes	250	250	501	251
Tuition and fees:				
Regular day school tuition	5,000	5,000	--	(5,000)
Other Revenue from Local Sources:				
Charges for services	1,400	1,400	174	(1,226)
Other	--	--	52	52
Total Revenues	<u>604,050</u>	<u>604,050</u>	<u>687,820</u>	<u>83,770</u>
Expenditures				
Instructional Services:				
Programs for special education	586,431	602,471	533,754	68,717
Support Services:				
Students:				
Psychological services	9,130	9,130	4,819	4,311
Speech pathology	15,800	15,800	7,845	7,955
Student therapy services	12,040	12,040	5,598	6,442
Special Education:				
Administrative costs	39,200	41,299	41,202	97
Transportation costs	--	--	2,099	(2,099)
Total Expenditures	<u>662,601</u>	<u>680,740</u>	<u>595,317</u>	<u>85,423</u>
Net Change in Fund Balance	(58,551)	(76,690)	92,503	169,193
Fund Balance, Beginning of Year	<u>1,299,127</u>	<u>1,299,127</u>	<u>1,299,127</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,240,576</u>	<u>\$ 1,222,437</u>	<u>\$ 1,391,630</u>	<u>\$ 169,193</u>

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

Elkton School District No. 5-3
Notes to the Required Supplementary Information
June 30, 2023

1. Budgets and Budgetary Accounting:

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

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

2. GAAP/Budgetary Accounting Basis Differences:

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

Elkton School District No. 5-3

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1000270%	0.0947830%	0.0992011%	0.0971851%	0.0964041%	0.0956650%	0.0903734%	0.0960244%	0.0960634%
District's proportionate share of net pension liability (asset)	\$ (9,453)	\$ (725,876)	\$ (4,308)	\$ (10,299)	\$ (2,248)	\$ (8,682)	\$ 305,272	\$ (407,267)	\$ (692,098)
District's covered-employee payroll	\$ 2,388,475	\$ 2,150,935	\$ 2,177,160	\$ 2,066,350	\$ 2,004,149	\$ 1,943,711	\$ 1,718,445	\$ 1,753,127	\$ 1,679,879
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.40%	-33.75%	-0.20%	-0.50%	-0.11%	-0.45%	17.76%	-23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Elkton School District No. 5-3

Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 123,785	\$ 143,309	\$ 131,873	\$ 130,630	\$ 123,981
Contributions in relation to the contractually-required contribution	<u>123,785</u>	<u>143,309</u>	<u>131,873</u>	<u>130,630</u>	<u>123,981</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,063,079	\$ 2,388,475	\$ 2,150,935	\$ 2,177,160	\$ 2,066,350
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.13%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 120,249	\$ 116,623	\$ 103,107	\$ 105,188	\$ 100,793
Contributions in relation to the contractually-required contribution	<u>120,249</u>	<u>116,623</u>	<u>103,107</u>	<u>105,188</u>	<u>100,793</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,004,149	\$ 1,943,711	\$ 1,718,445	\$ 1,753,127	\$ 1,679,879
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%

Elkton School District No. 5-3
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2023

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 member, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (.05% 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%.

Elkton School District No. 5-3

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

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 review 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.