

Estelline School District No. 28-2

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

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

Estelline School District No. 28-2

School District Officials

June 30, 2023

Board Members

Chris Verhoek ----- Board President

Lynda Pierce ----- Vice President

Chad Saathoff ----- Member

Amy Latin ----- 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, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated December 12, 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 blue ink that reads "CLO Prof LHC". The signature is written in a cursive, somewhat stylized font.

Elk Point, South Dakota
December 12, 2023

Estelline School District No. 28-2
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2023

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

No current year audit findings reported.



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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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.

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

Elk Point, South Dakota
December 12, 2023

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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 \$68,894 (1.19%).

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, 2023

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

Figure A-1

Major Features of 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, 2023

Government-Wide Statements

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

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, 2023

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund 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, 2023

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
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 4,435,064	\$ 4,037,805	\$ 58,789	\$ 54,521	\$ 4,493,853	\$ 4,092,326	-8.94%
Capital Assets (Net of Depreciation)	3,253,846	3,191,204	96,562	86,498	3,350,408	3,277,702	-2.17%
Total Assets	7,688,910	7,229,009	155,351	141,019	7,844,261	7,370,028	-6.05%
Pension Related Deferred Outflows	751,429	675,703	--	--	751,429	675,703	-10.08%
Total Deferred Outflows or Resources	751,429	675,703	--	--	751,429	675,703	-10.08%
Long-Term Liabilities Outstanding	59,236	48,577	--	--	59,236	48,577	-17.99%
Other Liabilities	322,540	349,560	15,566	30,145	338,106	379,705	12.30%
Total Liabilities	381,776	398,137	15,566	30,145	397,342	428,282	7.79%
Taxes Levied for Future Period	1,236,473	1,264,281	--	--	1,236,473	1,264,281	2.25%
Pension Related Deferred Inflows	1,042,948	397,165	--	--	1,042,948	397,165	-61.92%
Total Deferred Inflows of Resources	2,279,421	1,661,446	--	--	2,279,421	1,661,446	-27.11%
Net Investment in Capital Assets	3,194,610	3,142,627	96,562	86,498	3,291,172	3,229,125	-1.89%
Restricted	1,006,812	1,229,712	--	--	1,006,812	1,229,712	22.14%
Unrestricted	1,577,720	1,472,790	43,223	24,376	1,620,943	1,497,166	-7.64%
Total Net Position	5,779,142	5,845,129	139,785	110,874	5,918,927	5,956,003	0.63%
Beginning Net Position	5,156,672	5,779,142	69,869	139,785	5,226,541	5,918,927	13.25%
Increase (Decrease) in Net Position	\$ 622,470	\$ 65,987	\$ 69,916	\$ (28,911)	\$ 692,386	\$ 37,076	94.65%
Percentage of Increase (Decrease) in Net Position	12.07%	1.14%	100.07%	-20.68%	13.25%	0.63%	

The School's combined net position of approximately \$5.95 million is approximately \$40,000 or 0.6% larger than on June 30, 2022. 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, 2023

Changes in Net Position

The Estelline School District’s total revenues (excluding transfers) in FY23 were \$4,394,678. More than 65% of the School’s revenue comes from property and other taxes, with approximately 20% coming from state aid. (See Table A-2).

Table A-2
Estelline School District 28-2
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 2,882,745	65.60%
State Sources	904,143	20.57%
Operating Grants & Contributions	357,121	8.13%
Charges For Services	142,112	3.23%
Other General Revenues	46,797	1.06%
Unrestricted Investment Earnings	61,760	1.41%
Total Revenue	\$ 4,394,678	100.00%

Total expenditures of all programs and services increased by approximately 8.4%. The Estelline School District expenses totaled \$4,414,569 (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 2022-2023

Instruction	\$ 2,345,658	53.14%
Support Services	1,597,462	36.19%
Interest - on Long-Term Debt	395	0.01%
Community Services	523	0.01%
Cocurricular Activities	235,755	5.34%
Food Service	201,910	4.57%
Nonprogrammed Charges	29,283	0.66%
Drivers Education	3,583	0.08%
Total Expenditures	\$ 4,414,569	100.00%

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental and Business-Type Activities

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

Table A-4

	Government Activities		Business-type Activities		Total		Total
	2022	2023	2022	2023	2022	2023	Percentage Change
Revenues							
Program Revenues							
Charge for Services	\$ 179,500	\$ 60,568	\$ 23,908	\$ 81,544	\$ 203,408	\$ 142,112	-30.13%
Operating Grants/ Contributions	615,406	262,083	213,543	95,038	828,949	357,121	-56.92%
General Revenues							
Taxes	2,709,817	2,882,745	--	--	2,709,817	2,882,745	6.38%
Revenue State Sources	838,165	904,143	--	--	838,165	904,143	7.87%
Other							
Other general revenues	173,479	46,797	--	--	173,479	46,797	-73.02%
Unrestricted Investment Earnings	8,367	61,760	--	--	8,367	61,760	638.14%
	<u>4,524,734</u>	<u>4,218,096</u>	<u>237,451</u>	<u>176,582</u>	<u>4,762,185</u>	<u>4,394,678</u>	<u>-7.72%</u>
Expenses							
Instruction	2,184,168	2,345,658	--	--	2,184,168	2,345,658	7.39%
Support Services	1,507,042	1,597,462	--	--	1,507,042	1,597,462	6.00%
Community Services	1,011	523			1,011	523	-48.27%
Non-programmed Charges	--	29,283	--	--	--	29,283	100.00%
Interest on long-term debt	500	395	--	--	500	395	-21.00%
Co-curricular Activities	162,612	235,755	--	--	162,612	235,755	44.98%
Food Service	--	--	211,832	201,910	211,832	201,910	-4.68%
Other Enterprise	--	--	2,634	3,583	2,634	3,583	36.03%
	<u>3,855,333</u>	<u>4,209,076</u>	<u>214,466</u>	<u>205,493</u>	<u>4,069,799</u>	<u>4,414,569</u>	<u>8.47%</u>
Excess (Deficiency)							
Before Transfers	669,401	9,020	22,985	(28,911)	692,386	(19,891)	-102.87%
Extraordinary Items	--	56,967	--	--	--	56,967	100.00%
Transfers	(46,931)	--	46,931	--	--	--	0.00%
Increase (Decrease) in Net Position	622,470	65,987	69,916	(28,911)	692,386	37,076	-94.65%
Beginning 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>
Ending Net Position	<u>\$ 5,779,142</u>	<u>\$ 5,845,129</u>	<u>\$ 139,785</u>	<u>\$ 110,874</u>	<u>\$ 5,918,927</u>	<u>\$ 5,956,003</u>	<u>0.63%</u>

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues for the School's governmental activities decreased approximately 6.8% while expenses for governmental activities increased by approximately 9.1%. The larger revenue decreases occurred in other general revenue and operating grants and contributions.

Business-Type Activities

Expenditures of the School's business-type activities (Food Service Operation and Other Enterprise) decreased by 4.1% while revenues decreased by 25.6%.

Financial Analysis of the School's Funds

The General Fund decreased in fund balance from FY22 to FY23 by \$106,406 and the Capital Outlay fund balance increased by \$132,921. The Special Education Fund had an increase in fund balance of \$51,928.

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, 2023

Capital Asset Administration

By the end of FY23, the School had invested \$3,277,702 (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 decrease (including additions and deductions) of \$72,706.

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>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>		
Land	\$ 62,998	\$ 62,998	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	2,869,293	2,782,008	--	--	(87,285)	-3.04%
Machinery & Equipment	297,884	333,404	96,562	86,498	25,456	6.45%
Intangible Lease Assets	14,565	10,924	--	--	(3,641)	-25.00%
Library Books	9,106	1,870	--	--	(7,236)	-79.46%
Total Capital Assets	\$ 3,253,846	\$ 3,191,204	\$ 96,562	\$ 86,498	\$ (72,706)	-2.17%

Major capital outlay purchases in FY23 included video surveillance additions, bathroom improvements, replacement of concrete at FB and Arena, 1 used grasshopper broom, 1 used snow blower, gym padding, 1 used bus, track equipment, and library books.

Long-Term Debt

At year-end, the School had \$48,577 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>2022</u>	<u>2023</u>		
Intangible Lease Liabilities	\$ 14,780	\$ 11,249	\$ (3,531)	100.00%
Early Retirement Payable	16,471	8,720	(7,751)	-47.06%
Accrued Compensated Absences - Governmental Funds	27,985	28,608	623	2.23%
Total Outstanding Debt	\$ 59,236	\$ 48,577	\$ (10,659)	-17.99%

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.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 2,487,299	\$ 48,713	\$ 2,536,012
Investments-certificates of deposit	54,061	--	54,061
Accounts receivable	215,420	--	215,420
Taxes receivable	1,274,234	--	1,274,234
Inventories	--	5,808	5,808
Net pension asset	6,791	--	6,791
Capital assets:			
Land and construction in progress	62,998	--	62,998
Other capital assets, net of depreciation	3,128,206	86,498	3,214,704
Total Assets	7,229,009	141,019	7,370,028
Deferred Outflows of Resources:			
Pension-related deferred outflows	675,703	--	675,703
Total Deferred Outflows of Resources	675,703	--	675,703
Liabilities:			
Unearned revenue	--	27,671	27,671
Other current liabilities	349,560	2,474	352,034
Long-term liabilities:			
Due within one year	23,755	--	23,755
Due in more than one year	24,822	--	24,822
Total Liabilities	398,137	30,145	428,282
Deferred Inflows of Resources:			
Taxes levied for future periods	1,264,281	--	1,264,281
Pension related deferred inflows	397,165	--	397,165
Total Deferred Inflows of Resources	1,661,446	--	1,661,446
Net Position:			
Net investment in capital assets	3,142,627	86,498	3,229,125
Restricted for:			
Capital outlay	841,631	--	841,631
Special education	102,752	--	102,752
SDRS pension purposes	285,329	--	285,329
Unrestricted	1,472,790	24,376	1,497,166
Total Net Position	\$ 5,845,129	\$ 110,874	\$ 5,956,003

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, 2023

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	\$ 2,345,658	\$ --	\$ 249,867	\$ (2,095,791)	\$ --	\$ (2,095,791)	
Support services	1,597,462	36,588	12,216	(1,548,658)	--	(1,548,658)	
Community services	523	--	--	(523)	--	(523)	
Nonprogrammed Charges	29,283	--	--	(29,283)	--	(29,283)	
Interest on long-term debt	395	--	--	(395)	--	(395)	
Cocurricular activities	235,755	23,980	--	(211,775)	--	(211,775)	
Total Governmental Activities	4,209,076	60,568	262,083	(3,886,425)	--	(3,886,425)	
Business-Type Activities:							
Food service	201,910	79,119	95,038	--	(27,753)	(27,753)	
Other enterprise	3,583	2,425	--	--	(1,158)	(1,158)	
Total Business Type Activities	205,493	81,544	95,038	--	(28,911)	(28,911)	
Total Primary Government	\$ 4,414,569	\$ 142,112	\$ 357,121	(3,886,425)	(28,911)	(3,915,336)	
General Revenues:							
Taxes:							
				2,769,927	--	2,769,927	
				112,818	--	112,818	
Revenue from state sources:							
				900,315	--	900,315	
				3,828	--	3,828	
				61,760	--	61,760	
				46,797	--	46,797	
				56,967	--	56,967	
Total General Revenues and Extraordinary Items				3,952,412	--	3,952,412	
				Change in Net Position	65,987	(28,911)	37,076
				Net Position - Beginning of Year	5,779,142	139,785	5,918,927
				Net Position - End of Year	\$ 5,845,129	\$ 110,874	\$ 5,956,003

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, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,464,201	\$ 886,222	\$ 136,876	\$ 2,487,299
Investments-certificates of deposit	49,061	5,000	--	54,061
Taxes receivable - current	794,364	172,868	297,049	1,264,281
Taxes receivable - delinquent	7,240	1,021	1,692	9,953
Accounts receivable	--	--	3,450	3,450
Due from other governments	211,970	--	--	211,970
Total Assets	<u>\$ 2,526,836</u>	<u>\$ 1,065,111</u>	<u>\$ 439,067</u>	<u>\$ 4,031,014</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 5,254	\$ 50,612	\$ 1,125	\$ 56,991
Contracts payable	202,081	--	27,428	229,509
Payroll deductions and withholding and employer matching payable	52,347	--	10,713	63,060
Total Liabilities	<u>259,682</u>	<u>50,612</u>	<u>39,266</u>	<u>349,560</u>
Deferred Inflows of Resources:				
Taxes levied for future period	794,364	172,868	297,049	1,264,281
Delinquent taxes not available	7,240	1,021	1,692	9,953
Total Deferred Inflows of Resources	<u>801,604</u>	<u>173,889</u>	<u>298,741</u>	<u>1,274,234</u>
Fund Balances:				
Restricted:				
For capital outlay	--	840,610	--	840,610
For special education	--	--	101,060	101,060
Assigned	48,524	--	--	48,524
Unassigned	1,417,026	--	--	1,417,026
Total Fund Balances	<u>1,465,550</u>	<u>840,610</u>	<u>101,060</u>	<u>2,407,220</u>
Total Liabilities and Fund Balances	<u>\$ 2,526,836</u>	<u>\$ 1,065,111</u>	<u>\$ 439,067</u>	<u>\$ 4,031,014</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, 2023

Total Fund Balances - Governmental Funds \$ 2,407,220

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. 3,191,204

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	(11,249)	
Early Retirement Payable	(8,720)	
Accrued Leave	<u>(28,608)</u>	(48,577)

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 9,953

Proportionate Share of Net Pension Asset 6,791

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (397,165)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 675,703

Net Position - Governmental Activities \$ 5,845,129

Estelline School District No. 28-2

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

June 30, 2023

	General	Capital Outlay	Special Education	Total Governmental Funds
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,717,641	\$ 384,142	\$ 650,724	\$ 2,752,507
Prior years' ad valorem taxes	7,077	881	1,446	9,404
Utility taxes	112,818	--	--	112,818
Penalties and interest on taxes	3,940	795	1,321	6,056
Earnings on Investments and Deposits	61,760	--	--	61,760
Cocurricular Activities:				
Admissions	23,020	--	--	23,020
Rentals	960	--	--	960
Other Revenue from Local Sources:				
Contributions and donations	3,205	11,500	--	14,705
Services provided by other school districts	--	--	7,800	7,800
Refund of prior years' expenditures	--	1,852	--	1,852
Charges for services	6,915	--	1,168	8,083
Other	11,344	4,773	2,067	18,184
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	11,310	--	--	11,310
Revenue in lieu of taxes	118	59	98	275
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	900,315	--	--	900,315
Restricted grants-in-aid	2,228	--	--	2,228
Other state revenue	1,600	--	--	1,600
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	--	12,216	--	12,216
Restricted grants-in-aid received from federal government through the state	243,117	6,750	--	249,867
Total Revenues	\$ 3,107,368	\$ 422,968	\$ 664,624	\$ 4,194,960

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 684,616	\$ 3,938	\$ --	\$ 688,554
Middle/junior high	305,453	2,191	--	307,644
High school	625,736	10,918	--	636,654
Preschool	31,452	--	--	31,452
Special Programs:				
Programs for special education	--	--	458,369	458,369
Educationally deprived	74,118	--	--	74,118
Support Services:				
Students:				
Guidance	71,467	--	9,794	81,261
Health	1,385	--	18,258	19,643
Speech pathology	--	--	30,283	30,283
Student therapy services	--	--	17,927	17,927
Instructional Staff:				
Improvement of instruction	37,870	--	1,296	39,166
Educational media	100,561	--	--	100,561
General Administration:				
Board of education	44,286	--	1,289	45,575
Executive administration	78,949	--	--	78,949
School Administration:				
Office of the principal	218,814	--	--	218,814
Other	297	--	--	297
Business:				
Fiscal services	115,919	--	--	115,919
Facilities acquisition and construction	--	3,637	--	3,637
Operation and maintenance of plant	405,218	46,414	--	451,632
Student transportation	177,607	--	--	177,607
Special Education:				
Transportation costs	--	--	71,555	71,555
Other special education costs	--	--	3,925	3,925

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Central:				
Staff	523	--	--	523
Nonprogrammed Charges:				
Early retirement payments	7,751	--	--	7,751
Other nonprogrammed Costs	29,283	--	--	29,283
Debt Services:	--	3,926	--	3,926
Cocurricular Activities:				
Male activities	45,767	12,940	--	58,707
Female activities	37,708	--	--	37,708
Transportation	10,779	--	--	10,779
Combined activities	61,240	34,240	--	95,480
Capital Outlay	--	279,573	--	279,573
Total Expenditures	<u>3,166,799</u>	<u>397,777</u>	<u>612,696</u>	<u>4,177,272</u>
Excess of Revenue Over (Under) Expenditures	(59,431)	25,191	51,928	17,688
Other Financing Sources (Uses):				
Transfer in	--	46,975	--	46,975
Transfer out	(46,975)	--	--	(46,975)
Sale of Surplus Property	--	3,788	--	3,788
Total Other Financing Sources (Uses)	<u>(46,975)</u>	<u>50,763</u>	<u>--</u>	<u>3,788</u>
Extraordinary Items	--	56,967	--	56,967
Net Change in Fund Balances	(106,406)	132,921	51,928	78,443
Fund Balance, Beginning of Year	<u>1,571,956</u>	<u>707,689</u>	<u>49,132</u>	<u>2,328,777</u>
Fund Balance, End of Year	<u><u>\$ 1,465,550</u></u>	<u><u>\$ 840,610</u></u>	<u><u>\$ 101,060</u></u>	<u><u>\$ 2,407,220</u></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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 78,443

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. 279,573

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. (330,815)

In the statement of activities, gains and losses on disposal of capital assets (11,400)

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 3,531 3,531

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." 1,960

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. 7,128

Changes in the pension related deferred outflows/inflows are direct 37,567

Change in net position of governmental activities \$ 65,987

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

Estelline School District No. 28-2
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 47,511	\$ 1,202	\$ 48,713
Inventory - supplies	1,492	--	1,492
Inventory - stores for resale	1,690	--	1,690
Inventory of donated food	2,626	--	2,626
Total Current Assets	<u>53,319</u>	<u>1,202</u>	<u>54,521</u>
Noncurrent Assets:			
Machinery and equipment - local funds	177,941	--	177,941
Less accumulated depreciation	(91,443)	--	(91,443)
Total Noncurrent Assets	<u>86,498</u>	<u>--</u>	<u>86,498</u>
Total Assets	<u>\$ 139,817</u>	<u>\$ 1,202</u>	<u>\$ 141,019</u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 192	\$ --	\$ 192
Accrued payroll expenses	2,282	--	2,282
Unearned revenue	27,671	--	27,671
Total Current Liabilities	<u>30,145</u>	<u>--</u>	<u>30,145</u>
Net Position:			
Net investment in capital assets	86,498	--	86,498
Unrestricted net position	23,174	1,202	24,376
Total Net Position	<u>\$ 109,672</u>	<u>\$ 1,202</u>	<u>\$ 110,874</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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 2,425	\$ 2,425
Food Sales:			
Student	71,193	--	71,193
Adult	4,474	--	4,474
Other charges for goods and services	3,452	--	3,452
Total Operating Revenue	79,119	2,425	81,544
Operating Expenses:			
Food Service:			
Salaries	49,456	2,802	52,258
Employee benefits	26,136	--	26,136
Purchased services	2,054	--	2,054
Supplies	3,818	781	4,599
Cost of sales - purchased	88,608	--	88,608
Cost of sales - donated	21,773	--	21,773
Depreciation	10,065	--	10,065
Total Operating Expenses	201,910	3,583	205,493
Operating Income(Loss)	(122,791)	(1,158)	(123,949)
Nonoperating Revenues/Expenses:			
State grants	429	--	429
Federal grants	70,892	--	70,892
Donated food	23,717	--	23,717
Total Nonoperating Revenue/ (Expenses)	95,038	--	95,038
Change in Net Position	(27,753)	(1,158)	(28,911)
Net Position - Beginning of Year	137,425	2,360	139,785
Net Position - End of Year	\$ 109,672	\$ 1,202	\$ 110,874

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, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 93,183	\$ 2,425	\$ 95,608
Cash payments to suppliers	(93,569)	(838)	(94,407)
Cash payments to employees	(75,020)	(2,802)	(77,822)
Net Cash (Used) by Operating Activities	(75,406)	(1,215)	(76,621)
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	429	--	429
Cash reimbursements - federal	70,892	--	70,892
Net Cash Provided by Noncapital Financing Activities	71,321	--	71,321
Net Change in Cash and Cash Equivalents	(4,085)	(1,215)	(5,300)
Cash and Cash Equivalents, Beginning of Year	51,596	2,417	54,013
Cash and Cash Equivalents, End of Year	<u>\$ 47,511</u>	<u>\$ 1,202</u>	<u>\$ 48,713</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (122,791)	\$ (1,158)	\$ (123,949)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	10,065	--	10,065
Value of commodities used	21,773	--	21,773
Change in Assets and Liabilities:			
Inventory	911	--	911
Deferred revenue	14,064	--	14,064
Contracts payable	(313)	--	(313)
Accrued payroll expenses	885	--	885
Accounts payable	--	(57)	(57)
Net cash (used) by operating activities:	<u>\$ (75,406)</u>	<u>\$ (1,215)</u>	<u>\$ (76,621)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 23,717</u>	<u>\$ --</u>	<u>\$ 23,717</u>

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, 2023

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 5,982	\$ 31,840
Investments-certificates of deposit	5,438	--
 Total Assets	 \$ 11,420	 \$ 31,840
 Net Position:		
Scholarships	\$ 11,420	\$ --
Individuals, organizations, and other governments	--	31,840
 Total Net Position	 \$ 11,420	 \$ 31,840

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, 2023

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 24	\$ --
Collections for student activities	--	89,473
Total Additions	24	89,473
Deductions:		
Payments for student activities	--	76,916
Total Deductions	--	76,916
Change in Net Position	24	12,557
Net Position - Beginning of Year	11,396	19,283
Net Position - End of Year	\$ 11,420	\$ 31,840

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, 2023

1. Summary of Significant Accounting Policies:

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

a. 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

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, 2023

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Estelline School District 28-2 is 60 days. The revenues which are accrued at June 30, 2023 are due from other governments for grants.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

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, 2023

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

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

The total June 30, 2023 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, 2023 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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, 2023

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. 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 \$30,000 or more.

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

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

- The School District uses the interest rate 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, 2023

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, 2023

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, 2023

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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

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, 2023

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, 2023 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 \$322,970 due from various county, school, state and federal governments.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

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

	6/30/2022	Increases	Decreases	6/30/2023
	Balance	Increases	Decreases	Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 62,998	\$ --	\$ --	\$ 62,998
Total capital assets not being depreciated/amortized	62,998	--	--	62,998
Capital assets being depreciated/amortized:				
Buildings & Improvements	6,082,421	81,323	--	6,163,744
Machinery & Equipment	1,356,283	198,172	19,000	1,535,455
Intangible Assets	18,206	--	--	18,206
Library Books	146,273	78	--	146,351
Total capital assets being depreciated/amortized	7,603,183	279,573	19,000	7,863,756
Less accumulated depreciation/amortization for:				
Buildings & Improvements	3,213,128	168,608	--	3,381,736
Machinery & Equipment	1,058,399	151,252	7,600	1,202,051
Intangible Assets	3,641	3,641	--	7,282
Library Books	137,167	7,314	--	144,481
Total accumulated depreciation/amortization	4,412,335	330,815	7,600	4,735,550
Total capital assets being depreciated/amortized, net	3,190,848	(51,242)	11,400	3,128,206
Net Capital Assets	\$ 3,253,846	\$ (51,242)	\$ 11,400	\$ 3,191,204

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 148,867
Support services	148,867
Co-curricular activities	33,081
Total Depreciation/Amortization Expense	\$ 330,815

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

	Balance 6/30/2022	Increases	Decreases	Balance 6/30/2023
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 177,941	\$ --	\$ --	\$ 177,941
Less accumulated depreciation for:				
Less: Accumulated Depreciation	81,379	10,064	--	91,443
Total capital assets being depreciated, net	\$ 96,562	\$ (10,064)	\$ --	\$ 86,498

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 10,064

8. Long-Term Liabilities:

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

	6/30/2022	Increase	Decrease	6/30/2023	Due Within One Year
Other Liabilities:					
Compensated Absences	\$ 27,985	\$ 28,608	\$ 27,985	\$ 28,608	\$ 14,304
Early Retirement Payable	16,471	--	7,751	8,720	5,813
Intangible Lease	14,780	--	3,531	11,249	3,638
Total Long-Term Liabilities	\$ 59,236	\$ 28,608	\$ 39,267	\$ 48,577	\$ 23,755

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	\$ 28,608
Early Retirement-	
Payable from the fund to which payroll expenditures are charged	\$ 8,720

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2023 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.	\$	11,249
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The annual requirements to amortize the lease/liabilities outstanding at June 30, 2023, are as follows:

Year Ending June 30,	Intangible Lease		Totals	
	Principal	Interest	Principal	Interest
2024	\$ 3,638	\$ 288	\$ 3,638	\$ 288
2025	3,748	176	3,748	176
2026	3,863	63	3,863	63
Totals	<u>\$ 11,249</u>	<u>\$ 527</u>	<u>\$ 11,249</u>	<u>\$ 527</u>

9. Interfund Transfers:

Transfers to/from other funds at June 30, 2023, consist of the following:

Transfer from the General Fund to the Capital Outlay Fund per SDCL 13-13-10.1 for use of Wind Energy Revenues.	\$	46,975
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10. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 841,631
Special Education	Law	102,752
SDRS Pension Purposes	Law	285,329
Total		<u>\$ 1,229,712</u>

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

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

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

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

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

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

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, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 111,814
2022	103,035
2021	95,880

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

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

Proportionate share of pension liability	\$ 10,143,214
Less proportionate share of net pension restricted for pension benefits	<u>10,150,005</u>
Proportionate share of net pension (asset)	<u><u>\$ (6,791)</u></u>

At June 30, 2023, the School District reported an (asset) of (\$6,791) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.07185300%, which is a decrease of -0.0027338% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$37,567. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 129,263	\$ 441
Changes in assumption	431,587	378,228
Net difference between projected and actual earnings on pension plan investments	--	16,273
Changes in proportion and difference between district contributions and proportionate share of contributions	3,039	2,223
District contributions subsequent to the measurement date	<u>111,814</u>	<u>--</u>
Total	<u><u>\$ 675,703</u></u>	<u><u>\$ 397,165</u></u>

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

\$111,814 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 (asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30,	
2024	\$ 46,813
2025	93,818
2026	(108,194)
2027	134,287
Total	<u>\$ 166,724</u>

e. Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010. 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

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

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

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

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

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).

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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)	\$ 1,409,997	\$ (6,791)	\$ 1,164,680

h. Pension Plan Fiduciary Net Position:

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

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%		

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

12. Joint Venture Information: (Continued)

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, 2023, this joint venture had the following:

	<u>June 30, 2023</u>
Total Assets	\$ 2,381,230
Total Liabilities	\$ 530,765
Total Net Position	\$ 2,307,540

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, 2023, 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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2023

13. Risk Management: (Continued)

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, 2023, there were no claims for unemployment that were paid. There are no future expected claims at this time.

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 2023, 3 employees participated in the early retirement plan. The amount paid for such benefits during the year was \$7,751.

15. Significant Contingencies – Litigation:

At June 30, 2023, 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.

17. Significant Unusual and/or Infrequent Transactions:

In May 2022, the School District received significant wind and tornado damage. Amounts relating to this damage is reported as "extraordinary item – tornado" in the financial statements.

Required Supplementary Information

Estelline School District No. 28-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,637,671	\$ 1,803,013	\$ 1,717,641	\$ (85,372)
Prior years' ad valorem taxes	12,000	12,000	7,077	(4,923)
Utility taxes	105,000	105,000	112,818	7,818
Penalties and interest on taxes	3,000	3,000	3,940	940
Tuition and Fees:				
Earnings on Investments and Deposits	5,000	57,629	61,760	4,131
Cocurricular Activities:				
Admissions	16,500	21,534	23,020	1,486
Rentals	--	960	960	--
Other student activity income	1,200	1,785	--	(1,785)
Other Revenue from Local Sources:				
Contributions and donations	--	3,205	3,205	--
Charges for services	7,000	7,000	6,915	(85)
Other	1,500	9,434	11,344	1,910
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	13,000	13,000	11,310	(1,690)
Revenue in lieu of taxes	--	--	118	118
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	952,771	965,618	900,315	(65,303)
Restricted grants-in-aid	--	--	2,228	2,228
Other state revenues	1,000	1,600	1,600	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	106,938	231,733	243,117	11,384
Total Revenues	\$ 2,862,580	\$ 3,236,511	\$ 3,107,368	\$ (129,143)

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, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 588,868	\$ 683,868	\$ 684,616	\$ (748)
Middle/junior high	323,832	323,832	305,453	18,379
High school	534,417	625,417	625,736	(319)
Preschool	37,175	37,175	31,452	5,723
Special Programs:				
Educationally deprived	66,410	74,120	74,118	2
Support Services:				
Students:				
Guidance	65,901	71,471	71,467	4
Health	3,100	3,100	1,385	1,715
Instructional Staff:				
Improvement of instruction	38,557	43,192	37,870	5,322
Educational media	89,674	100,459	100,561	(102)
General Administration:				
Board of education	52,015	74,109	44,286	29,823
Executive administration	90,901	90,901	78,949	11,952
School Administration:				
Office of the principal	231,138	231,138	218,814	12,324
Other	600	600	297	303
Business:				
Fiscal services	104,242	132,762	115,919	16,843
Facilities acquisition and construction	--	--	--	--
Operation and maintenance of plant	346,180	398,735	405,218	(6,483)
Student transportation	141,055	181,055	177,607	3,448
Central:				
Staff	600	600	523	77
Special Education:				
Administrative Costs	--	1,866	--	1,866
Nonprogrammed Charges:				
Early retirement payments	7,751	7,751	7,751	--
Other Nonprogrammed Costs	--	29,283	29,283	--
Cocurricular Activities:				
Male activities	34,366	57,326	45,767	11,559
Female activities	38,110	38,404	37,708	696
Transportation	15,145	15,145	10,779	4,366
Combined activities	70,678	70,678	61,240	9,438
Contingency	40,665	--	--	--
Total Expenditures	<u>2,921,380</u>	<u>3,292,987</u>	<u>3,166,799</u>	<u>126,188</u>
Excess of Revenues Over Expenditures	<u>(58,800)</u>	<u>(56,476)</u>	<u>(59,431)</u>	<u>(2,955)</u>
Other Financing Sources:				
Operating transfers in	125,000	125,000	--	(125,000)
Operating transfers out	<u>(73,088)</u>	<u>(120,063)</u>	<u>(46,975)</u>	<u>73,088</u>
Total Other Financing Sources:	<u>51,912</u>	<u>4,937</u>	<u>(46,975)</u>	<u>(51,912)</u>
Net Change in Fund Balances	(6,888)	(51,539)	(106,406)	(54,867)
Fund Balance, Beginning of Year	<u>1,571,956</u>	<u>1,571,956</u>	<u>1,571,956</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,565,068</u>	<u>\$ 1,520,417</u>	<u>\$ 1,465,550</u>	<u>\$ (54,867)</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 381,200	\$ 383,683	\$ 384,142	\$ 459
Prior years' ad valorem taxes	2,500	2,500	881	(1,619)
Penalties and interest on taxes	750	750	795	45
Other Revenue from Local Sources:				
Contributions and Donations	3,000	11,500	11,500	--
Refund of prior years' expenditures	--	--	1,852	1,852
Other	2,820	4,773	4,773	--
Revenue in lieu of taxes	--	--	59	59
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	13,729	25,945	12,216	(13,729)
Restricted grants-in-aid received from federal government through the state	42,400	49,150	6,750	(42,400)
Total Revenues	<u>446,399</u>	<u>478,301</u>	<u>422,968</u>	<u>(55,333)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	34,000	34,000	3,938	30,062
Middle/junior high	21,729	21,729	2,191	19,538
High school	46,300	46,300	10,918	35,382
Support Services:				
Students:				
Guidance	300	300	--	300
Instructional Staff:				
Educational media	31,300	31,300	23,725	7,575
General Administration:				
Executive administration	500	500	--	500
Office of the principal	500	500	--	500
Business:				
Fiscal services	8,700	8,700	--	8,700
Facilities acquisition and construction	--	131,325	131,935	(610)
Operation and maintenance of plant	116,000	166,580	85,892	80,688
Student transportation	50,000	88,072	88,072	--
Food services	750	750	--	750
Debt Services:	4,000	4,000	3,926	74
Cocurricular Activities:				
Male activities	7,500	8,533	12,940	(4,407)
Female activities	9,000	9,255	--	9,255
Combined Activities	26,110	34,240	34,240	--
Total Expenditures	<u>356,689</u>	<u>586,084</u>	<u>397,777</u>	<u>188,307</u>
Excess of Revenue Over (Under) Expenditures	<u>89,710</u>	<u>(107,783)</u>	<u>25,191</u>	<u>132,974</u>
Other Financing Sources (Uses):				
Transfers out	(125,000)	(125,000)	--	125,000
Transfers in	--	46,975	46,975	--
Sale of Surplus Property	--	3,788	3,788	--
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(74,237)</u>	<u>50,763</u>	<u>125,000</u>
Extraordinary Items	--	56,967	56,967	--
Net Change in Fund Balances	(35,290)	(125,053)	132,921	257,974
Fund Balance, Beginning of Year	<u>707,689</u>	<u>707,689</u>	<u>707,689</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 672,399</u>	<u>\$ 582,636</u>	<u>\$ 840,610</u>	<u>\$ 257,974</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, 2023

	<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	\$ 546,152	\$ 624,365	\$ 650,724	\$ 26,359
Prior years' ad valorem taxes	3,000	3,000	1,446	(1,554)
Penalties and interest on taxes	1,500	1,500	1,321	(179)
Other Revenue from Local Sources:				
Services provided other school districts	6,750	6,750	7,800	1,050
Charges for services	1,950	1,950	1,168	(782)
Other Revenue	--	2,067	2,067	--
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	--	--	98	98
Total Revenues	<u>559,352</u>	<u>639,632</u>	<u>664,624</u>	<u>24,992</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	390,300	468,200	458,369	9,831
Support Services:				
Students:				
Health services	22,000	22,000	18,258	3,742
Psychological services	15,715	15,715	9,794	5,921
Speech pathology	43,000	43,000	30,283	12,717
Student therapy services	29,200	29,200	17,927	11,273
Improvement of instruction	2,600	2,600	1,296	1,304
Students:				
Board of education	1,280	1,280	1,289	(9)
Special Education:				
Administrative costs	300	300	--	300
Transportation costs	75,180	75,180	71,555	3,625
Other special education costs	5,150	7,530	3,925	3,605
Total Expenditures	<u>584,725</u>	<u>665,005</u>	<u>612,696</u>	<u>52,309</u>
Excess of Revenues Over (Under) Expenditures	<u>(25,373)</u>	<u>(25,373)</u>	<u>51,928</u>	<u>77,301</u>
Other Financing Sources (Uses):				
Transfer in	<u>25,373</u>	<u>25,373</u>	<u>--</u>	<u>(25,373)</u>
Total Other Financing Sources (Uses)	<u>25,373</u>	<u>25,373</u>	<u>--</u>	<u>(25,373)</u>
Net Change in Fund Balance	--	--	51,928	51,928
Fund Balance, Beginning of Year	<u>49,132</u>	<u>49,132</u>	<u>49,132</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 49,132</u>	<u>\$ 49,132</u>	<u>\$ 101,060</u>	<u>\$ 51,928</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, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except 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 financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental 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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0718530%	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)	\$ (6,791)	\$ (539,281)	\$ (3,239)	\$ (8,025)	\$ (1,874)	\$ (7,110)	\$ 245,889	\$ (286,122)	\$ (494,463)
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Estelline School District No. 28-2
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 111,814	\$ 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>111,814</u>	<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>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,863,577	\$ 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	6.00%	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, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

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

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, 2023 (Continued)

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

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

Actuarial Method Changes

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