

Elkton School District No. 5-3

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

**For the Year Ended
June 30, 2022**

Elkton School District No. 5-3

School District Officials

June 30, 2022

Board Members

Tom Landsman ----- Board President
Derek Frerichs -----Vice President
Arend Schuurman----- Member
Nathan Kinner ----- Member
Brooks VanDyke ----- Member

Brian Jandahl -----Superintendent

Brittany Venekamp -----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, 2022 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 June 1, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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.

Handwritten signature in cursive script that reads "CIO of Elk Point LLC".

Elk Point, South Dakota
June 1, 2023

Elkton School District No. 5-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2022

Prior Audit Findings

There are no prior other audit findings to report.

Current Audit Findings

There are no current audit findings to report.



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, 2022, 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, 2022, 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 June 1, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 LLC".

Elk Point, South Dakota
June 1, 2023

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2022

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, 2022. 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 \$1,060,826 compared to the \$1,258,192 net position increase in the prior year. This is a \$197,366 decrease from prior year which is due to a larger increase in expenses than income.

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 Driver's Education 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, 2022

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, 2022

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, Bond Redemption, and Pension 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, 2022

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) is 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, 2022

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
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 8,769,085	\$ 8,733,865	\$ 53,948	\$ 152,311	\$ 8,823,033	\$ 8,886,176	0.72%
Capital Assets (Net of Depreciation)	9,400,652	10,511,807	36,488	31,588	9,437,140	10,543,395	11.72%
Total Assets	18,169,737	19,245,672	90,436	183,899	18,260,173	19,429,571	6.40%
Pension Related Deferred Outflows	687,561	1,004,120	--	--	687,561	1,004,120	46.04%
Total Deferred Outflows or Resources	687,561	1,004,120	--	--	687,561	1,004,120	46.04%
Long-Term Liabilities Outstanding	4,403,567	4,239,882	--	--	4,403,567	4,239,882	-3.72%
Other Liabilities	764,646	486,616	23,331	45,583	787,977	532,199	-32.46%
Total Liabilities	5,168,213	4,726,498	23,331	45,583	5,191,544	4,772,081	-8.08%
Taxes Levied for Future Period	1,806,207	1,816,371	--	--	1,806,207	1,816,371	0.56%
Pension Related Deferred Inflows	571,858	1,406,288	--	--	571,858	1,406,288	145.92%
Total Deferred Inflows of Resources	2,378,065	3,222,659	--	--	2,378,065	3,222,659	35.52%
Net Investment in Capital Assets	4,997,087	6,271,925	36,488	31,588	5,033,575	6,303,513	25.23%
Restricted	5,390,761	5,157,028	--	--	5,390,761	5,157,028	-4.34%
Unrestricted	923,172	871,682	30,617	106,728	953,789	978,410	2.58%
Total Net Position	11,311,020	12,300,635	67,105	138,316	11,378,125	12,438,951	9.32%
Beginning Net Position	10,072,176	11,311,020	47,757	67,105	10,119,933	11,378,125	12.43%
Increase (Decrease) in Net Position	\$ 1,238,844	\$ 989,615	\$ 19,348	\$ 71,211	\$ 1,258,192	\$ 1,060,826	15.69%
Percentage of Increase (Decrease) in Net Position	12.30%	8.75%	40.51%	106.12%	12.43%	9.32%	

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, 2022

Changes in Net Position

The Elkton School District’s total revenues (excluding transfers) in FY22 were \$6,375,360. Approximately 63% of the School’s revenue comes from property and other taxes, with approximately 12% coming from state aid. (See Table A-2).

Table A-2
Elkton School District 5-3
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 4,010,964	62.92%
State Sources	755,663	11.85%
Operating Grants & Contributions	719,554	11.29%
Charges For Services	541,558	8.49%
Other General Revenues	272,469	4.27%
Unrestricted Investment Earnings	75,152	1.18%
Total Revenue	\$ 6,375,360	100.00%

The Elkton School District expenses totaled 5,314,534 (See Table A-4). 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 2021-2022

Instruction	\$ 3,011,053	56.66%
Support Services	1,594,033	29.99%
Interest - on Long-Term Debt	139,556	2.63%
Cocurricular Activities	328,679	6.18%
Food Service	231,763	4.36%
Drivers Education	9,450	0.18%
Total Expenditures	\$ 5,314,534	100.00%

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2022

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
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 540,787	\$ 512,130	\$ 44,985	\$ 29,428	\$ 585,772	\$ 541,558	-7.55%
Operating Grants/ Contributions	486,136	436,558	171,419	282,996	657,555	719,554	9.43%
General Revenues							
Taxes	3,899,924	4,010,964	--	--	3,899,924	4,010,964	2.85%
Revenue State Sources	714,583	755,663	--	--	714,583	755,663	5.75%
Other							
Other general revenues	84,532	272,469	--	--	84,532	272,469	222.33%
Unrestricted Investment Earnings	26,064	75,152	--	--	26,064	75,152	188.34%
	<u>5,752,026</u>	<u>6,062,936</u>	<u>216,404</u>	<u>312,424</u>	<u>5,968,430</u>	<u>6,375,360</u>	<u>6.82%</u>
Expenses							
Instruction	2,521,147	3,011,053	--	--	2,521,147	3,011,053	19.43%
Support Services	1,601,502	1,594,033	--	--	1,601,502	1,594,033	-0.47%
Non-programmed Charges	32,400	--	--	--	32,400	--	-100.00%
Interest on long-term debt	47,744	139,556	--	--	47,744	139,556	192.30%
Co-curricular Activities	310,389	328,679	--	--	310,389	328,679	5.89%
Food Service	--	--	195,270	231,763	195,270	231,763	18.69%
Drivers Education	--	--	1,786	9,450	1,786	9,450	429.12%
	<u>4,513,182</u>	<u>5,073,321</u>	<u>197,056</u>	<u>241,213</u>	<u>4,710,238</u>	<u>5,314,534</u>	<u>12.83%</u>
Increase (Decrease) in Net Position	1,238,844	989,615	19,348	71,211	1,258,192	1,060,826	-15.69%
Beginning Adjusted Net Position	10,072,176	11,311,020	47,757	67,105	10,119,933	11,378,125	12.43%
Ending 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>

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental Activities

Revenues for the School's governmental activities increased approximately 5.4% while expenses for governmental activities increased by approximately 12.41%. The larger revenue increases occurred due to increased taxes and state grants.

Business-Type Activities

Revenues for the School's business-type activities increased by 44.4% while expenses increased by 22.5%. The increase in revenues is due to a larger increase in operating grants and contributions.

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 and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this District.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns in the general fund.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Capital Asset Administration

By the end of FY22, the School had invested \$10,543,395 (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 \$1,106,255.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 75,302	\$ 85,302	\$ --	\$ --	\$ 10,000	13.28%
Construction in progress	1,970,653	3,150,083	--	--	1,179,430	59.85%
Buildings	4,062,818	4,211,449	--	--	148,631	3.66%
Improvements Other than Buildings	2,705,543	2,554,735	--	--	(150,808)	-5.57%
Library Books	2,004	7,602	--	--	5,598	279.34%
Machinery & Equipment	584,332	502,636	36,488	31,588	(86,596)	-13.95%
Total Capital Assets	\$ 9,400,652	\$ 10,511,807	\$ 36,488	\$ 31,588	\$ 1,106,255	11.72%

Major capital outlay purchases in FY22 included library books, new gym sound system, access control addition, a new plot of land, resurfacing of the track, bought a new building on the new land, and upgraded the gym floor.

Long-Term Debt

At year-end, the School had \$4,239,882 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
	2021	2022		
Capital Outlay Certificates	\$ 4,246,531	\$ 4,131,531	\$ (115,000)	-2.71%
Energy Loan	131,250	87,500	(43,750)	-33.33%
Direct Borrowing	25,785	20,851	(4,934)	-19.14%
Total Outstanding Debt	\$ 4,403,566	\$ 4,239,882	\$ (163,684)	-3.72%

The school is liable for the repayment of Capital Outlay Certificates, Energy Loan, and Direct Borrowings.

Elkton School District No. 5-3
Management Discussion and Analysis (MD&A)
June 30, 2022

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, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 4,717,819	\$ 111,508	\$ 4,829,327
Investments-certificates of deposit	205,000	--	205,000
Accounts receivable	2,000	27,551	29,551
Taxes receivable	1,816,440	--	1,816,440
Inventories	17,753	13,252	31,005
Deposits	40,937	--	40,937
Other assets	279,584	--	279,584
Restricted Assets:			
Cash and cash equivalents	928,457	--	928,457
Net pension asset	725,875	--	725,875
Capital assets:			
Land and construction in progress	3,235,385	--	3,235,385
Other capital assets, net of depreciation	7,276,422	31,588	7,308,010
Total Assets	19,245,672	183,899	19,429,571
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,004,120	--	1,004,120
Liabilities:			
Unearned revenue	33,204	20,549	53,753
Other current liabilities	453,412	25,034	478,446
Long-Term Liabilities:			
Due within one year	241,916	--	241,916
Due in more than one year	3,997,966	--	3,997,966
Total Liabilities	4,726,498	45,583	4,772,081
Deferred Inflows of Resources:			
Taxes levied for future periods	1,816,371	--	1,816,371
Pension related deferred inflows	1,406,288	--	1,406,288
Total Deferred Inflows of Resources	3,222,659	--	3,222,659
Net Position:			
Net investment in capital assets	6,271,925	31,588	6,303,513
Restricted for:			
Capital outlay	2,564,786	--	2,564,786
Special education	1,299,137	--	1,299,137
Debt Service	928,461	--	928,461
Health insurance	40,937	--	40,937
SDRS pension purposes	323,707	--	323,707
Unrestricted	871,682	106,728	978,410
Total Net Position	\$ 12,300,635	\$ 138,316	\$ 12,438,951

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, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 3,011,053	\$ 464,987	\$ 414,150	\$ (2,131,916)	\$ --	\$ (2,131,916)
Support services	1,594,033	16,900	22,408	(1,554,725)	--	(1,554,725)
Interest on long-term debt	139,556	--	--	(139,556)	--	(139,556)
Cocurricular activities	328,679	30,243	--	(298,436)	--	(298,436)
Total Governmental Activities	5,073,321	512,130	436,558	(4,124,633)	--	(4,124,633)
Business-Type Activities:						
Food service	231,763	20,593	282,996	--	71,826	71,826
Driver's education	9,450	8,835	--	--	(615)	(615)
Total Business Type Activities	241,213	29,428	282,996	--	71,211	71,211
Total Primary Government	\$ 5,314,534	\$ 541,558	\$ 719,554	(4,124,633)	71,211	(4,053,422)
General Revenues:						
Taxes:						
				3,896,910	--	3,896,910
				114,054	--	114,054
Revenue from State Sources:						
				755,663	--	755,663
				75,152	--	75,152
				272,469	--	272,469
			Total General Revenues	5,114,248	--	5,114,248
			Change in Net Position	989,615	71,211	1,060,826
			Net Position - Beginning of Year	11,311,020	67,105	11,378,125
			Net Position - Ending of Year	\$ 12,300,635	\$ 138,316	\$ 12,438,951

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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 891,353	\$ 2,460,962	\$ 1,365,500	\$ 4	\$ 4,717,819
Investments-certificates of deposit	30,000	175,000	--	--	205,000
Cash with fiscal agent	--	--	--	928,457	928,457
Taxes receivable - current	853,898	602,323	360,150	--	1,816,371
Taxes receivable - delinquent	41	18	10	--	69
Accounts receivable	2,000	--	--	--	2,000
Due from other governments	279,584	--	--	--	279,584
Inventories-Materials and Supplies	17,753	--	--	--	17,753
Deposits	40,937	--	--	--	40,937
Total Assets	<u>\$ 2,115,566</u>	<u>\$ 3,238,303</u>	<u>\$ 1,725,660</u>	<u>\$ 928,461</u>	<u>\$ 8,007,990</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 29,339	\$ 37,991	\$ 97	\$ --	\$ 67,427
Contracts payable	233,386	--	45,250	--	278,636
Payroll deductions and withholding and employer matching payable	86,323	--	21,026	--	107,349
Unearned revenue	--	33,204	--	--	33,204
Total Liabilities	<u>349,048</u>	<u>71,195</u>	<u>66,373</u>	<u>--</u>	<u>486,616</u>
Deferred Inflows of Resources:					
Taxes levied for future period	853,899	602,322	360,150	--	1,816,371
Delinquent taxes not available	41	18	10	--	69
Total Deferred Inflows of Resources	<u>853,940</u>	<u>602,340</u>	<u>360,160</u>	<u>--</u>	<u>1,816,440</u>
Fund Balances:					
Nonspendable-inventories and deposits	58,690	--	--	--	58,690
Restricted:					
For capital outlay	--	2,564,768	--	--	2,564,768
For special education	--	--	1,299,127	--	1,299,127
For debt service	--	--	--	928,461	928,461
Unassigned	853,888	--	--	--	853,888
Total Fund Balances	<u>912,578</u>	<u>2,564,768</u>	<u>1,299,127</u>	<u>928,461</u>	<u>5,704,934</u>
Total Liabilities and Fund Balances	<u>\$ 2,115,566</u>	<u>\$ 3,238,303</u>	<u>\$ 1,725,660</u>	<u>\$ 928,461</u>	<u>\$ 8,007,990</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, 2022

Total Fund Balances - Governmental Funds		\$ 5,704,934
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.		10,511,807
Pension related deferred outflows are components of pension liability and therefore are not reported in the funds.		1,004,120
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Energy Loan	(87,500)	
Capital Outlay Certificates	(4,131,531)	
Direct Borrowing Notes	<u>(20,851)</u>	(4,239,882)
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		69
Proportionate Share of Net Pension Asset		725,875
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(1,406,288)</u>
Net Position - Governmental Activities		<u>\$ 12,300,635</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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,759,781	\$ 1,353,957	\$ 786,682	\$ --	\$ 3,900,420
Prior years' ad valorem taxes	180	63	42	--	285
Utility taxes	114,054	--	--	--	114,054
Penalties and interest on taxes	2,088	930	526	--	3,544
Earnings on Investments and Deposits	--	2,983	1,598	70,571	75,152
Tuition and Fees:					
Regular day school tuition	459,143	--	5,844	--	464,987
Regular day school transportation	6,300	--	--	--	6,300
Cocurricular Activities:					
Admissions	24,308	--	--	--	24,308
Other student activity income	5,935	--	--	--	5,935
Other Revenue from Local Sources					
Rentals	5,476	--	--	--	5,476
Contributions and donations	10,416	--	--	--	10,416
Services Provided Other School Districts	10,600	--	--	--	10,600
Charges for services	1,627	--	636	--	2,263
Other	28,434	6,943	--	--	35,377
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	26,679	--	--	--	26,679
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	752,207	--	--	--	752,207
Other state revenue	3,456	--	--	--	3,456
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received					
directly from federal government	--	22,408	--	--	22,408
Restricted grants-in-aid received from					
federal government through the state	288,328	59,273	--	--	347,601
Other Federal Revenues	--	66,549	--	--	66,549
Total Revenues	\$ 3,499,012	\$ 1,513,106	\$ 795,328	\$ 70,571	\$ 5,878,017

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, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 965,430	\$ 202,601	\$ --	\$ --	\$ 1,168,031
Middle/junior high	292,536	62,647	--	--	355,183
High school	572,309	124,647	--	--	696,956
Preschool	32,287	--	--	--	32,287
Special Programs:					
Programs for special education	--	--	432,432	--	432,432
Educationally deprived	97,064	1,500	--	--	98,564
Support Services:					
Students:					
Guidance	57,830	--	--	--	57,830
Health	52,294	--	--	--	52,294
Psychological services	--	--	3,874	--	3,874
Student pathology	--	--	6,768	--	6,768
Student therapy services	--	--	4,732	--	4,732
Instructional Staff:					
Educational media	83,319	10,915	--	--	94,234
General Administration:					
Board of education	99,274	--	--	--	99,274
Executive administration	210,200	6,675	--	--	216,875
School Administration:					
Office of the principal	259,955	10,085	--	--	270,040
Other	152	--	--	--	152
Business:					
Fiscal services	105,001	15,890	--	--	120,891
Facilities acquisition and construction	--	14,751	--	--	14,751
Operation and maintenance of plant	406,934	57,837	--	--	464,771
Student transportation	114,558	--	--	--	114,558
Other	--	9,320	--	--	9,320
Special Education:					
Administrative costs	--	--	21,075	--	21,075
Debt Services:	--	303,240	--	--	303,240
Cocurricular Activities:					
Male activities	52,228	9,302	--	--	61,530
Female activities	68,349	7,063	--	--	75,412
Transportation	12,454	--	--	--	12,454
Combined activities	68,178	5,665	--	--	73,843
Capital Outlay	--	1,498,226	--	--	1,498,226
Total Expenditures	3,550,352	2,340,364	468,881	--	6,359,597
Other Financing Sources (Uses):					
Transfer in	4,580	--	--	59,346	63,926
Transfer out	--	(62,328)	(1,598)	--	(63,926)
Total Other Financing Sources (Uses)	4,580	(62,328)	(1,598)	59,346	--
Net Change in Fund Balances	(46,760)	(889,586)	324,849	129,917	(481,580)
Fund Balance, Beginning of Year	959,338	3,454,354	974,278	798,544	6,186,514
Fund Balance, Ending of Year	\$ 912,578	\$ 2,564,768	\$ 1,299,127	\$ 928,461	\$ 5,704,934

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, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (481,580)

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. 1,498,226

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. (387,071)

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	4,934	
Energy Loan	43,750	
CO Certificate	<u>115,000</u>	163,684

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." (7,339)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 203,695

Change in net position of governmental activities \$ 989,615

Elkton School District No. 5-3
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Drivers Education Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 105,216	\$ 6,292	\$ 111,508
Due from other government	27,551	--	27,551
Inventory - stores for resale	4,927	--	4,927
Inventory of donated food	8,325	--	8,325
Total Current Assets	<u>146,019</u>	<u>6,292</u>	<u>152,311</u>
Noncurrent Assets:			
Machinery and equipment - local funds	127,565	--	127,565
Less accumulated depreciation	<u>(95,977)</u>	<u>--</u>	<u>(95,977)</u>
Total Noncurrent Assets	<u>31,588</u>	<u>--</u>	<u>31,588</u>
Total Assets	<u><u>\$ 177,607</u></u>	<u><u>\$ 6,292</u></u>	<u><u>\$ 183,899</u></u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 3,774	\$ 1,736	\$ 5,510
Contracts payable	11,724	360	12,084
Accrued payroll expenses	7,391	49	7,440
Unearned revenue	<u>20,549</u>	<u>--</u>	<u>20,549</u>
Total Current Liabilities	<u>43,438</u>	<u>2,145</u>	<u>45,583</u>
Net Position:			
Net investment in capital assets	31,588	--	31,588
Unrestricted net position	<u>102,581</u>	<u>4,147</u>	<u>106,728</u>
Total Net Position	<u><u>\$ 134,169</u></u>	<u><u>\$ 4,147</u></u>	<u><u>\$ 138,316</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, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Drivers Education Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 7,797	\$ --	\$ 7,797
Adult	10,026	--	10,026
Other charges for goods and services	2,705	8,835	11,540
Total Operating Revenue	20,528	8,835	29,363
Operating Expenses:			
Food Service:			
Salaries	81,536	6,191	87,727
Employee benefits	45,788	745	46,533
Purchased services	4,576	--	4,576
Supplies	6,507	1,641	8,148
Other	138	873	1,011
Cost of sales - purchased	78,050	--	78,050
Cost of sales - donated	10,268	--	10,268
Depreciation	4,900	--	4,900
Total Operating Expenses	231,763	9,450	241,213
Operating Income(Loss)	(211,235)	(615)	(211,850)
Nonoperating Revenues/Expenses:			
Other local revenue	65	--	65
State grants	612	--	612
Federal grants	268,457	--	268,457
Donated food	13,927	--	13,927
Total Nonoperating Revenue/ (Expenses)	283,061	--	283,061
 Change in Net Position	 71,826	 (615)	 71,211
 Net Position - Beginning of Year	 62,343	 4,762	 67,105
Net Position - Ending of Year	\$ 134,169	\$ 4,147	\$ 138,316

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, 2022

	Food Service Fund	Drivers Education Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 32,732	\$ 8,835	\$ 41,567
Cash payments to suppliers	(88,848)	(778)	(89,626)
Cash payments to employees	(122,786)	(6,936)	(129,722)
Net Cash (Used) by Operating Activities	<u>(178,902)</u>	<u>1,121</u>	<u>(177,781)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	677	--	677
Cash reimbursements - federal	240,906	--	240,906
Net Cash Provided by Noncapital Financing Activities	<u>241,583</u>	<u>--</u>	<u>241,583</u>
Net Change in Cash and Cash Equivalents	62,681	1,121	63,802
Cash and Cash Equivalents, Beginning of Year	42,535	5,171	47,706
Cash and Cash Equivalents, End of Year	<u>\$ 105,216</u>	<u>\$ 6,292</u>	<u>\$ 111,508</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (211,235)	\$ (615)	\$ (211,850)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	4,900	--	4,900
Value of commodities used	10,268	--	10,268
Change in Assets and Liabilities:			
Inventory	(3,351)	--	(3,351)
Accounts payable	3,774	1,736	5,510
Deferred revenue	12,204	--	12,204
Contracts Payable	3,260	--	3,260
Accrued wages and payroll expenses	1,278	--	1,278
Net cash (used) by operating activities:	<u>\$ (178,902)</u>	<u>\$ 1,121</u>	<u>\$ (177,781)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 13,927</u>	<u>\$ --</u>	<u>\$ 13,927</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, 2022

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	\$ 114,383
Accounts receivable	<u>8,257</u>
 Total Assets	 <u>\$ 122,640</u>
 Net Position:	
Flex accounts	\$ 8,139
Individuals, organizations, and other governments	<u>114,501</u>
 Total Net Position	 <u>\$ 122,640</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, 2022

	Custodial Funds
Additions:	
Flex Income	\$ 14,798
Collections for student activities	422,313
Total Additions	437,111
Deductions:	
Flex expenses	16,549
Payments for student activities	453,920
Total Deductions	470,469
Change in Net Position	(33,358)
Net Position - Beginning	155,998
Net Position - Ending	\$ 122,640

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, 2022

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. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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, 2022

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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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, 2022 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, 2022

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 cost 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, 2022 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, 2022 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, 2022

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. 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.

h. 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.

i. 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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. 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.

k. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

l. 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.

m. Fund Balance Classification Policies and Procedures:

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

- Nondisposable – 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.

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

n. 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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

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

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

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

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.

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits. The investments reported in the financial statements consists 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.

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

3. Restricted Cash and Investments:

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

\$928,457	For Debt Service, by debt covenants (sinking funds required to be in a separate account)
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4. Receivables and Payables:

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

5. Inventory:

Inventory held for consumption is stated at cost.

Inventory for resale is 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.

6. 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, 2022

7. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2022 is as follows:

	<u>6/30/2021</u> Balance	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2022</u> Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 75,302	\$ 10,000	\$ --	\$ 85,302
Construction in progress	1,970,653	1,179,430		3,150,083
Total capital assets not being depreciated	<u>2,045,955</u>	<u>1,189,430</u>	<u>--</u>	<u>3,235,385</u>
Capital assets being depreciated:				
Buildings	5,805,480	225,527	--	6,031,007
Improvements	4,662,170	49,950	--	4,712,120
Library Books	98,955	5,893	--	104,848
Equipment	1,677,531	27,426	--	1,704,957
Total capital assets being depreciated	<u>12,244,136</u>	<u>308,796</u>	<u>--</u>	<u>12,552,932</u>
Less accumulated depreciation for:				
Buildings	1,742,662	76,896	--	1,819,558
Improvements	1,956,627	200,758	--	2,157,385
Library Books	96,951	295	--	97,246
Equipment	1,093,199	109,122	--	1,202,321
Total accumulated depreciation	<u>4,889,439</u>	<u>387,071</u>	<u>--</u>	<u>5,276,510</u>
Total capital assets being depreciated, net	<u>7,354,697</u>	<u>(78,275)</u>	<u>--</u>	<u>7,276,422</u>
Net Capital Assets	<u>\$ 9,400,652</u>	<u>\$ 1,111,155</u>	<u>\$ --</u>	<u>\$ 10,511,807</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 227,601
Support services	54,030
Co-curricular activities	105,440
Total Depreciation Expense	<u>\$ 387,071</u>

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

7. Changes in Capital Assets: (Continued)

	6/30/2021 Balance	Increases	Decreases	6/30/2022 Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 127,565	\$ --	\$ --	\$ 127,565
Less accumulated depreciation for:				
Less: Accumulated Depreciation	91,077	4,900	--	95,977
Total capital assets being depreciated, net	\$ 36,488	\$ (4,900)	\$ --	\$ 31,588

Depreciation expense was charged to functions as follows:

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

Construction Work in Progress at June 30, 2022 is composed of the following:

Project Name	Project Authorization	Expended Thru 6/30/2022	Committed
Design Development	\$ 3,283,510	\$ 3,150,083	\$ 133,427
Total Work in Progress	\$ 3,283,510	\$ 3,150,083	\$ 133,427

8. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	6/30/2021	Increase	Decrease	6/30/2022	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Capital Outlay Certificates	\$ 4,246,531	\$ --	\$ 115,000	\$ 4,131,531	\$ 193,031
Other Liabilities:					
Energy Loan	131,250	--	43,750	87,500	43,750
Direct Borrowing Note	25,785	--	4,934	20,851	5,135
Total Long-Term Liabilities	\$ 4,403,566	\$ --	\$ 163,684	\$ 4,239,882	\$ 241,916

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

8. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2022 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. The payments will be made into an escrow account from the Capital Outlay Fund.	\$ 1,326,531
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. Payments will be made from the Capital Outlay Fund.	\$ 87,500
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.	\$ 2,805,000
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. Payments are made from the Capital Outlay Fund.	\$ 20,851

The annual debt service requirements to maturity for all debt outstanding, other than postemployment benefits, and early retirement, as of June 30, 2022 are as follows:

Year Ending June 30,	Capital Outlay Certificates		Direct Borrowing		Energy Loan	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2023	\$ 193,031	\$ 133,802	\$ 5,135	\$ 741	\$ 43,750	\$ 241,916	\$ 134,543
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
2028-2032	1,796,376	261,479	--	--	--	1,796,376	261,479
2033-2038	970,000	115,480	--	--	--	970,000	115,480
2039-2044	355,000	31,191	--	--	--	355,000	31,191
Totals	<u>\$ 4,131,531</u>	<u>\$ 1,030,485</u>	<u>\$ 20,851</u>	<u>\$ 1,675</u>	<u>\$ 87,500</u>	<u>\$ 4,239,882</u>	<u>\$ 1,032,160</u>

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 2,564,786
Special Education	Law	1,299,137
Debt Service	Debt Covenants	928,461
Health Insurance	Law	40,937
SDRS Pension Purposes	Law	323,707
Total		<u>\$ 5,157,028</u>

10. Interfund Transfers:

Interfund transfers for the year ended June 30, 2022 were as follows:

Transfer from the Capital Outlay Fund to the Debt Service Fund to fund the sinking fund payment requirements on the QSCB Bonds.	\$ 59,346
Transfer from the Capital Outlay Fund to the General Fund to transfer earnings on deposits and investments.	\$ 2,982
Transfer from the Special Education Fund to the General Fund to transfer earnings on deposits and investments.	\$ 1,598

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

11. 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.

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.

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

Contributions:

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

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

Year	Amount
2022	\$ 143,309
2021	\$ 131,873
2020	\$ 130,630

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

At June 30, 2021, SDRS is 105.52% 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, 2022 are as follows:

Proportionate share of pension benefits	\$ 13,142,962
Less proportionate share of net pension restricted for pension benefits	13,868,837
Proportionate share of net pension (asset)	\$ (725,875)

At June 30, 2022, the School District reported an asset of (\$725,875) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 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, 2021, the School District's proportion was 0.09478300%, which is a decrease of -0.0044181% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District reduction of pension expense of \$(203,694) At June 30, 2022, 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	\$ 26,061	\$ 1,903
Changes in assumption	834,750	363,508
Net difference between projected and actual earnings on pension plan investments	--	1,036,928
Changes in proportion and difference between district contributions and proportionate share of contributions	--	3,949
District contributions subsequent to the measurement date	143,309	--
Total	\$ 1,004,120	\$ 1,406,288

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

\$143,309 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended</u> <u>June 30,</u>	
2023	\$ (135,629)
2024	(92,342)
2025	(25,790)
2026	(291,717)
Total	<u>\$ (545,478)</u>

Actuarial Assumptions:

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

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

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

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

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, 2022

11. 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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100.0%	

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:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension (asset)	\$ 1,175,373	\$ (725,875)	\$ (2,269,247)

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, 2022

12. 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%	Florence School District No. 14-1	4%
Britton-Hecla School District No. 45-4	5%	Hamlin School District No. 28-3	11%
Castlewood School District No. 28-1	4%	Henry School District No. 14-2	2%
Clark School District No. 12-2	5%	Iroquois School District No. 02-3	3%
DeSmet School District No. 38-2	4%	Lake Preston School District No. 38-3	2%
Deubrook School District No. 5-6	5%	Oldham-Ramona School District No. 39-5	2%
Deuel School District No. 19-4	7%	Rosholt School District No. 54-4	3%
Elkton School District No. 5-3	5%	Rutland School District No. 39-4	2%
Enemy Swim Day School	2%	Sioux Valley School District No. 5-5	8%
Estelline School District No. 28-2	3%	Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%	Willow Lake School District No. 12-3	4%
Waverly School District No. 14-5	3%	Wilmot School District No. 54-7	3%
Webster Area School District No. 18-5	6%		

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, 2022, this joint venture had:

	<u>June 30, 2022</u>
Total Assets	\$ 3,308,211
Total Deferred Outflows	\$ 1,235,902
Total Liabilities	\$ 505,610
Total Deferred Inflows	\$ 1,720,147
Total net position	\$ 2,318,356

Elkton School District No. 5-3
Notes to the Financial Statements
June 30, 2022

13. 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, 2022, 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, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

14. Significant Contingencies – Litigation:

At June 30, 2022, the School District was not involved in any litigation.

Required Supplementary Information

Elkton School District No. 5-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,789,560	\$ 1,789,560	\$ 1,759,781	\$ (29,779)
Prior years' ad valorem taxes	3,100	3,100	180	(2,920)
Utility taxes	108,000	108,000	114,054	6,054
Penalties and interest on taxes	3,000	3,000	2,088	(912)
Tuitions and Fees:				
Regular day school tuition	427,000	427,000	459,143	32,143
Regular day school transportation	6,300	6,300	6,300	--
Earnings on Investments and Deposits	7,500	7,500	--	(7,500)
Cocurricular Activities:				
Admissions	24,000	24,000	24,308	308
Rentals	1,100	1,100	--	(1,100)
Other student activity income	5,000	5,000	5,935	935
Other Revenue from Local Sources:				
Rentals	1,200	1,200	5,476	4,276
Contributions and donations	1,500	1,500	10,416	8,916
Services Provided Other School Districts	10,600	10,600	10,600	--
Charges for services	--	--	1,627	1,627
Other	30,000	30,000	28,434	(1,566)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,000	15,000	26,679	11,679
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	646,400	646,400	752,207	105,807
Other state revenues	--	--	3,456	3,456
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	337,000	337,000	288,328	(48,672)
Other Federal Sources	10,000	10,000	--	(10,000)
Total Revenues	\$ 3,426,260	\$ 3,426,260	\$ 3,499,012	\$ 72,752

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, 2022 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,022,400	\$ 1,022,400	\$ 965,430	\$ 56,970
Middle/junior high	286,725	292,536	292,536	--
High school	579,630	586,232	572,309	13,923
Preschool services	37,300	37,300	32,287	5,013
Special Programs:				
Educationally deprived	123,481	123,481	97,064	26,417
Support Services:				
Students:				
Guidance	68,805	68,805	57,830	10,975
Health	50,850	52,292	52,294	(2)
Instructional Staff:				
Educational media	83,864	86,736	83,319	3,417
General Administration:				
Board of education	102,900	112,400	99,274	13,126
Executive administration	193,005	211,121	210,200	921
School Administration:				
Office of the principal	262,490	315,206	259,955	55,251
Other	400	400	152	248
Business:				
Fiscal services	102,270	105,000	105,001	(1)
Operation and maintenance of plant	381,190	406,931	406,934	(3)
Student transportation	152,070	152,070	114,558	37,512
Cocurricular Activities:				
Male activities	63,660	63,660	52,228	11,432
Female activities	59,450	68,351	68,349	2
Transportation	14,000	16,933	12,454	4,479
Combined activities	65,370	68,178	68,178	--
Total Expenditures	<u>3,649,860</u>	<u>3,790,032</u>	<u>3,550,352</u>	<u>239,680</u>
Excess of Revenues Over Expenditures	<u>(223,600)</u>	<u>(363,772)</u>	<u>(51,340)</u>	<u>312,432</u>
Other Financing Sources:				
Operating transfers in	<u>223,600</u>	<u>223,600</u>	<u>4,580</u>	<u>(219,020)</u>
Total Other Financing Sources:	<u>223,600</u>	<u>223,600</u>	<u>4,580</u>	<u>(219,020)</u>
Net Change in Fund Balances	--	(140,172)	(46,760)	93,412
Fund Balance, Beginning of Year	<u>929,338</u>	<u>929,338</u>	<u>929,338</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 929,338</u>	<u>\$ 789,166</u>	<u>\$ 882,578</u>	<u>\$ 93,412</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,126,869	\$ 1,126,869	\$ 1,353,957	\$ 227,088
Prior years' ad valorem taxes	250	250	63	(187)
Penalties and interest on taxes	500	500	930	430
Earnings on Investments and Deposits	--	--	2,983	2,983
Other Revenue from Local Sources:				
Other	--	--	6,943	6,943
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	--	--	22,408	22,408
Restricted grants-in-aid received from federal government through the state	2,800	2,800	59,273	56,473
Other federal revenue	671,505	671,505	66,549	(604,956)
Total Revenues	1,801,924	1,801,924	1,513,106	(288,818)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	168,500	202,668	202,601	67
Middle/junior high	80,500	80,500	62,647	17,853
High school	108,000	118,658	124,647	(5,989)
Special Programs:				
Educationally deprived	1,500	1,500	1,500	--
Support Services:				
Instructional Staff				
Educational media	62,800	62,800	16,808	45,992
General Administration:				
Board of education	6,600	6,600	--	6,600
Executive administration	7,800	7,800	6,675	1,125
School Administration				
Office of the principal	10,300	10,300	10,085	215
Business:				
Fiscal services	20,500	20,500	15,890	4,610
Facilities acquisition and construction	2,079,091	2,079,091	1,281,557	797,534
Operation and maintenance of plant	257,800	464,007	283,364	180,643
Student transportation	115,000	115,000	--	115,000
Other	--	9,320	9,320	--
Debt Services:	391,385	391,385	303,240	88,145
Cocurricular Activities:				
Male activities	17,000	17,000	9,302	7,698
Female activities	17,000	17,000	7,063	9,937
Combined activities	31,000	31,000	5,665	25,335
Total Expenditures	3,374,776	3,635,129	2,340,364	1,294,765
Excess of Revenue Over (Under) Expenditures	(1,572,852)	(1,833,205)	(827,258)	1,005,947
Other Financing Sources (Uses):				
Transfers out	(223,660)	(223,660)	(62,328)	161,332
Total Other Financing Sources (Uses)	(223,660)	(223,660)	(62,328)	161,332
Net Change in Fund Balances	(1,796,512)	(2,056,865)	(889,586)	1,167,279
Fund Balance, Beginning of Year	3,454,354	3,454,354	3,454,354	--
Fund Balance, End of Year	\$ 1,657,842	\$ 1,397,489	\$ 2,564,768	\$ 1,167,279

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, 2022

	<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	\$ 786,682	\$ 189,882
Prior years' ad valorem taxes	600	600	42	(558)
Penalties and interest on taxes	250	250	526	276
Tuition and fees:				
Regular day school tuition	5,000	5,000	5,844	844
Earnings on investments	--	--	1,598	1,598
Other Revenue from Local Sources:				
Charges for services	1,400	1,400	636	(764)
Total Revenues	<u>604,050</u>	<u>604,050</u>	<u>795,328</u>	<u>191,278</u>
Expenditures				
Instructional Services:				
Programs for special education	523,720	563,131	432,432	130,699
Support Services:				
Students:				
Psychological services	9,130	9,130	3,874	5,256
Student pathology	15,800	15,800	6,768	9,032
Student therapy services	11,040	11,040	4,732	6,308
Special Education:				
Administrative costs	15,940	21,075	21,075	--
Total Expenditures	<u>575,630</u>	<u>620,176</u>	<u>468,881</u>	<u>151,295</u>
Excess of Revenues Over (Under) Expenditures	<u>28,420</u>	<u>(16,126)</u>	<u>326,447</u>	<u>342,573</u>
Other Financing Sources (Uses):				
Transfer out	<u>--</u>	<u>--</u>	<u>(1,598)</u>	<u>(1,598)</u>
Net Change in Fund Balance	28,420	(16,126)	324,849	340,975
Fund Balance, Beginning of Year	<u>974,278</u>	<u>974,278</u>	<u>974,278</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,002,698</u>	<u>\$ 958,152</u>	<u>\$ 1,299,127</u>	<u>\$ 340,975</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, 2022

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>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)	0.0947830%	0.0992011%	0.0971851%	0.0964041%	0.0956650%	0.0903734%	0.0960244%	0.0960634%
District's proportionate share of net pension liability (asset)	\$ (725,876)	\$ (4,308)	\$ (10,299)	\$ (2,248)	\$ (8,682)	\$ 305,272	\$ (407,267)	\$ (692,098)
District's covered-employee payroll	\$ 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	-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)	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 143,309	\$ 131,873	\$ 130,630	\$ 123,981	\$ 120,249	\$ 116,623	\$ 103,107	\$ 105,188	\$ 100,793
Contributions in relation to the contractually-required contribution	<u>143,309</u>	<u>131,873</u>	<u>130,630</u>	<u>123,981</u>	<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>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
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
Contributions as a percentage of employee-covered payroll	6.00%	6.13%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

* 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.

Elkton School District No. 5-3

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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