

Estelline School District No. 28-2

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

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

Estelline School District No. 28-2

School District Officials

June 30, 2022

Board Members

Chris Verhoek ----- Board President
Lynda Pierce ----- Vice President
Chad Saathoff ----- Member
Amy Latini ----- Member
Mark Francisco ----- Member

Eric Bass ----- Superintendent

Amy Miller ----- Business Manager

Estelline School District No. 28-2

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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
Estelline School District No. 28-2
Estelline, 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 Estelline School District No. 28-2, Hamlin 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 the School District’s basic financial statements and have issued our report thereon dated March 31, 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 Estelline 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 Estelline School District 's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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

Elk Point, South Dakota
March 31, 2023



Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

School Board
Estelline School District No. 28-2
Hamlin County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Estelline School District No. 28-2's, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Estelline School District 's major federal programs for the year ended June 30, 2022. Estelline School District 's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Estelline School District No. 28-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grants agreements applicable to School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk is not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in cursive script that reads "ELO Prof LLC".

Elk Point, South Dakota
March 31, 2023

Estelline School District No. 28-2
 Schedule of Audit Findings and Questioned Costs
 Year Ended June 30, 2022

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: _____ Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: _____ Yes x None reported

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards:

Internal control over major program:

Material weakness identified: _____ Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: _____ Yes x None reported

Type of auditor's report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: _____ Yes x No

Identification of major program:

CFDA Number	Name of Federal Program
84.425D	ESSER I & II
84.425U	ESSER III

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

There are no findings which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).



Independent Auditor's Report

School Board
Estelline School District No. 28-2
Hamlin 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 Estelline School District No. 28-2, Hamlin 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 Estelline School District 's basic financial statements as listed in the table of contents.

In our opinion, the 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 Estelline School District No. 28-2, South Dakota as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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 Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 listed in the table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Estelline School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
March 31, 2023

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Estelline School District 28-2'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, Estelline School District 's Net Position in Government Activities increased by \$622,470 (12.07%).

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 and Other Enterprise Fund which accounts for Pre-School Services and Driver's Education.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – 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.

Estelline School District No. 28-2
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 remainder 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 Estelline 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)	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, preschool, and the drivers' education program	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 Fiduciary Net Position • Statement of Changes in Fiduciary 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

Estelline School District No. 28-2
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.

The two government-wide statements report the School's net position and how they have changed. Net position 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. The Food Service Fund and the Other Enterprise Fund (Driver's Education and Preschool) are the only 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 (like the Scholarship Trust).

Estelline School District No. 28-2
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 and the Drivers Education Program are the only proprietary funds maintained by the School.
- **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 and a statement of changes in 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.

Estelline School District No. 28-2
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
Estelline School District 28-2
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	\$ 3,410,077	\$ 4,435,064	\$ 24,395	\$ 58,789	\$ 3,434,472	\$ 4,493,853	30.85%
Capital Assets (Net of Depreciation)	3,128,374	3,253,846	61,346	96,562	3,189,720	3,350,408	5.04%
Total Assets	6,538,451	7,688,910	85,741	155,351	6,624,192	7,844,261	18.42%
Pension Related Deferred Outflows	528,377	751,429	--	--	528,377	751,429	42.21%
Total Deferred Outflows or Resources	528,377	751,429	--	--	528,377	751,429	42.21%
Long-Term Liabilities Outstanding	52,683	59,236	--	--	52,683	59,236	12.44%
Other Liabilities	277,338	322,540	15,873	15,566	293,211	338,106	15.31%
Total Liabilities	330,021	381,776	15,873	15,566	345,894	397,342	14.87%
Taxes Levied for Future Period	1,150,527	1,236,473	--	--	1,150,527	1,236,473	7.47%
Pension Related Deferred Inflows	429,608	1,042,948	--	--	429,608	1,042,948	142.77%
Total Deferred Inflows of Resources	1,580,135	2,279,421	--	--	1,580,135	2,279,421	44.25%
Net Investment in Capital Assets	3,128,375	3,194,610	61,346	96,562	3,189,721	3,291,172	3.18%
Restricted	843,203	1,006,812	--	--	843,203	1,006,812	19.40%
Unrestricted	1,185,094	1,577,720	8,523	43,223	1,193,617	1,620,943	35.80%
Total Net Assets	5,156,672	5,779,142	69,869	139,785	5,226,541	5,918,927	13.25%
Beginning Net Position	4,756,873	5,156,672	24,225	69,869	4,781,098	5,226,541	9.32%
Increase (Decrease) in Net Position	\$ 399,799	\$ 622,470	\$ 45,644	\$ 69,916	\$ 445,443	\$ 692,386	-55.44%
Percentage of Increase (Decrease) in Net Position	8.40%	12.07%	188.42%	100.07%	9.32%	13.25%	

The School's combined net position of approximately \$5.9 million is approximately \$680,000 13.05% larger than on June 30, 2021. The increase in the School's financial position was primarily in its governmental activities due in part to additional program revenues in operating grants and charges for services.

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 Intangible lease liabilities, early retirement payable, and compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The Estelline School District’s total revenues (excluding transfers) in FY22 were \$4,762,185. More than 57% of the School’s revenue comes from property and other taxes, with approximately 18% coming from state aid. (See Table A-2).

Table A-2
Estelline School District 28-2
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 2,709,817	56.90%
State Sources	838,165	17.60%
Operating Grants & Contributions	828,949	17.41%
Charges For Services	203,408	4.27%
Other General Revenues	173,479	3.64%
Unrestricted Investment Earnings	8,367	0.18%
Total Revenue	\$ 4,762,185	100.00%

Total expenditures of all programs and services increased by approximately 5.9%. The Estelline School District expenses totaled \$4,069,799 (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, nonprogrammed charges, food services, and driver’s education. (See Table A-3).

Table A-3
Estelline School District 28-2
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 2,184,168	53.68%
Support Services	1,507,042	37.03%
Interest - on Long-Term Debt	500	0.01%
Community Services	1,011	0.02%
Cocurricular Activities	162,612	4.00%
Food Service	211,832	5.20%
Drivers Education	2,634	0.06%
Total Expenditures	\$ 4,069,799	100.00%

Estelline School District No. 28-2
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	\$ 13,816	\$ 179,500	\$ 33,906	\$ 23,908	\$ 47,722	\$ 203,408	326.24%
Operating Grants/ Contributions	387,456	615,406	140,740	213,543	528,196	828,949	56.94%
General Revenues							
Taxes	2,685,629	2,709,817	--	--	2,685,629	2,709,817	0.90%
Revenue State Sources	869,811	838,165	--	--	869,811	838,165	-3.64%
Other							
Other general revenues	153,276	173,479	--	--	153,276	173,479	13.18%
Unrestricted Investment Earnings	3,917	8,367	--	--	3,917	8,367	113.61%
	<u>4,113,905</u>	<u>4,524,734</u>	<u>174,646</u>	<u>237,451</u>	<u>4,288,551</u>	<u>4,762,185</u>	<u>11.04%</u>
Expenses							
Instruction	2,111,872	2,184,168	--	--	2,111,872	2,184,168	3.42%
Support Services	1,395,986	1,507,042	--	--	1,395,986	1,507,042	7.96%
Community Services	--	1,011	--	--	--	1,011	100.00%
Non-programmed Charges	21,334	--	--	--	21,334	--	-100.00%
Interest on long-term debt	--	500	--	--	--	500	100.00%
Co-curricular Activities	136,334	162,612	--	--	136,334	162,612	19.27%
Food Service	--	--	168,751	211,832	168,751	211,832	25.53%
Other Enterprise	--	--	8,831	2,634	8,831	2,634	-70.17%
	<u>3,665,526</u>	<u>3,855,333</u>	<u>177,582</u>	<u>214,466</u>	<u>3,843,108</u>	<u>4,069,799</u>	<u>5.90%</u>
Excess (Deficiency)							
Before Transfers	448,379	669,401	(2,936)	22,985	445,443	692,386	55.44%
Transfers	<u>(48,580)</u>	<u>(46,931)</u>	<u>48,580</u>	<u>46,931</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	399,799	622,470	45,644	69,916	445,443	692,386	55.44%
Beginning Net Position	<u>4,756,873</u>	<u>5,156,672</u>	<u>24,225</u>	<u>69,869</u>	<u>4,781,098</u>	<u>5,226,541</u>	<u>9.32%</u>
Ending Net Position	<u>\$ 5,156,672</u>	<u>\$ 5,779,142</u>	<u>\$ 69,869</u>	<u>\$ 139,785</u>	<u>\$ 5,226,541</u>	<u>\$ 5,918,927</u>	<u>13.25%</u>

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental Activities

Revenues for the School's governmental activities increased approximately 9.9% while expenses for governmental activities increased by approximately 5.1%. The larger revenue increases occurred in charges for services and operating grants and contributions.

Business-Type Activities

Expenditures of the School's business-type activities (Food Service Operation and Other Enterprise) increased by 20.8% while revenues increased by 30.1%.

Financial Analysis of the School's Funds

The General Fund increased in fund balance from FY21 to FY22 by \$342,738 and the Capital Outlay fund balance increased by \$19,436. The Special Education Fund had a decrease in fund balance of \$1,193 which was mostly caused by reduced Special Education state aid due to an excess fund balance.

General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Capital Asset Administration

By the end of FY22, the School had invested \$3,350,408 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$160,688.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 62,998	\$ 62,998	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	2,760,553	2,869,293	--	--	108,740	3.94%
Machinery & Equipment	304,818	297,884	61,346	96,562	28,282	7.72%
Intangible Lease Assets	--	14,565	--	--	14,565	100.00%
Library Books	5	9,106	--	--	9,101	100.00%
Total Capital Assets	\$ 3,128,374	\$ 3,253,846	\$ 61,346	\$ 96,562	\$ 160,688	5.04%

Major capital outlay purchases in FY22 included Entrance door replacements, arena lights improvements, track resurfacing, library books, 1 used vehicle, 1 used lawn mower, gym equipment, new lunchroom tables, and new technology.

Long-Term Debt

At year-end, the School had \$59,236 in general long-term obligations. This balance includes Intangible lease liabilities, early retirement payable, and accrued compensated absences. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>		
Intangible Lease Liabilities	\$ --	\$ 14,780	\$ 14,780	100.00%
Early Retirement Payable	27,128	16,471	(10,657)	-39.28%
Accrued Compensated Absences - Governmental Funds	25,556	27,985	2,429	9.50%
Total Outstanding Debt	\$ 52,684	\$ 59,236	\$ 6,552	12.44%

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2022

The school is liable for the repayment of lease liabilities, early retirement payable, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District.

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 Estelline School's Business Office, PO Box 306, Estelline, SD 57234.

Estelline School District No. 28-2
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 2,162,627	\$ 54,014	\$ 2,216,641
Investments-certificates of deposit	54,036	--	54,036
Accounts receivable	434,654	--	434,654
Taxes receivable	1,244,466	--	1,244,466
Inventories	--	4,775	4,775
Net pension asset	539,281	--	539,281
Capital assets:			
Land and construction in progress	62,998	--	62,998
Other capital assets, net of depreciation	3,190,848	96,562	3,287,410
Total Assets	7,688,910	155,351	7,844,261
Deferred Outflows of Resources:			
Pension-related deferred outflows	751,429	--	751,429
Total Deferred Outflows of Resources	751,429	--	751,429
Liabilities:			
Unearned revenue	--	13,607	13,607
Other current liabilities	322,540	1,959	324,499
Long-term liabilities:			
Due within one year	25,275	--	25,275
Due in more than one year	33,961	--	33,961
Total Liabilities	381,776	15,566	397,342
Deferred Inflows of Resources:			
Taxes levied for future periods	1,236,473	--	1,236,473
Pension related deferred inflows	1,042,948	--	1,042,948
Total Deferred Inflows of Resources	2,279,421	--	2,279,421
Net Position:			
Net investment in capital assets	3,194,610	96,562	3,291,172
Restricted for:			
Capital outlay	708,536	--	708,536
Special education	50,514	--	50,514
SDRS pension purposes	247,762	--	247,762
Unrestricted	1,577,720	43,223	1,620,943
Total Net Position	\$ 5,779,142	\$ 139,785	\$ 5,918,927

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

Estelline School District No. 28-2
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	\$ 2,184,168	\$ --	\$ 575,812	\$ (1,608,356)	\$ --	\$ (1,608,356)
Support services	1,507,042	145,124	39,594	(1,322,324)	--	(1,322,324)
Community services	1,011	--	--	(1,011)	--	(1,011)
Interest on long-term debt	500	--	--	(500)	--	(500)
Cocurricular activities	162,612	34,376	--	(128,236)	--	(128,236)
Total Governmental Activities	<u>3,855,333</u>	<u>179,500</u>	<u>615,406</u>	<u>(3,060,427)</u>	<u>--</u>	<u>(3,060,427)</u>
Business-Type Activities:						
Food service	211,832	20,733	213,543	--	22,444	22,444
Other enterprise	2,634	3,175	--	--	541	541
Total Business Type Activities	<u>214,466</u>	<u>23,908</u>	<u>213,543</u>	<u>--</u>	<u>22,985</u>	<u>22,985</u>
Total Primary Government	<u>\$ 4,069,799</u>	<u>\$ 203,408</u>	<u>\$ 828,949</u>	<u>(3,060,427)</u>	<u>22,985</u>	<u>(3,037,442)</u>
General Revenues:						
Taxes:						
Property taxes				2,593,292	--	2,593,292
Gross receipts taxes				116,525	--	116,525
Revenue from state sources:						
State aid				832,603	--	832,603
Other				5,562	--	5,562
Unrestricted investment earnings				8,367	--	8,367
Other general revenues				173,479	--	173,479
Transfers				(46,931)	46,931	--
Total General Revenues and Transfers				<u>3,682,897</u>	<u>46,931</u>	<u>3,729,828</u>
Change in Net Position				622,470	69,916	692,386
Net Position - Beginning of Year				<u>5,156,672</u>	<u>69,869</u>	<u>5,226,541</u>
Net Position - End of Year				<u>\$ 5,779,142</u>	<u>\$ 139,785</u>	<u>\$ 5,918,927</u>

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

Estelline School District No. 28-2
Balance Sheet – Governmental Funds
June 30, 2022

	General	Capital Outlay	Special Education	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,547,959	\$ 512,636	\$ 102,032	\$ 2,162,627
Investments-certificates of deposit	49,036	5,000	--	54,036
Taxes receivable - current	765,901	176,575	293,997	1,236,473
Taxes receivable - delinquent	5,764	847	1,382	7,993
Accounts receivable	308	--	3,225	3,533
Due from other governments	209,441	221,680	--	431,121
Total Assets	<u>\$ 2,578,409</u>	<u>\$ 916,738</u>	<u>\$ 400,636</u>	<u>\$ 3,895,783</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,988	\$ 31,627	\$ 19,386	\$ 60,001
Contracts payable	175,602	--	25,253	200,855
Payroll deductions and withholding and employer matching payable	50,198	--	11,486	61,684
Total Liabilities	<u>234,788</u>	<u>31,627</u>	<u>56,125</u>	<u>322,540</u>
Deferred Inflows of Resources:				
Taxes levied for future period	765,901	176,575	293,997	1,236,473
Delinquent taxes not available	5,764	847	1,382	7,993
Total Deferred Inflows of Resources	<u>771,665</u>	<u>177,422</u>	<u>295,379</u>	<u>1,244,466</u>
Fund Balances:				
Restricted:				
For capital outlay	--	707,689	--	707,689
For special education	--	--	49,132	49,132
Assigned	48,524	--	--	48,524
Unassigned	1,523,432	--	--	1,523,432
Total Fund Balances	<u>1,571,956</u>	<u>707,689</u>	<u>49,132</u>	<u>2,328,777</u>
Total Liabilities and Fund Balances	<u>\$ 2,578,409</u>	<u>\$ 916,738</u>	<u>\$ 400,636</u>	<u>\$ 3,895,783</u>

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

Estelline School District No. 28-2

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds \$ 2,328,777

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. 3,253,846

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Intangible Lease Liabilities	(14,780)	
Early Retirement Payable	(16,471)	
Accrued Leave	<u>(27,985)</u>	(59,236)

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	7,993
--------------------------------------	-------

Proportionate Share of Net Pension Asset	539,281
--	---------

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,042,948)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 751,429

Net Position - Governmental Activities	<u><u>\$ 5,779,142</u></u>
--	----------------------------

Estelline School District No. 28-2

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

June 30, 2022

	General	Capital Outlay	Special Education	Total Governmental Funds
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,590,841	\$ 370,412	\$ 612,313	\$ 2,573,566
Prior years' ad valorem taxes	11,769	1,582	2,472	15,823
Utility taxes	116,525	--	--	116,525
Penalties and interest on taxes	4,823	866	1,399	7,088
Earnings on Investments and Deposits	8,367	--	--	8,367
Cocurricular Activities:				
Admissions	20,317	--	--	20,317
Rentals	355	--	--	355
Other student activity	13,704	--	--	13,704
Other Revenue from Local Sources:				
Contributions and donations	321	124,606	--	124,927
Services provided by other school districts	--	--	6,525	6,525
Refund of prior years' expenditures	1,064	--	--	1,064
Charges for services	7,271	--	993	8,264
Other	8,880	6,306	--	15,186
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	13,919	--	--	13,919
Revenue in lieu of taxes	100	--	--	100
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	832,603	--	--	832,603
Restricted grants-in-aid	3,962	--	--	3,962
Other state revenue	1,600	--	--	1,600
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through an intermediate sour	--	21,294	--	21,294
Restricted grants-in-aid received directly from federal government	--	18,300	--	18,300
Restricted grants-in-aid received from federal government through the state	181,276	394,536	--	575,812
Total Revenues	\$ 2,817,697	\$ 937,902	\$ 623,702	\$ 4,379,301

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

Estelline School District No. 28-2

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

June 30, 2022 (Continued)

<u>Expenditures</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Instructional Services:				
Regular Programs:				
Elementary	\$ 574,107	\$ 118,675	\$ --	\$ 692,782
Middle/junior high	239,074	55,421	--	294,495
High school	489,192	91,572	--	580,764
Preschool	36,490	--	--	36,490
Special Programs:				
Programs for special education	--	150	384,850	385,000
Educationally deprived	67,151	--	--	67,151
Support Services:				
Students:				
Guidance	65,518	--	12,851	78,369
Health	1,168	--	23,817	24,985
Speech pathology	--	--	37,910	37,910
Student therapy services	--	--	24,175	24,175
Instructional Staff:				
Improvement of instruction	44,187	--	2,566	46,753
Educational media	85,077	28,153	--	113,230
General Administration:				
Board of education	44,408	--	1,271	45,679
Executive administration	77,300	1,219	--	78,519
School Administration:				
Office of the principal	209,633	--	--	209,633
Other	370	--	--	370
Business:				
Fiscal services	88,568	6,031	--	94,599
Facilities acquisition and construction	7,500	26,934	--	34,434
Operation and maintenance of plant	324,611	20,080	--	344,691
Student transportation	108,324	868	--	109,192
Food services	--	45,281	--	45,281
Special Education:				
Transportation costs	--	--	69,599	69,599
Other special education costs	--	--	67,856	67,856

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

Estelline School District No. 28-2

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>Total Governmental Funds</u>
Central:				
Staff	\$ 713	\$ 298	\$ --	\$ 1,011
Nonprogrammed Charges:				
Early retirement payments	10,011	--	--	10,011
Debt Services:	--	3,926	--	3,926
Cocurricular Activities:				
Male activities	24,723	8,226	--	32,949
Female activities	25,865	--	--	25,865
Transportation	10,369	--	--	10,369
Combined activities	63,950	1,005	--	64,955
Capital Outlay	--	396,481	--	396,481
Total Expenditures	<u>2,598,309</u>	<u>804,320</u>	<u>624,895</u>	<u>4,027,524</u>
Excess of Revenue Over (Under) Expenditures	219,388	133,582	(1,193)	351,777
Other Financing Sources (Uses):				
Transfer in	125,000	--	--	125,000
Transfer out	(1,650)	(125,000)	--	(126,650)
Sale of Surplus Property	--	10,854	--	10,854
Total Other Financing Sources (Uses)	<u>123,350</u>	<u>(114,146)</u>	<u>--</u>	<u>9,204</u>
Net Change in Fund Balances	342,738	19,436	(1,193)	360,981
Fund Balance, Beginning of Year	<u>1,229,218</u>	<u>688,253</u>	<u>50,325</u>	<u>1,967,796</u>
Fund Balance, End of Year	<u>\$ 1,571,956</u>	<u>\$ 707,689</u>	<u>\$ 49,132</u>	<u>\$ 2,328,777</u>

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

Estelline School District No. 28-2

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 \$ 360,981

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. 396,481

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. (288,380)

In the statement of activities, gains and losses on disposal of capital assets (835)

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

Intangible Lease Liability 3,426 3,426

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." (3,185)

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 8,228

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 145,754

Change in net position of governmental activities \$ 622,470

Estelline School District No. 28-2
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 51,597	\$ 2,417	\$ 54,014
Inventory - supplies	1,319	--	1,319
Inventory - stores for resale	2,774	--	2,774
Inventory of donated food	682	--	682
Total Current Assets	<u>56,372</u>	<u>2,417</u>	<u>58,789</u>
Noncurrent Assets:			
Machinery and equipment - local funds	177,941	--	177,941
Less accumulated depreciation	<u>(81,379)</u>	<u>--</u>	<u>(81,379)</u>
Total Noncurrent Assets	<u>96,562</u>	<u>--</u>	<u>96,562</u>
Total Assets	<u>\$ 152,934</u>	<u>\$ 2,417</u>	<u>\$ 155,351</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ --	\$ 57	\$ 57
Contracts payable	505	--	505
Accrued payroll expenses	1,397	--	1,397
Unearned revenue	<u>13,607</u>	<u>--</u>	<u>13,607</u>
Total Current Liabilities	<u>15,509</u>	<u>57</u>	<u>15,566</u>
Net Position:			
Net investment in capital assets	96,562	--	96,562
Unrestricted net position	<u>40,863</u>	<u>2,360</u>	<u>43,223</u>
Total Net Position	<u>\$ 137,425</u>	<u>\$ 2,360</u>	<u>\$ 139,785</u>

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

Estelline School District No. 28-2

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

June 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 3,175	\$ 3,175
Food Sales:			
Student	10,080	--	10,080
Adult	6,835	--	6,835
Other charges for goods and services	3,818	--	3,818
Total Operating Revenue	<u>20,733</u>	<u>3,175</u>	<u>23,908</u>
Operating Expenses:			
Food Service:			
Salaries	42,940	2,125	45,065
Employee benefits	22,641	--	22,641
Purchased services	8,091	--	8,091
Supplies	6,219	509	6,728
Cost of sales - purchased	102,140	--	102,140
Cost of sales - donated	19,552	--	19,552
Other	185	--	185
Depreciation	10,064	--	10,064
Total Operating Expenses	<u>211,832</u>	<u>2,634</u>	<u>214,466</u>
Operating Income(Loss)	(191,099)	541	(190,558)
Nonoperating Revenues/Expenses:			
State grants	483	--	483
Federal grants	194,190	--	194,190
Donated food	18,870	--	18,870
Total Nonoperating Revenue/ (Expenses)	<u>213,543</u>	<u>--</u>	<u>213,543</u>
Income (Loss) Before Contributions and Transfers	<u>22,444</u>	<u>541</u>	<u>22,985</u>
Capital Contributions	45,281	--	45,281
Transfer	--	1,650	1,650
Change in Net Position	67,725	2,191	69,916
Net Position - Beginning of Year	<u>69,700</u>	<u>169</u>	<u>69,869</u>
Net Position - End of Year	<u>\$ 137,425</u>	<u>\$ 2,360</u>	<u>\$ 139,785</u>

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

Estelline School District No. 28-2
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 22,716	\$ 3,175	\$ 25,891
Cash payments to suppliers	(112,806)	(528)	(113,334)
Cash payments to employees	(67,852)	(2,125)	(69,977)
Net Cash (Used) by Operating Activities	(157,942)	522	(157,420)
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	1,650	1,650
Cash reimbursements - state	483	--	483
Cash reimbursements - federal	194,190	--	194,190
Net Cash Provided by Noncapital Financing Activities	194,673	1,650	196,323
Net Change in Cash and Cash Equivalents	36,731	2,172	38,903
Cash and Cash Equivalents, Beginning of Year	14,866	245	15,111
Cash and Cash Equivalents, End of Year	\$ 51,597	\$ 2,417	\$ 54,014
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (191,099)	\$ 541	\$ (190,558)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	10,064	--	10,064
Value of commodities used	19,552	--	19,552
Change in Assets and Liabilities:			
Inventory	3,829	--	3,829
Deferred revenue	1,983	--	1,983
Contracts payable	(783)	--	(783)
Accrued payroll expenses	(1,488)	--	(1,488)
Accounts payable	--	(19)	(19)
Net cash (used) by operating activities:	\$ (157,942)	\$ 522	\$ (157,420)
Noncash Investing, Capital and Financing Activities			
Equipment purchased by Capital Outlay Fund	\$ 45,281	\$ --	\$ 45,281
Value of commodities received	\$ 18,870	\$ --	\$ 18,870

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

Estelline School District No. 28-2
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 5,961	\$ 19,283
Investments-certificates of deposit	5,435	--
 Total Assets	 \$ 11,396	 \$ 19,283
 Net Position:		
Scholarships	\$ 11,396	\$ --
Individuals, organizations, and other governments	--	19,283
 Total Net Position	 \$ 11,396	 \$ 19,283

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

Estelline School District No. 28-2
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 373	\$ --
Collections for student activities	--	85,265
	373	85,265
Total Additions	373	85,265
Deductions:		
Trust deductions for scholarships awarded	2,961	--
Payments for student activities	--	93,563
	2,961	93,563
Total Deductions	2,961	93,563
Change in Net Position	(2,588)	(8,298)
Net Position - Beginning of Year	13,984	27,581
Net Position - End of Year	\$ 11,396	\$ 19,283

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

Estelline School District No. 28-2

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. Reporting Entity:

The reporting entity of Estelline School District No. 28-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets 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.

Estelline School District No. 28-2

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.

Estelline School District No. 28-2

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:

- a. 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.)
- b. 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.
- c. 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 Funds – A fund used to record financial transactions related to driver’s education. 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:

Private Purpose Trust Funds – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund:

Rural Museum Trust Fund – A fund generated from donations for the purpose of the care and upkeep of the rural school museum.

Custodial Fund Types – 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 various classes, clubs, and so on.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Estelline School District 28-2 is 60 days. The revenues which are accrued at June 30, 2022 are due from other governments for grants.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

All proprietary and fiduciary 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. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 the estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than 2% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type are all valued at the original cost.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All Land	--	--
Buildings	\$ 20,000	Straight-line	50 years
Improvements	10,000	Straight-line	15-25 years
Equipment (governmental)	2,500	Straight-line	5-20 years
Equipment (proprietary funds)	1,000	Straight-line	5-20 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.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of lease liabilities, early retirement benefits payable, and compensated absences.

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

h. Leases:

The School District is a lessee for a noncancellable lease of \$14,780. The School District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$14,780 or more.

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

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

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

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

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

i. Program Revenues:

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

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

j. Deferred Outflows/Inflows of Resources:

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

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

k. Proprietary Funds Revenue and Expense Classifications:

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

l. Cash and Cash Equivalents:

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

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

m. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

n. Application of Net Position:

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

o. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

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

p. Pensions:

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

q. Implementation of Accounting Standard:

During fiscal year 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset.

Estelline School District No. 28-2

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); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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.

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.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from investments to the General Fund except for the Debt Service Fund which retains its earnings. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Investment earnings were not material to the individual funds.

3. 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.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

4. Inventory:

Inventory for resale is stated 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 and proprietary 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. No material inventories were on hand as of June 30, 2022 in the governmental funds.

5. Property Tax:

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

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

6. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$431,121 due from various county, school, state and federal governments.

Estelline School District No. 28-2
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>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
**Restatement due to GASB 87				
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 62,998	\$ --	\$ --	\$ 62,998
Total capital assets not being depreciated/amortized	<u>62,998</u>	<u>--</u>	<u>--</u>	<u>62,998</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	5,809,139	273,282	--	6,082,421
Machinery & Equipment	1,250,334	122,648	16,699	1,356,283
Intangible Assets**	--	18,206	--	18,206
Library Books	145,722	551	--	146,273
Total capital assets being depreciated/amortized	<u>7,205,195</u>	<u>414,687</u>	<u>16,699</u>	<u>7,603,183</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	3,048,586	164,542	--	3,213,128
Machinery & Equipment	945,516	112,883	--	1,058,399
Intangible Assets**	--	3,641	--	3,641
Library Books	145,717	7,314	15,864	137,167
Total accumulated depreciation/amortization	<u>4,139,819</u>	<u>288,380</u>	<u>15,864</u>	<u>4,412,335</u>
Total capital assets being depreciated/amortized, net	<u>3,065,376</u>	<u>126,307</u>	<u>835</u>	<u>3,190,848</u>
Net Capital Assets	<u>\$ 3,128,374</u>	<u>\$ 126,307</u>	<u>\$ 835</u>	<u>\$ 3,253,846</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 128,132
Support services	128,133
Amortization	3,641
Co-curricular activities	<u>28,474</u>
Total Depreciation/Amortization Expense	<u>\$ 288,380</u>

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets: (Continued)

	<u>Balance</u> <u>6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 132,660	\$ 45,281	\$ --	\$ 177,941
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>71,314</u>	<u>10,065</u>	<u>--</u>	<u>81,379</u>
Total capital assets being depreciated, net	<u>\$ 61,346</u>	<u>\$ 35,216</u>	<u>\$ --</u>	<u>\$ 96,562</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 10,065</u>

8. Long-Term Liabilities:

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

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within</u> <u>One Year</u>
**Restated-Implementation of GASB 87					
Other Liabilities:					
Compensated Absences	\$ 25,556	\$ 27,985	\$ 25,556	\$ 27,985	\$ 13,993
Early Retirement Payable	27,128	--	10,657	16,471	7,751
Right to Use asset:					
Intangible Lease**	--	18,206	3,426	14,780	3,531
Total Long-Term Liabilities	<u>\$ 52,684</u>	<u>\$ 46,191</u>	<u>\$ 39,639</u>	<u>\$ 59,236</u>	<u>\$ 25,275</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 27,985
Early Retirement-	
Payable from the fund to which payroll expenditures are charged	\$ 16,471

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

8. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2022 is comprised of the following:

Estelline School District No 28-2 Copier Lease	During July 2021, the School District entered into an agreement for a copier lease with Century Business Leasing in the amount of \$18,206. There is an interest rate of 3% assessed on this amount. Final payment is June 2026. The Capital Outlay Fund makes payment on this debt.	\$ 14,780
---	--	-----------

The annual requirements to amortize the General Obligation Bonds, Capital Outlay Certificates and capital lease/purchase agreements outstanding at June 30, 2022, are as follows:

Year Ending June 30,	Intangible Lease		Totals	
	Principal	Interest	Principal	Interest
2023	\$ 3,531	\$ 396	\$ 3,531	\$ 396
2024	3,638	288	3,638	288
2025	3,748	176	3,748	176
2026	3,863	63	3,863	63
Totals	<u>\$ 14,780</u>	<u>\$ 923</u>	<u>\$ 14,780</u>	<u>\$ 923</u>

9. Interfund Transfers:

Transfers to/from other funds at June 30, 2022, consist of the following:

Transfer from the General Fund to the Other Enterprise Fund for Expenses.	\$ 1,650
Transfer from the Capital Outlay Fund to the General Fund to cover operating expenses.	\$ 125,000

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

10. 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	\$ 708,536
Special Education	Law	50,514
SDRS Pension Purposes	Law	247,762
Total		<u>\$ 1,006,812</u>

11. Pension Plan:

a. 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.

b. Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B 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.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

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.

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 103,035
2021	\$ 95,880
2020	\$ 106,403

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2022

11. Pension Plan: (Continued)

d. 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 liability	\$ 9,764,421
Less proportionate share of net pension restricted for pension benefits	10,303,702
Proportionate share of net pension (asset)	<u>\$ (539,281)</u>

At June 30, 2022, the School District reported an (asset) of (\$539,281) 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 0.07041800%, which is a decrease of -0.0041688% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$145,754. 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	\$ 19,362	\$ 1,414
Changes in assumption	620,168	270,065
Net difference between projected and actual earnings on pension plan investments	--	770,374
Changes in proportion and difference between district contributions and proportionate share of contributions	8,864	1,095
District contributions subsequent to the measurement date	103,035	--
Total	<u>\$ 751,429</u>	<u>\$ 1,042,948</u>

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

\$103,035 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:

	Year Ended	
	June 30,	
	2023	\$ (94,313)
	2024	(64,762)
	2025	(18,749)
	2026	(216,730)
	Total	<u>\$ (394,554)</u>

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

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

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

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

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2021 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

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

f. 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).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 873,231</u>	<u>\$ (539,281)</u>	<u>\$ (1,685,912)</u>

h. Pension Plan Fiduciary Net Position:

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

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

12. Joint Venture Information:

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing 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 alone to the member School Districts. The members of the Co-op are as follows with each member district having a determined allocation:

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%
Oldham-Ramona School District No. 39-5	0%	Oldham-Ramona School District No. 39-5	0%
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 setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the Net Position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2022, this joint venture had the following:

	<u>June 30, 2022</u>
Total Assets	\$ 3,308,211
Total Liabilities	\$ 534,507
Total Net Position	\$ 2,289,459

Estelline School District No. 28-2

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 South Dakota School District Health Benefits Fund. This is a public entity risk pool operating as a common risk management and insurance program for South Dakota local government entities through the Associated School Boards of South Dakota. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it received from the members.

The coverage includes the option of four different plans with a deductible from \$1,000 to \$3,000.

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

Liability Insurance:

The School District purchases liability insurance for risks related to torts, theft, 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 over the past three years.

Unemployment Benefits:

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

The School District has an Assigned Fund Balance in the General Fund in the amount of \$48,524 for the payment of future unemployment benefits.

During the year ended June 30, 2022, there were no claims for unemployment that were paid. There are no future expected claims at this time.

Estelline School District No. 28-2

Notes to the Financial Statements

June 30, 2022

14. Early Retirement Benefits:

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement after the age of 55 and have at least fifteen years of continuous service with the district. Under the plan, the district will pay \$300 per years of employment until they turn 62 years of age. Such amounts are payable each year until employee turns 62 years of age. The district uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2022, 3 employees participated in the early retirement plan. The amount paid for such benefits during the year was \$10,011.

15. Significant Contingencies – Litigation:

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

16. Subsequent Events:

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

Required Supplementary Information

Estelline School District No. 28-2

Required Supplementary Information – Budgetary Comparison Schedule – General 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	\$ 1,547,539	\$ 1,547,539	\$ 1,590,841	\$ 43,302
Prior years' ad valorem taxes	12,000	12,000	11,769	(231)
Utility taxes	105,000	105,000	116,525	11,525
Penalties and interest on taxes	3,000	3,000	4,823	1,823
Tuition and Fees:				
Earnings on Investments and Deposits	5,000	5,000	8,367	3,367
Cocurricular Activities:				
Admissions	13,500	13,500	20,317	6,817
Rentals	--	--	355	355
Other student activity income	12,200	13,104	13,704	600
Other Revenue from Local Sources:				
Contributions and donations	--	--	321	321
Refund of prior years' expenditures	--	--	1,064	1,064
Charges for services	7,000	7,000	7,271	271
Other	--	2,893	8,880	5,987
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	13,000	13,000	13,919	919
Revenue in lieu of taxes	100	100	100	--
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	875,085	875,085	832,603	(42,482)
Restricted grants-in-aid	--	3,843	3,962	119
Other state revenues	--	1,600	1,600	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	158,532	204,993	181,276	(23,717)
Total Revenues	\$ 2,751,956	\$ 2,807,657	\$ 2,817,697	\$ 10,040

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

Estelline School District No. 28-2

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	\$ 561,799	\$ 592,424	\$ 574,107	\$ 18,317
Middle/junior high	257,007	257,182	239,074	18,108
High school	527,008	534,284	489,192	45,092
Preschool	34,379	38,157	36,490	1,667
Special Programs:				
Educationally deprived	66,035	67,274	67,151	123
Support Services:				
Students:				
Guidance	60,899	65,918	65,518	400
Health	3,100	3,140	1,168	1,972
Instructional Staff:				
Improvement of instruction	30,090	48,261	44,187	4,074
Educational media	95,174	95,174	85,077	10,097
General Administration:				
Board of education	37,965	50,965	44,408	6,557
Executive administration	86,145	86,145	77,300	8,845
School Administration:				
Office of the principal	222,805	222,805	209,633	13,172
Other	600	600	370	230
Business:				
Fiscal services	91,930	91,930	88,568	3,362
Facilities acquisition and construction		7,500	7,500	--
Operation and maintenance of plant	310,895	324,629	324,611	18
Student transportation	136,720	136,720	108,324	28,396
Central:				
Staff	500	715	713	2
Nonprogrammed Charges:				
Payments to State - unemployment	5,000	5,000	--	5,000
Early retirement payments	11,627	11,627	10,011	1,616
Cocurricular Activities:				
Male activities	27,301	27,301	24,723	2,578
Female activities	27,338	27,338	25,865	1,473
Transportation	15,145	15,145	10,369	4,776
Combined activities	61,178	66,107	63,950	2,157
Total Expenditures	<u>2,670,640</u>	<u>2,776,341</u>	<u>2,598,309</u>	<u>178,032</u>
Excess of Revenues Over Expenditures	<u>81,316</u>	<u>31,316</u>	<u>219,388</u>	<u>188,072</u>
Other Financing Sources:				
Operating transfers in	125,000	125,000	125,000	--
Operating transfers out	(49,547)	(49,547)	(1,650)	47,897
Total Other Financing Sources:	<u>75,453</u>	<u>75,453</u>	<u>123,350</u>	<u>47,897</u>
Net Change in Fund Balances	156,769	106,769	342,738	235,969
Fund Balance, Beginning of Year	<u>1,229,218</u>	<u>1,229,218</u>	<u>1,229,218</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,385,987</u>	<u>\$ 1,335,987</u>	<u>\$ 1,571,956</u>	<u>\$ 235,969</u>

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

Estelline School District No. 28-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 381,200	\$ 381,200	\$ 370,412	\$ (10,788)
Prior years' ad valorem taxes	3,000	3,000	1,582	(1,418)
Penalties and interest on taxes	750	750	866	116
Other Revenue from Local Sources:				
Contributions and Donations	5,000	129,606	124,606	(5,000)
Other	5,425	5,425	6,306	881
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through intermediate	--	28,574	21,294	(7,280)
Restricted grants-in-aid received directly from federal government	32,831	34,572	18,300	(16,272)
Restricted grants-in-aid received from federal government through the state	156,298	395,158	394,536	(622)
Total Revenues	<u>584,504</u>	<u>978,285</u>	<u>937,902</u>	<u>(40,383)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	15,880	121,464	118,675	2,789
Middle/junior high	9,200	57,047	55,421	1,626
High school	40,650	93,358	91,572	1,786
Special programs				
Programs for special education	--	150	150	--
Support Services:				
Students:				
Guidance	--	--	298	(298)
Instructional Staff:				
Educational media	56,738	64,336	38,774	25,562
General Administration:				
Office of the Principal	500	500	1,219	(719)
Business:				
Fiscal services	8,350	8,350	6,031	2,319
Facilities acquisition and construction	127,273	185,373	212,307	(26,934)
Operation and maintenance of plant	148,525	227,280	172,087	55,193
Student transportation	50,000	50,000	49,348	652
Food services	1,000	45,281	45,281	--
Debt Services:	18,330	18,330	3,926	14,404
Cocurricular Activities:				
Male activities	11,780	12,030	8,226	3,804
Combined Activities	12,500	13,258	1,005	12,253
Total Expenditures	<u>500,726</u>	<u>896,757</u>	<u>804,320</u>	<u>92,437</u>
Excess of Revenue Over (Under) Expenditures	<u>83,778</u>	<u>81,528</u>	<u>133,582</u>	<u>52,054</u>
Other Financing Sources (Uses):				
Transfers out	(125,000)	(125,000)	(125,000)	--
Sale of Surplus Property	--	--	10,854	10,854
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(114,146)</u>	<u>10,854</u>
Net Change in Fund Balances	(41,222)	(43,472)	19,436	62,908
Fund Balance, Beginning of Year	<u>688,253</u>	<u>688,253</u>	<u>688,253</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 647,031</u>	<u>\$ 644,781</u>	<u>\$ 707,689</u>	<u>\$ 62,908</u>

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

Estelline School District No. 28-2
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 544,765	\$ 544,765	\$ 612,313	\$ 67,548
Prior years' ad valorem taxes	3,000	3,000	2,472	(528)
Penalties and interest on taxes	1,500	1,500	1,399	(101)
Other Revenue from Local Sources:				
Services provided other school districts	6,750	6,750	6,525	(225)
Charges for services	1,950	1,950	993	(957)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	40,000	40,000	--	(40,000)
Total Revenues	<u>597,965</u>	<u>597,965</u>	<u>623,702</u>	<u>25,737</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	378,309	407,309	384,850	22,459
Support Services:				
Students:				
Guidance	745	745	--	745
Health Services	24,000	24,000	23,817	183
Psychological services	17,063	17,063	12,851	4,212
Speech pathology	43,000	43,000	37,910	5,090
Student therapy services	32,000	32,000	24,175	7,825
Improvement of instruction	3,000	3,000	2,566	434
Students:				
Board of education	1,395	1,395	1,271	124
Special Education:				
Administrative costs	300	300	--	300
Transportation costs	67,780	67,780	69,599	(1,819)
Other special education costs	61,950	63,600	67,856	(4,256)
Total Expenditures	<u>629,542</u>	<u>660,192</u>	<u>624,895</u>	<u>35,297</u>
Excess of Revenues Over (Under) Expenditures	<u>(31,577)</u>	<u>(62,227)</u>	<u>(1,193)</u>	<u>61,034</u>
Other Financing Sources (Uses):				
Transfer in	<u>31,477</u>	<u>31,477</u>	<u>--</u>	<u>(31,477)</u>
Total Other Financing Sources (Uses)	<u>31,477</u>	<u>31,477</u>	<u>--</u>	<u>(31,477)</u>
Net Change in Fund Balance	(100)	(30,750)	(1,193)	29,557
Fund Balance, Beginning of Year	<u>50,325</u>	<u>50,325</u>	<u>50,325</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 50,225</u>	<u>\$ 19,575</u>	<u>\$ 49,132</u>	<u>\$ 29,557</u>

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

Estelline School District No. 28-2
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 trust and agency funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. Basis of Presentation:

The financials 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 Fund 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 expenses.

Estelline School District No. 28-2

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)	0.0704180%	0.0745868%	0.0757232%	0.0803660%	0.0783413%	0.0727935%	0.0674612%	0.0686316%
District's proportionate share of net pension liability (asset)	\$ (539,281)	\$ (3,239)	\$ (8,025)	\$ (1,874)	\$ (7,110)	\$ 245,889	\$ (286,122)	\$ (494,463)
District's covered-employee payroll	\$ 1,598,003	\$ 1,636,956	\$ 1,610,028	\$ 1,670,741	\$ 1,591,728	\$ 1,384,164	\$ 1,231,655	\$ 1,200,179
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.

Estelline School District No. 28-2

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	\$ 103,035	\$ 95,880	\$ 106,403	\$ 96,602	\$ 100,244	\$ 95,504	\$ 83,050	\$ 73,899	\$ 72,011
Contributions in relation to the contractually-required contribution	<u>103,035</u>	<u>95,880</u>	<u>106,403</u>	<u>96,602</u>	<u>100,244</u>	<u>95,504</u>	<u>83,050</u>	<u>73,899</u>	<u>72,011</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	\$ 1,715,774	\$ 1,598,003	\$ 1,636,956	\$ 1,610,028	\$ 1,670,741	\$ 1,591,728	\$ 1,384,164	\$ 1,231,655	\$ 1,200,179
Contributions as a percentage of employee-covered payroll	6.01%	6.00%	6.50%	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.

Estelline School District No. 28-2

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 one plan provision change are reflected and described below.

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

Benefit Provision Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% 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%. For this June 30, 2020 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 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.

Supplementary Information

Estelline School District No. 28-2
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	\$ 18,870
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	26,430
National School Lunch Program (Note 3)	10.555	NA	167,760
Total Child Nutrition Cluster			<u>213,060</u>
Total U.S. Department of Agriculture			<u>213,060</u>
U.S. Department of Defense - Direct Programs			
US Department of Defence - Pass- Through Programs From:			
SD Department of Homeland Security	97.067	NA	<u>8,627</u>
Total U.S. Department of Defence			<u>8,627</u>
U.S. Department of the Interior			
Pass Through Hamlin County			
Payments in Lieu of Taxes (Note 3)	15.227	NA	<u>115</u>
Total U.S. Department of Interior			<u>115</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	67,269
Career and Technical Education	84.048	NA	6,336
Supporting Effective Instruction State Grant	84.367	NA	20,553
Student Support and Academic Enrichment Program	84.424A	NA	10,000
Cares ESSER funds (Note 4)	84.425D	NA	187,456
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>275,456</u>
Total ESSER Funds			462,912
Directly through the S.D. Department of Education:			
Rural Education	84.358	NA	<u>18,300</u>
Total U.S. Department of Education			<u>585,370</u>
U.S. Department of Health and Human Service:			
Emergency Connectivity Fund	32.009	NA	<u>28,574</u>
Total U.S. Department of Health and Human Services			<u>28,574</u>
Grand Total			<u>\$ 835,746</u>

Estelline School District No. 28-2
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Estelline School District No. 28-2 under programs of the federal government for the year ended. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Estelline School District No. 28-2, it is not intended to and does not present the financial position, changes in net position, or cash flows of Estelline School District No. 28-2.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursement:

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.