

Garretson School District No. 49-4

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

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

Garretson School District No. 49-4

School District Officials

June 30, 2023

Board Members

Shannon Nordstrom----- Board President

Kari Flanagan-----Vice President

Jodi Gloe ----- Member

Tana Clark----- Member

Andy Hulscher ----- Member

Guy Johnson-----Superintendent

Jacob Schweitzer -----Business Manager

Garretson School District No. 49-4

Table of Contents

	Page
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 <i>Government Auditing Standards</i> -----	1-2
Schedule of Prior Audit Findings -----	3
Schedule of Current Audit Findings -----	4
Independent Auditor's Report -----	5-7
Management Discussion and Analysis (MD&A) -----	8-16
Government-Wide Financial Statements	
Statement of Net Position-----	17
Statement of Activities-----	18
Fund Financial Statements	
Governmental Funds:	
Balance Sheet-----	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	20
Statement of Revenues, Expenditures and Changes in Fund Balances-----	21-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities-----	24
Proprietary Funds:	
Statement of Net Position-----	25
Statement of Revenues, Expenses and Changes in Net Position-----	26
Statement of Cash Flows-----	27
Fiduciary Funds:	
Statement of Net Position-----	28
Notes to the Financial Statements -----	29-55
Required Supplementary Information -----	56
Budgetary Comparison Schedule - General Fund - Budgetary Basis-----	57-58
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis-----	59
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis-----	60
Notes to the Required Supplementary Information-----	61
Schedule of Changes in Total OPEB Liability-----	62
Schedule of the Proportionate Share of the Net Pension Liability (Asset)-----	63
Schedule of the School District Contributions-----	64
Notes to Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions-----	65-66



**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
Garretson School District No. 49-4
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Garretson School District No. 49-4, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated April 17, 2024, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
April 17, 2024

Garretson School District No. 49-4
Schedule of Prior Audit Findings
Year Ended June 30, 2023

Prior Audit Findings:

Finding Number 2022-001 – Internal Control Finding

A material weakness resulting from lack of segregation of duties. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated as Finding 2023-001.

Finding Number 2022-002 – Compliance Finding

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance. The district adopted a budget that did not reflect the means of finance for the Capital Outlay fund. As a result, this transaction resulted in the use of fund balance in excess of available fund balance, creating a negative fund balance budget for the special education fund. This finding has been corrected.

Garretson School District No. 49-4
Schedule of Current Audit Findings
Year Ended June 30, 2023

Current Audit Findings:

Finding Number 2023-001 – Internal Control Finding

There is a weakness resulting from lack of segregation of duties.

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect: A material weakness in internal controls was reported due to a lack of proper segregation of duties resulting in decreased reliability of reported financial data and increased potential for material misstatements. The size of the accounting staff employed by the entity precludes an adequate segregation of duties to monitor reporting. Therefore, material misstatements were reported in expenditures due to recording and reporting of payables and cash inaccurately.

Recommendation: We recommend that officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever possible and practical. We also recommend management reviewing cash and bank statements on a regular basis in order to report financial data accurately.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and alternative procedures have been implemented to decrease the likelihood that financial data is adversely affected.



Independent Auditor's Report

School Board
Garretson School District No. 49-4
Minnehaha County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Garretson School District No. 49-4, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise Garretson School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Garretson School District No. 49-4 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 Qualified and Unmodified 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. 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.

The School District did not adopt Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses/expenditures of the governmental activities, the general government fund, and the aggregate remaining fund information is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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 Changes in Total OPEB Liability, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) 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 April 17, 2024, on our consideration of the School District's internal control over financial reporting and on 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 School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "CIO of Elk Point LLC". The signature is written in a cursive, slightly slanted style.

Elk Point, South Dakota
April 17, 2024

Garretson School District No. 49-4
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Garretson School District 49-4'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

- The School's net position from governmental activities decreased by \$805,917 and business-type activities increased by \$45,966 for a total decrease of \$747,795.
- During the year, the School's revenues generated from taxes and other revenues, of the governmental activities, was \$5,436,041 and the related expenditures for instruction, support services, debt, and co-curricular activities were \$6,206,973.

Overview of the Financial Statements

This annual 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.
 1. The governmental funds statements tell how basic services, e.g., regular and special education, were financed in the short-term as well as what remains for future spending.
 2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like a business and the activities that provide services for its other programs and activities. The proprietary funds operated by the School are the Food Service Operation and Other Enterprise Fund.
 3. 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.

Garretson School District No. 49-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-2 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-2

Major Features of Garretson 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.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position
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

Garretson School District No. 49-4
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 District'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 – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant or "major" 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)

Garretson School District No. 49-4
Management Discussion and Analysis (MD&A)
June 30, 2023

The School has three generic 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 convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund 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 funds 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 fund statements, like the government-wide statements, provide both short and long-term financial information. The Food Service and Enterprise Funds are 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.

Garretson School District No. 49-4
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
Garretson School District No. 49-4
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	\$ 4,919,344	\$ 6,038,315	\$ 212,191	\$ 271,490	\$ 5,131,535	\$ 6,309,805	22.96%
Capital Assets (Net of Depreciation)	7,272,720	8,652,664	632	4,376	7,273,352	8,657,040	19.02%
Total Assets	12,192,064	14,690,979	212,823	275,866	12,404,887	14,966,845	20.65%
OPEB Related Deferred Outflows	38,816	32,846	--	--	38,816	32,846	-15.38%
Pension Related Deferred Outflows	1,251,801	1,129,040	--	--	1,251,801	1,129,040	-9.81%
Total Deferred Outflows or Resources	1,290,617	1,161,886	--	--	1,290,617	1,161,886	-9.97%
Long-Term Liabilities Outstanding	1,089,464	3,079,410	--	--	1,089,464	3,079,410	182.65%
Other Liabilities	413,549	2,729,824	46,027	50,948	459,576	2,780,772	505.07%
Total Liabilities	1,503,013	5,809,234	46,027	50,948	1,549,040	5,860,182	278.31%
OPEB Related Deferred Inflows	35,290	57,006	--	--	35,290	57,006	61.54%
Pension Related Deferred Inflows	1,761,916	671,085	--	--	1,761,916	671,085	-61.91%
Total Deferred Inflows of Resources	1,797,206	728,091	--	--	1,797,206	728,091	-59.49%
Net Investment in Capital Assets	6,433,366	5,804,765	632	4,376	6,433,998	5,809,141	-9.71%
Restricted	2,397,952	2,822,911	--	--	2,397,952	2,822,911	17.72%
Unrestricted	1,351,144	687,864	166,164	220,542	1,517,308	908,406	-40.13%
Total Net Position	10,182,462	9,315,540	166,796	224,918	10,349,258	9,540,458	-7.82%
Beginning Net Position	9,912,952	10,182,462	120,830	166,796	10,033,782	10,349,258	3.14%
Restatement - see note 17	--	(61,005)	--	--	--	(61,005)	100.00%
Increase (Decrease) in Net Position	\$ 269,510	\$ (805,917)	\$ 45,966	\$ 58,122	\$ 315,476	\$ (747,795)	337.04%
Percentage of Increase (Decrease) in Net Position	2.72%	-7.91%	38.04%	34.85%	3.14%	-7.23%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of capital outlay certificates, intangible leases, direct borrowings, other post-employment benefits payable, and compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

Garretson School District No. 49-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The School's total revenues totaled \$5,846,957. Approximately 49% of the School's revenue comes from property taxes, with another 36% coming from State Aid. (See Table A-2).

Table A-2
Garretson School District No. 49-4
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 2,890,913	49.45%
State Sources	2,108,240	36.06%
Operating Grants & Contributions	335,836	5.74%
Charges For Services	426,532	7.29%
Other General Revenues	71,316	1.22%
Unrestricted Investment Earnings	14,120	0.24%
Total Revenue	\$ 5,846,957	100.00%

The School's expenses totaled \$6,594,752 and covered a range of services, including instruction, support services, interest on long-term debt, co-curricular activities, food service, and other enterprise (See Table A-3).

Table A-3
Garretson School District No. 49-4
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 3,001,848	45.52%
Support Services	2,799,023	42.44%
Interest - on Long-Term Debt	25,431	0.39%
Cocurricular Activities	380,671	5.77%
Food Service	286,133	4.34%
Other Enterprise	101,646	1.54%
Total Expenditures	\$ 6,594,752	100.00%

Garretson School District No. 49-4
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
Garretson School District No. 49-4
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 281,468	\$ 137,837	\$ 98,993	\$ 288,695	\$ 380,461	\$ 426,532	12.11%
Operating Grants/ Contributions	378,762	213,615	332,386	122,221	711,148	335,836	-52.78%
General Revenues							
Taxes	2,771,935	2,890,913	--	--	2,771,935	2,890,913	4.29%
Revenue State Sources	2,190,362	2,108,240	--	--	2,190,362	2,108,240	-3.75%
Other							
Other general revenues	78,131	71,316	--	--	78,131	71,316	-8.72%
Unrestricted Investment Earnings	15,281	14,120	--	--	15,281	14,120	-7.60%
	<u>5,715,939</u>	<u>5,436,041</u>	<u>431,379</u>	<u>410,916</u>	<u>6,147,318</u>	<u>5,846,957</u>	<u>-4.89%</u>
Expenses							
Instruction	2,923,343	3,001,848	--	--	2,923,343	3,001,848	2.69%
Support Services	2,118,552	2,799,023	--	--	2,118,552	2,799,023	32.12%
Interest on long-term debt	25,432	25,431	--	--	25,432	25,431	0.00%
Co-curricular Activities	365,974	380,671	--	--	365,974	380,671	4.02%
Food Service	--	--	301,221	286,133	301,221	286,133	-5.01%
Other Enterprise	--	--	97,320	101,646	97,320	101,646	4.45%
	<u>5,433,301</u>	<u>6,206,973</u>	<u>398,541</u>	<u>387,779</u>	<u>5,831,842</u>	<u>6,594,752</u>	<u>13.08%</u>
Excess (Deficiency)							
Before Transfers	282,638	(770,932)	32,838	23,137	315,476	(747,795)	-337.04%
Transfers	<u>(13,128)</u>	<u>(34,985)</u>	<u>13,128</u>	<u>34,985</u>	<u>--</u>	<u>--</u>	<u>100.00%</u>
Increase (Decrease) in Net Position	269,510	(805,917)	45,966	58,122	315,476	(747,795)	-337.04%
Beginning Net Position	9,912,952	10,182,462	120,830	166,796	10,033,782	10,349,258	3.14%
Prior Period Adjustments	--	(61,005)	--	--	--	(61,005)	100.00%
Beginning Net Position, as Restated	<u>9,912,952</u>	<u>10,121,457</u>	<u>120,830</u>	<u>166,796</u>	<u>10,033,782</u>	<u>10,288,253</u>	<u>2.54%</u>
Ending Net Position	<u>\$10,182,462</u>	<u>\$ 9,315,540</u>	<u>\$ 166,796</u>	<u>\$ 224,918</u>	<u>\$10,349,258</u>	<u>\$ 9,540,458</u>	<u>-7.82%</u>

Governmental Activities

The School's governmental activities revenues totaled \$5,436,041 (See table A-4). This is \$279,898 less or approximately a 4.9% decrease from last year.

The School's governmental activities expenses totaled \$6,206,973 (see table A-4). This is \$773,672 or approximately a 14.24% increase from last year.

Garretson School District No. 49-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Business Type Activities

Revenues of the School’s business-type activities decreased by \$20,463 or approximately 4.74% and expenses decreased by \$10,762 or approximately 2.7%.

Financial Analysis of the School’s Funds

Fund balances changed as follows: General Fund decreased \$676,076 as a result of increased expenses and decreased federal aid. The Capital Outlay Fund increased \$286,805 due to proceeds of general long-term liabilities. The Special Education Fund decreased \$84,152.

Capital Asset Administration

At the end of 2023, the School had the following changes in Capital Assets (See Table A-5).

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 343,406	\$ 343,406	\$ --	\$ --	\$ --	0.00%
Construction in progress	18,313	1,557,090	--	--	1,538,777	8402.65%
Buildings & Improvements	6,441,540	6,182,745	--	--	(258,795)	-4.02%
Machinery & Equipment	280,510	198,959	632	4,376	(77,807)	-27.68%
Intangible Lease Assets	186,560	328,887	--	--	142,327	76.29%
Library Books	2,391	41,577	--	--	39,186	1638.90%
Total Capital Assets	\$ 7,272,720	\$ 8,652,664	\$ 632	\$ 4,376	\$ 1,383,688	19.02%

Some of this year’s major capital asset purchases were construction on the new track and field complex, new apple iPads, and new playground equipment.

Garretson School District No. 49-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
	Capital Outlay Certificates	\$ 645,000	\$ 2,315,000	\$ 1,670,000
Plus: Unamortized Premiums	--	197,939	197,939	100.00%
Intangible Lease	189,977	333,501	143,524	75.55%
Direct Borrowing Note	4,377	1,459	(2,918)	-66.67%
OPEB	200,834	193,145	(7,689)	-3.83%
Accrued Compensated Absences - Governmental Funds	49,276	38,366	(10,910)	-22.14%
Total Outstanding Debt	\$ 1,089,464	\$ 3,079,410	\$ 1,989,946	182.65%

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 Garretson School District’s Business Office, PO Box C, 505 2nd St., Garretson, SD 57030.

Garretson School District No. 49-4
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 4,414,446	\$ 247,737	\$ 4,662,183
Investments-certificates of deposit	23,188	--	23,188
Accounts receivable	--	10,808	10,808
Taxes receivable	1,207,117	--	1,207,117
Due from other government	302,004	--	302,004
Inventories	--	12,945	12,945
Prepaid expenses	80,105	--	80,105
Net pension asset	11,455	--	11,455
Capital assets:			
Land and construction in progress	1,900,496	--	1,900,496
Other capital assets, net of depreciation	6,752,168	4,376	6,756,544
Total Assets	14,690,979	275,866	14,966,845
Deferred Outflows of Resources:			
OPEB-related deferred outflows	32,846	--	32,846
Pension-related deferred outflows	1,129,040	--	1,129,040
Total Deferred Outflows of Resources	1,161,886	--	1,161,886
Liabilities:			
Accounts payable	1,170,100	--	1,170,100
Unearned revenue	1,177,182	43,207	1,220,389
Other current liabilities	382,542	7,741	390,283
Long-term liabilities:			
Due within one year	361,808	--	361,808
Due in more than one year	2,717,602	--	2,717,602
Total Liabilities	5,809,234	50,948	5,860,182
Deferred Inflows of Resources:			
Pension related deferred inflows	671,085	--	671,085
OPEB-related deferred inflows	57,006	--	57,006
Total Deferred Inflows of Resources	728,091	--	728,091
Net Position:			
Net investment in capital assets	5,804,765	4,376	5,809,141
Restricted for:			
Capital outlay	1,871,228	--	1,871,228
Special education	482,273	--	482,273
SDRS pension purposes	469,410	--	469,410
Unrestricted	687,864	220,542	908,406
Total Net Position	\$ 9,315,540	\$ 224,918	\$ 9,540,458

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

Garretson School District No. 49-4
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	\$ 3,001,848	\$ --	\$ 176,552	\$ (2,825,296)	\$ --	\$ (2,825,296)
Support services	2,799,023	60,391	37,063	(2,701,569)	--	(2,701,569)
Interest on long-term debt	25,431	--	--	(25,431)	--	(25,431)
Cocurricular activities	380,671	77,446	--	(303,225)	--	(303,225)
Total Governmental Activities	6,206,973	137,837	213,615	(5,855,521)	--	(5,855,521)
Business-Type Activities:						
Food service	286,133	221,319	122,221	--	57,407	57,407
Driver's education	101,646	67,376	--	--	(34,270)	(34,270)
Total Business Type Activities	387,779	288,695	122,221	--	23,137	23,137
Total Primary Government	\$ 6,594,752	\$ 426,532	\$ 335,836	(5,855,521)	23,137	(5,832,384)
General Revenues:						
Taxes:						
				2,763,647	--	2,763,647
				127,266	--	127,266
Revenue from State Sources:						
				2,108,240	--	2,108,240
				14,120	--	14,120
				737	--	737
				70,579	--	70,579
				(34,985)	34,985	--
Total General Revenues and Transfers				5,049,604	34,985	5,084,589
				(805,917)	58,122	(747,795)
				10,182,462	166,796	10,349,258
				(61,005)	--	(61,005)
Adjusted Net Position - Beginning of Year				10,121,457	166,796	10,288,253
				\$ 9,315,540	\$ 224,918	\$ 9,540,458

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

Garretson School District No. 49-4
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 483,808	\$ 2,457,814	\$ 166,476	\$ 1,306,348	\$ 4,414,446
Investments-certificates of deposit	23,188	--	--	--	23,188
Taxes receivable - current	482,837	445,284	257,272	--	1,185,393
Taxes receivable - delinquent	8,997	9,064	3,663	--	21,724
Due from other governments	203,028	--	98,976	--	302,004
Prepaid Expenses	80,105	--	--	--	80,105
Total Assets	<u>\$ 1,281,963</u>	<u>\$ 2,912,162</u>	<u>\$ 526,387</u>	<u>\$ 1,306,348</u>	<u>\$ 6,026,860</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ --	\$ 15,939	\$ --	\$ 1,154,161	\$ 1,170,100
Contracts payable	274,366	--	36,761	--	311,127
Payroll deductions and withholding and employer matching payable	64,062	--	7,353	--	71,415
Unearned Revenue	--	1,177,182	--	--	1,177,182
Total Liabilities	<u>338,428</u>	<u>1,193,121</u>	<u>44,114</u>	<u>1,154,161</u>	<u>2,729,824</u>
Deferred Inflows of Resources:					
Unavailable Revenue	491,834	454,348	260,935	--	1,207,117
Total Deferred Inflows of Resources	<u>491,834</u>	<u>454,348</u>	<u>260,935</u>	<u>--</u>	<u>1,207,117</u>
Fund Balances:					
Nonspendable - prepaid expenses	80,105	--	--	--	80,105
Restricted:					
For Capital Outlay	--	1,264,693	--	152,187	1,416,880
For Special Education	--	--	221,338	--	221,338
Assigned - for unemployment	23,171	--	--	--	23,171
Unassigned	348,425	--	--	--	348,425
Total Fund Balances	<u>451,701</u>	<u>1,264,693</u>	<u>221,338</u>	<u>152,187</u>	<u>2,089,919</u>
Total Liabilities and Fund Balances	<u>\$ 1,281,963</u>	<u>\$ 2,912,162</u>	<u>\$ 526,387</u>	<u>\$ 1,306,348</u>	<u>\$ 6,026,860</u>

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

Garretson School District No. 49-4

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

Total Fund Balances - Governmental Funds \$ 2,089,919

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. 8,652,664

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

Intangible Lease Assets	(333,501)	
OPEB Payable	(193,145)	
Direct Borrowing Note	(1,459)	
Capital Outlay Certificates	(2,512,939)	
Accrued Leave	<u>(38,366)</u>	(3,079,410)

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 1,207,117

Proportionate Share of Net Pension Asset 11,455

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (728,091)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,161,886

Net Position - Governmental Activities \$ 9,315,540

Garretson School District No. 49-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,057,126	\$ 1,018,692	\$ 592,648	\$ --	\$ 2,668,466
Prior years' ad valorem taxes	4,689	2,894	1,685	--	9,268
Utility taxes	127,266	--	--	--	127,266
Penalties and interest on taxes	1,730	794	462	--	2,986
Tuition and Fees:					
Earnings on Investments and Deposits	14,120	--	--	--	14,120
Cocurricular Activities:					
Admissions	35,928	--	--	--	35,928
Other student activity income	41,518	--	--	--	41,518
Other Revenue from Local Sources:					
Contributions and donations	737	--	--	--	737
Charges for services	8,497	--	14,323	--	22,820
Other	21,081	--	327	--	21,408
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	13,361	--	--	--	13,361
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	2,058,009	--	--	--	2,058,009
Restricted grants-in-aid	--	--	50,231	--	50,231
Revenue from Federal Sources:					
Grants-in-Aid					
Restricted grants-in-aid received directly from federal government	37,063	--	--	--	37,063
Restricted grants-in-aid received from federal government through the state	77,576	--	98,976	--	176,552
Total Revenues	<u>\$ 3,498,701</u>	<u>\$ 1,022,380</u>	<u>\$ 758,652</u>	<u>\$ --</u>	<u>\$ 5,279,733</u>

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

Garretson School District No. 49-4
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>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 972,325	\$ --	\$ --	\$ --	\$ 972,325
Middle/junior high	429,887	44,179	--	--	474,066
High school	703,061	9,875	--	--	712,936
Special Programs:					
Programs for special education	--	--	653,264	--	653,264
Educationally deprived	47,440	--	--	--	47,440
Other special programs	38,054	978	--	--	39,032
Support Services:					
Students:					
Attendance and social work	7,680	--	--	--	7,680
Guidance	268,019	--	--	--	268,019
Psychological	--	--	25,519	--	25,519
Health	15,085	--	3,338	--	18,423
Speech pathology	--	--	62,115	--	62,115
Student therapy services	--	--	39,289	--	39,289
Instructional Staff:					
Improvement of instruction	7,554	--	--	--	7,554
Educational media	138,298	125,817	--	--	264,115
General Administration:					
Board of education	22,747	--	--	--	22,747
Executive administration	161,648	--	--	--	161,648
School Administration:					
Office of the principal	226,925	--	--	--	226,925
Other	515	--	--	--	515
Business:					
Fiscal services	165,491	7,377	--	--	172,868
Operation and maintenance of plant	528,010	--	--	465,559	993,569
Student transportation	188,347	2,223	--	--	190,570
Central:					
Staff	692	--	--	--	692

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

Garretson School District No. 49-4
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>Capital Projects</u>	<u>Total Governmental Funds</u>
Special Education:					
Administrative costs	--	--	54,592	--	54,592
Transportation costs	--	--	4,687	--	4,687
Debt Services:	--	349,750	--	137,762	487,512
Cocurricular Activities:					
Male activities	41,987	5,187	--	--	47,174
Female activities	55,894	--	--	--	55,894
Transportation	10,949	--	--	--	10,949
Combined activities	122,174	2,003	--	--	124,177
Capital Outlay	--	460,873	--	1,442,431	1,903,304
Total Expenditures	<u>4,152,782</u>	<u>1,008,262</u>	<u>842,804</u>	<u>2,045,752</u>	<u>8,049,600</u>
Excess of Revenue Over (Under) Expenditures	(654,081)	14,118	(84,152)	(2,045,752)	(2,769,867)
Other Financing Sources (Uses):					
Transfer out	(34,985)	--	--	--	(34,985)
General Long-Term Debt Issued	--	272,687	--	2,197,939	2,470,626
Compensation for Loss of General Capital Assets	12,990	--	--	--	12,990
Total Other Financing Sources (Uses)	<u>(21,995)</u>	<u>272,687</u>	<u>--</u>	<u>2,197,939</u>	<u>2,448,631</u>
Net Change in Fund Balances	(676,076)	286,805	(84,152)	152,187	(321,236)
Fund Balance, Beginning of Year	<u>1,188,782</u>	<u>977,888</u>	<u>305,490</u>	<u>--</u>	<u>2,472,160</u>
Restatement - See Note 17	<u>(61,005)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(61,005)</u>
Adjusted Net Position - Beginning of Year	<u>1,127,777</u>	<u>977,888</u>	<u>305,490</u>	<u>--</u>	<u>2,411,155</u>
Fund Balance, End of Year	<u>\$ 451,701</u>	<u>\$ 1,264,693</u>	<u>\$ 221,338</u>	<u>\$ 152,187</u>	<u>\$ 2,089,919</u>

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

Garretson School District No. 49-4
 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	\$ (321,236)
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	1,903,304
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.	(523,360)
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	462,081
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."	82,927
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	(2,470,626)
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.	10,910
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	70,080
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.	<u>(19,997)</u>
Change in net position of governmental activities	<u><u>\$ (805,917)</u></u>

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

Garretson School District No. 49-4
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 237,525	\$ 10,212	\$ 247,737
Due from other government	10,808	--	10,808
Inventory - supplies	1,821	--	1,821
Inventory - stores for resale	2,931	--	2,931
Inventory of donated food	8,193	--	8,193
Total Current Assets	<u>261,278</u>	<u>10,212</u>	<u>271,490</u>
Noncurrent Assets:			
Machinery and equipment - local funds	173,476	--	173,476
Less accumulated depreciation	<u>(169,100)</u>	<u>--</u>	<u>(169,100)</u>
Total Noncurrent Assets	<u>4,376</u>	<u>--</u>	<u>4,376</u>
Total Assets	<u><u>\$ 265,654</u></u>	<u><u>\$ 10,212</u></u>	<u><u>\$ 275,866</u></u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ --	\$ 5,501	\$ 5,501
Payroll deductions and withholdings and employer matching payable	--	2,240	2,240
Unearned revenue	43,207	--	43,207
Total Current Liabilities	<u>43,207</u>	<u>7,741</u>	<u>50,948</u>
Net Position:			
Net investment in capital assets	4,376	--	4,376
Unrestricted net position	<u>218,071</u>	<u>2,471</u>	<u>220,542</u>
Total Net Position	<u><u>\$ 222,447</u></u>	<u><u>\$ 2,471</u></u>	<u><u>\$ 224,918</u></u>

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

Garretson School District No. 49-4
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Other charges for goods and services	\$ 221,319	\$ 67,376	\$ 288,695
Total Operating Revenue	<u>221,319</u>	<u>67,376</u>	<u>288,695</u>
Operating Expenses:			
Food Service:			
Salaries	--	75,715	75,715
Employee benefits	--	24,245	24,245
Purchased services	268,000	200	268,200
Supplies	4,519	418	4,937
Cost of sales - donated	11,854	--	11,854
Miscellaneous	730	1,068	1,798
Depreciation	1,030	--	1,030
Total Operating Expenses	<u>286,133</u>	<u>101,646</u>	<u>387,779</u>
Operating (Loss)	(64,814)	(34,270)	(99,084)
Nonoperating Revenues/Expenses:			
State grants	697	--	697
Federal grants	109,670	--	109,670
Donated food	11,854	--	11,854
Total Nonoperating Revenue/ (Expenses)	<u>122,221</u>	<u>--</u>	<u>122,221</u>
Income (Loss) Before Transfers	57,407	(34,270)	23,137
Transfers in	<u>--</u>	<u>34,985</u>	<u>34,985</u>
Change in Net Position	57,407	715	58,122
Net Position - Beginning of Year	<u>165,040</u>	<u>1,756</u>	<u>166,796</u>
Net Position - End of Year	<u>\$ 222,447</u>	<u>\$ 2,471</u>	<u>\$ 224,918</u>

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

Garretson School District No. 49-4
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 225,754	\$ 67,376	\$ 293,130
Cash payments to suppliers	(273,249)	(1,686)	(274,935)
Cash payments to employees	--	(99,474)	(99,474)
Net Cash (Used) by Operating Activities	<u>(47,495)</u>	<u>(33,784)</u>	<u>(81,279)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	34,985	34,985
Cash reimbursements - state	697	--	697
Cash reimbursements - federal	98,862	--	98,862
Net Cash Provided by Noncapital Financing Activities	<u>99,559</u>	<u>34,985</u>	<u>134,544</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(4,774)	--	(4,774)
Net Cash (Used) by Capital and Related Financing Activities	<u>(4,774)</u>	<u>--</u>	<u>(4,774)</u>
Net Change in Cash and Cash Equivalents	47,290	1,201	48,491
Cash and Cash Equivalents, Beginning of Year	190,235	9,011	199,246
Cash and Cash Equivalents, End of Year	<u>\$ 237,525</u>	<u>\$ 10,212</u>	<u>\$ 247,737</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (64,814)	\$ (34,270)	\$ (99,084)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	1,030	--	1,030
Value of commodities used	11,854	--	11,854
Change in Assets and Liabilities:			
Deferred revenue	4,435	--	4,435
Contracts payable	--	429	429
Accrued payroll expenses	--	57	57
Net cash (used) by operating activities:	<u>\$ (47,495)</u>	<u>\$ (33,784)</u>	<u>\$ (81,279)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 11,854</u>	<u>\$ --</u>	<u>\$ 11,854</u>

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

Garretson School District No. 49-4
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 103,964
Accounts Receivable	<u>2,023</u>
Total Assets	<u><u>\$ 105,987</u></u>
Liabilities:	
Amounts held for others	<u>\$ 105,987</u>
Total Liabilities	<u><u>\$ 105,987</u></u>

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

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Garretson School District No. 49-4, 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. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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.

Garretson School District No. 49-4
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.

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Track and Field Complex is the capital projects funds maintained by the School District. This is a major fund.

Proprietary Funds:

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

- 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 Fund – A fund used to record financial transactions related to driver’s education and preschool conducted for the benefit of the students. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

Garretson School District No. 49-4
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 fund types.

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 School District is 60 days. The revenues which are accrued at June 30, 2023 are amounts due from other governments for grants and utility taxes.

Garretson School District No. 49-4
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 at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4—5-6.

f. Capital Assets:

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

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

Government-Wide Financial Statements:

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than two percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by prior records at cost or historical costs. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost.

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

Depreciation/amortization 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/amortization methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	\$ 100	NA	NA
Buildings	\$ 10,000	Straight-line	50 years
Improvements	\$ 10,000	Straight-line	10-40 years
Machinery and Equipment	\$ 5,000	Straight-line	5-20 years
Food Service Machinery and Equipment	\$ 1,000	Straight-line	5-20 years
Intangible Assets	\$ 40,000	Straight-line	3-10 years

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

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

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 capital outlay certificates payable, direct-borrowing notes, intangible leases, other post-employment benefits, and compensated absences.

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

h. Leases:

The School District is a lessee for a noncancellable lease of iPads. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$40,000 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 bases over its useful life.

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- The lease term includes the noncancellable period of the leases. Lease payments included in the measurement of the least liability are composed of fixed payments and purchase option price that School District is reasonably certain to exercise.

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

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

i. Subscription-Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$40,000 or more.

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

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

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

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

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

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

j. 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.

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

l. 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.

m. 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.

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

n. 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 restricted net position.

o. Application of Net Position:

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

p. 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.

Garretson School District No. 49-4
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/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

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

q. Pensions:

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

2. Implementation of New Accounting Standard:

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

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

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

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); 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.

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.

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from investments to the fund making the investments except the Special Revenue funds. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investments income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Since pooling was done to maximize cash management, the interest income from the various special revenue funds was directly recognized in the General Fund. Such amounts were not material to the individual funds.

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

4. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

5. Inventory:

Inventory held for consumption is stated at cost.

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 financial statements and in the enterprise fund financial statements, Food Service Fund 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, 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.

6. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been reported as deferred in the financial statements. Property tax revenues intended to finance the current year appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

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

	6/30/2022	Increases	Decreases	6/30/2023
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 343,406	\$ --	\$ --	\$ 343,406
Construction in progress	18,313	1,579,722	40,945	1,557,090
Total capital assets not being depreciated/amortized	361,719	1,579,722	40,945	1,900,496
Capital assets being depreciated/amortized:				
Buildings	10,369,493	--	--	10,369,493
Improvements	2,320,792	40,945	--	2,361,737
Machinery & Equipment	2,106,097	6,448	--	2,112,545
Intangible Assets	248,746	272,687	--	521,433
Library Books	66,774	44,447	--	111,221
Total capital assets being depreciated/amortized	15,111,902	364,527	--	15,476,429
Less accumulated depreciation/amortization for:				
Buildings	4,276,071	195,955	--	4,472,026
Improvements	1,972,674	103,785	--	2,076,459
Machinery & Equipment	1,825,587	87,999	--	1,913,586
Intangible Assets	62,186	130,360	--	192,546
Library Books	64,383	5,261	--	69,644
Total accumulated depreciation/amortization	8,200,901	523,360	--	8,724,261
Total capital assets being depreciated/amortized, net	6,911,001	(158,833)	--	6,752,168
Net Capital Assets	\$ 7,272,720	\$ 1,420,889	\$ 40,945	\$ 8,652,664

Depreciation expense was charged to functions as follows:

Instruction	\$ 102,785
Support services	147,738
Amortization	130,360
Co-curricular activities	142,477
Total Depreciation/Amortization Expense	\$ 523,360

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

7. Changes in Capital Assets: (Continued)

	<u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 168,702	\$ 4,774	\$ --	\$ 173,476
Less accumulated depreciation for:				
Machinery & Equipment	168,070	1,030	--	169,100
Total capital assets, net	<u>\$ 632</u>	<u>\$ 3,744</u>	<u>\$ --</u>	<u>\$ 4,376</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u><u>\$ 1,030</u></u>

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Through 6/30/2023</u>	<u>Committed</u>	<u>Required Future Financing</u>
Track and Field Complex	<u>\$ 2,054,103</u>	<u>\$ 1,577,090</u>	<u>\$ 477,013</u>	<u>\$ --</u>

8. Long-Term Liabilities:

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

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
Capital Outlay Certificates	\$ 645,000	\$ 2,000,000	\$ 330,000	\$ 2,315,000	\$ 205,000
Unamortized Premiums	--	197,939	--	197,939	12,371
Other Liabilities:					
Compensated Absences	49,276	15,002	25,912	38,366	11,510
Direct Borrowing Note	4,377	--	2,918	1,459	1,459
OPEB	200,834	25,300	32,989	193,145	--
Intangible Leases	189,977	272,687	129,163	333,501	131,468
Total Long-Term Liabilities	<u>\$ 1,089,464</u>	<u>\$ 2,510,928</u>	<u>\$ 520,982</u>	<u>\$ 3,079,410</u>	<u>\$ 361,808</u>

Compensated absences and other postemployment benefit payable for governmental activities typically have been liquidated from the General Fund.

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2023 are comprised of the following:

Garretson School District No 49-4 Capital Outlay Certificates, Series 2020	During February 2021, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$1,275,000. There is a varying interest rate of 2 to 3% assessed on these bonds. Final payment is August 2029. The Capital Outlay Fund makes payment on this debt.	\$ 315,000
Garretson School District No 49-4 Capital Outlay Certificates, Series 2023	During April 2023, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,000,000. There is an interest rate of 5% assessed on these bonds. Final payment is August 2038. The Capital Outlay Fund makes payment on this debt.	\$ 2,000,000
Garretson School District No 49-4 Direct Borrowing Note	During December 2018, the School District entered into an agreement to receive copiers in the amount of \$80,000. There is an interest rate of 0.00% assessed on this notes. Final payment is June 2024. The Capital Outlay Fund makes payment on this debt.	\$ 1,459
Garretson School District No 49-4 Intangible Lease	On June 15, 2022, the School District entered into an agreement to receive Apple iPads in the amount of \$258,147. There is an interest rate of 3.78% assessed on this lease. Final payment is July, 2024. The Capital Outlay Fund makes payment on this debt.	\$ 128,986
Garretson School District No 49-4 Intangible Lease	On June 15, 2022, the School District entered into an agreement to receive Apple iPads in the amount of \$272,687. There is an interest rate of 3.78% assessed on this lease. Final payment is July, 2025. The Capital Outlay Fund makes payment on this debt.	\$ 204,515
Compensated Absences – Payable from the fund to which payroll expenditures are charged		\$ 38,366
Other Post Employment Benefits Payable -- Payable from the fund to which payroll expenditures are charged		\$ 193,145

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

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

Year Ending June 30,	Intangible Lease		Capital Outlay Certificates		Unamortized	Direct	Totals	
	Principal	Interest	Principal	Interest	Premium	Borrowing	Principal	Interest
					Principal	Principal		
2024	\$ 131,468	\$ 4,876	\$ 205,000	\$ 88,578	\$ 12,371	\$ 1,459	\$ 350,298	\$ 93,454
2025	133,862	2,483	25,000	102,200	12,371	--	171,233	104,683
2026	68,171	--	120,000	99,200	12,371	--	200,542	99,200
2027	--	--	125,000	95,075	12,371	--	137,371	95,075
2028	--	--	130,000	87,900	12,371	--	142,371	87,900
2029-2033	--	--	680,000	342,623	61,855	--	741,855	342,623
2034-2038	--	--	835,000	154,375	61,855	--	896,855	154,375
2039-2043	--	--	195,000	4,875	12,374	--	207,374	4,875
Totals	<u>\$ 333,501</u>	<u>\$ 7,359</u>	<u>\$ 2,315,000</u>	<u>\$ 974,826</u>	<u>\$ 197,939</u>	<u>\$ 1,459</u>	<u>\$ 2,847,899</u>	<u>\$ 982,185</u>

9. 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	\$ 1,871,228
Special Education	Law	482,273
SDRS Pension Purposes	Law	469,410
Total Restricted Net Position		<u>\$ 2,822,911</u>

10. Interfund Transfers:

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

Transfer from the General Fund to the Preschool Fund to cover cash deficits. \$ 34,985

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

11. Pension Plan:

Plan Information:

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

Benefits Provided:

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

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

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

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

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - o 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:
 - o 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, and the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 182,986
2022	173,297
2021	144,869

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 share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension benefits	\$ 17,109,766
Less proportionate share of net pension restricted for pension benefits	<u>17,121,221</u>
Proportionate share of net pension (asset)	<u>\$ (11,455)</u>

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

At June 30, 2023, the School District reported an asset of (\$11,455) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability 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 0.12120300%, which is a decrease of 0.0021596% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of (\$70,079). 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	\$ 218,045	\$ 743
Changes in assumption	728,009	638,003
Net difference between projected and actual earnings on pension plan investments	--	27,450
Changes in proportion and difference between district contributions and proportionate share of contributions	--	4,889
District contributions subsequent to the measurement date	<u>182,986</u>	<u>--</u>
Total	<u><u>\$ 1,129,040</u></u>	<u><u>\$ 671,085</u></u>

\$182,986 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 73,260
2025	157,699
2026	(182,503)
2027	<u>226,512</u>
Total	<u><u>\$ 274,968</u></u>

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
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

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.

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

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>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	<u>\$ 2,378,410</u>	<u>\$ (11,455)</u>	<u>\$ (1,964,605)</u>

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Pension Plan Fiduciary Net Position:

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

Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

12. Postemployment Healthcare Plan:

Plan Description: Garretson School District has a single-employer defined benefit medical plan administered by Northern Plains Insurance Pool. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. Subject to the requirements of South Dakota Codified Law 3-12-65 and 3-12-66, SDCL 13-10-4 allows the School Board to enter into retirement pension agreements with its employees. In addition, SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Northern Plains Insurance Pool issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Garretson School District, PO Box C, Garretson, SD 57030 or by calling 605-594-3451.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2022, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	4
Active employees	65
	<u>69</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2023 Actuarial Valuation Report. See Note 11 – Pension Note).

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

12. Postemployment Healthcare Plan: (Continued)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$	200,834
Service Cost		20,542
Interest		4,758
Effect on assumptions, changes or inputs		(30,774)
Benefit payments		<u>(2,215)</u>
End of Year Balances	\$	<u><u>193,145</u></u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 2.16%

For the year ended June 30, 2023, the School District recognized OPEB expense of (\$5,474). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (8,753)	\$ 13,761
Changes in assumptions	<u>(48,253)</u>	<u>19,085</u>
	<u><u>\$ (57,006)</u></u>	<u><u>\$ 32,846</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

Year Ended June 30,		
2024	\$	(3,088)
2025		(3,088)
2026		(3,088)
2027		(2,781)
2028		(1,971)
Thereafter		<u>(10,144)</u>
Total	\$	<u><u>(24,160)</u></u>

Garretson School District No. 49-4

Notes to the Financial Statements

June 30, 2023

13. Joint Ventures:

The School District participates in the joint venture known as the Prairie Lakes Educational Cooperative formed for the purpose of providing administrative services to the member school districts.

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

<u>District</u>	<u>%</u>
Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	5%
Colman-Egan School District No. 50-6	4%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	8%
Howard School District No. 48-3	8%
Madison Central School District No. 39-2	15%
Tri-Valley School District No. 49-6	15%

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 joint venture'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 Prairie Lakes Educational Cooperative.

At June 30, 2023, the joint venture had:

	<u>June 30, 2023</u>
Total Assets	\$ 120,619
Deferred Outflows of Resources	\$ 105,294
Total Liabilities	\$ 57,836
Deferred Inflows of Resources	\$ 63,490
Total Net Position	\$ 104,587

14. Risk Management:

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

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

14. Risk Management: (Continued)

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a Joint Power Authority authorized by SDCL. To be eligible for membership, an applicant must be a governmental unit and a member of the pool. The object of the pool is to formulate, develop, and administer on behalf of the member organizations, a program of health coverage through pooling risks, self-insurance and joint purchases of insurance.

The pool's contract with its members requires that the members meet an annual participation requirement of seventy five percent of total eligible employees as defined by the benefits plan or plans. A member may voluntarily terminate participation in a plan funded through the pool effective as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The coverage offered is on the occurrence basis which provides for the payment of claims that occur during the period of coverage regardless of when the claim is reported.

Liability Insurance:

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

Worker's Compensation:

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

Unemployment Benefits:

The School District 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 \$23,171 for the payment of future unemployment benefits.

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

Garretson School District No. 49-4
Notes to the Financial Statements
June 30, 2023

15. Prior Period Adjustments:

The School District's Due from Government receivable was reported incorrectly causing revenues to be recorded in the wrong year. As a result, the following adjustments were made to reflect the correct beginning net position as of 7/1/2022:

General Fund

Net position at June 30, 2022 as previously stated	\$ 1,188,782
Prior Period Adjustment	<u>(61,005)</u>
Net Position July 1, 2022 as restated	<u><u>\$ 1,127,777</u></u>

16. Subsequent Events:

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

Required Supplementary Information

Garretson School District No. 49-4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,245,000	\$ 1,245,000	\$ 1,057,126	\$ (187,874)
Prior years' ad valorem taxes	55,000	55,000	4,689	(50,311)
Utility taxes	72,500	72,500	127,266	54,766
Penalties and interest on taxes	5,500	5,500	1,730	(3,770)
Earnings on Investments and Deposits	15,000	15,000	14,120	(880)
Cocurricular Activities:				
Admissions	32,250	32,250	35,928	3,678
Other student activity income	6,000	6,000	41,518	35,518
Other Revenue from Local Sources:				
Contributions and donations	4,000	4,000	737	(3,263)
Charges for services	5,500	5,500	8,497	2,997
Other	6,000	6,000	21,081	15,081
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	13,500	13,500	13,361	(139)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,020,000	2,020,000	2,058,009	38,009
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	37,063	37,063	37,063	--
Restricted grants-in-aid received from federal government through the state	41,500	41,500	77,576	36,076
Total Revenues	\$ 3,558,813	\$ 3,558,813	\$ 3,498,701	\$ (60,112)

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

Garretson School District No. 49-4

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 986,330	\$ 986,330	\$ 972,325	\$ 14,005
Middle/junior high	448,250	448,250	429,887	18,363
High school	717,642	717,642	703,061	14,581
Special Programs:				
Educationally deprived	106,765	106,765	47,440	59,325
Other special programs	40,872	40,872	38,054	2,818
Support Services:				
Students:				
Attendance and social work	3,250	3,250	7,680	(4,430)
Guidance	221,946	221,946	268,019	(46,073)
Health	20,959	20,959	15,085	5,874
Instructional Staff:				
Improvement of instruction	--	--	7,554	(7,554)
Educational media	166,148	166,148	138,298	27,850
General Administration:				
Board of education	58,927	58,927	22,747	36,180
Executive administration	160,500	160,500	161,648	(1,148)
School Administration:				
Office of the principal	236,327	236,327	226,925	9,402
Other	650	650	515	135
Business:				
Fiscal services	167,991	167,991	165,491	2,500
Operation and maintenance of plant	660,270	660,270	528,010	132,260
Student transportation	222,757	222,757	188,347	34,410
Central:				
Staff	540	540	692	(152)
Cocurricular Activities:				
Male activities	13,700	13,700	41,987	(28,287)
Female activities	21,210	21,210	55,894	(34,684)
Transportation	8,850	8,850	10,949	(2,099)
Combined activities	242,351	242,351	122,174	120,177
Contingencies	25,000	25,000	--	25,000
Total Expenditures	<u>4,531,235</u>	<u>4,531,235</u>	<u>4,152,782</u>	<u>378,453</u>
Excess of Revenues Over Expenditures	<u>(972,422)</u>	<u>(972,422)</u>	<u>(654,081)</u>	<u>318,341</u>
Other Financing Sources:				
Operating transfers out	(41,500)	(41,500)	(34,985)	6,515
Compensation for loss on capital assets	--	--	12,990	12,990
Total Other Financing Sources:	<u>(41,500)</u>	<u>(41,500)</u>	<u>(21,995)</u>	<u>19,505</u>
Net Change in Fund Balances	(1,013,922)	(1,013,922)	(676,076)	337,846
Fund Balance, Beginning of Year	<u>1,188,782</u>	<u>1,188,782</u>	<u>1,188,782</u>	<u>--</u>
Restatement - See Note 17	<u>--</u>	<u>--</u>	<u>(61,005)</u>	<u>(61,005)</u>
Adjusted Net Position - Beginning of Year	<u>1,188,782</u>	<u>1,188,782</u>	<u>1,127,777</u>	<u>(61,005)</u>
Fund Balance, End of Year	<u>\$ 174,860</u>	<u>\$ 174,860</u>	<u>\$ 451,701</u>	<u>\$ 276,841</u>

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

Garretson School District No. 49-4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,010,000	\$ 1,010,000	\$ 1,018,692	\$ 8,692
Prior years' ad valorem taxes	2,750	2,750	2,894	144
Penalties and interest on taxes	1,250	1,250	794	(456)
Total Revenues	<u>1,014,000</u>	<u>1,014,000</u>	<u>1,022,380</u>	<u>8,380</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	48,600	48,600	34,049	14,551
Middle/junior high	36,100	36,100	44,179	(8,079)
High school	14,200	14,200	9,875	4,325
Special programs:				
Other special programs	2,400	2,400	978	1,422
Support Services:				
Instructional Staff:				
Educational media	30,500	30,500	149,688	(119,188)
General Administration:				
Executive administration	750	750	--	750
School Administration:				
Office of the Principal	1,500	1,500	--	1,500
Business:				
Fiscal services	8,600	8,600	7,377	1,223
Facilities acquisition and construction	909,650	909,650	272,687	636,963
Operation and maintenance of plant	37,000	37,000	130,266	(93,266)
Student transportation	34,750	34,750	2,223	32,527
Debt Services:	357,225	357,225	349,750	7,475
Cocurricular Activities:				
Male activities	--	--	5,187	(5,187)
Combined activities	42,800	42,800	2,003	40,797
Total Expenditures	<u>1,524,075</u>	<u>1,524,075</u>	<u>1,008,262</u>	<u>515,813</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(510,075)</u>	<u>(510,075)</u>	<u>14,118</u>	<u>(507,433)</u>
Other Financing Sources (Uses):				
Transfers out	(125,000)	(125,000)	--	125,000
Proceeds of general long-term liabilities	--	--	272,687	272,687
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>272,687</u>	<u>397,687</u>
Net Change in Fund Balances	(635,075)	(635,075)	286,805	(109,746)
Fund Balance, Beginning of Year	<u>977,888</u>	<u>977,888</u>	<u>977,888</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 342,813</u>	<u>\$ 342,813</u>	<u>\$ 1,264,693</u>	<u>\$ (109,746)</u>

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

Garretson School District No. 49-4
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 550,000	\$ 550,000	\$ 592,648	\$ 42,648
Prior years' ad valorem taxes	1,250	1,250	1,685	435
Penalties and interest on taxes	350	350	462	112
Other Revenue from Local Sources:				
Charges for services	28,919	28,919	14,323	(14,596)
Other	--	--	327	327
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	177,624	177,624	50,231	(127,393)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	96,325	96,325	98,976	2,651
Total Revenues	<u>854,468</u>	<u>854,468</u>	<u>758,652</u>	<u>(95,816)</u>
Expenditures				
Instructional Services:				
Special programs:				
Programs for special education	609,087	609,087	653,264	(44,177)
Support Services:				
Students:				
Health	20,000	20,000	3,338	16,662
Psychological	25,000	25,000	25,519	(519)
Speech pathology	89,800	89,800	62,115	27,685
Student therapy services	58,000	58,000	39,289	18,711
Special Education:				
Administrative costs	53,867	53,867	54,592	(725)
Transportation costs	16,417	16,417	4,687	11,730
Total Expenditures	<u>872,171</u>	<u>872,171</u>	<u>842,804</u>	<u>29,367</u>
Excess of Revenues Over (Under) Expenditures	(17,703)	(17,703)	(84,152)	(66,449)
Net Change in Fund Balance	(17,703)	(17,703)	(84,152)	(66,449)
Fund Balance, Beginning of Year	<u>305,490</u>	<u>305,490</u>	<u>305,490</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 287,787</u>	<u>\$ 287,787</u>	<u>\$ 221,338</u>	<u>\$ (66,449)</u>

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

Garretson School District No. 49-4
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. USGAAP/Budgetary Accounting Basis Differences:

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

Garretson School District No. 49-4
Schedule of Changes in Total OPEB Liability
June 30, 2023

TOTAL OPEB LIABILITY

Service Cost	\$ 20,542
Interest on Total OPEB Liability	4,758
Effect of assumption changes or inputs	(30,774)
Benefit payments	<u>(2,215)</u>
Net change in total OPEB liability	<u>(7,689)</u>
Total OPEB liability, beginning	<u>200,834</u>
Total OPEB liability, ending	<u><u>\$ 193,145</u></u>

Garretson School District No. 49-4

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)	0.1212030%	0.1187530%	0.1190434%	0.1172325%	0.1170865%	0.1115763%	0.1213704%	0.1305214%	0.1328179%
District's proportionate share of net pension liability (asset)	\$ (11,455)	\$ (909,445)	\$ (5,170)	\$ (12,423)	\$ (2,731)	\$ (10,126)	\$ 409,977	\$ (553,579)	\$ (956,899)
District's covered-employee payroll	\$ 2,894,133	\$ 2,413,433	\$ 2,594,475	\$ 2,488,236	\$ 2,420,130	\$ 2,262,735	\$ 2,302,693	\$ 2,382,955	\$ 2,322,608
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	37.68%	0.20%	0.50%	0.11%	0.45%	17.80%	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.

Garretson School District No. 49-4
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	\$ 182,986	\$ 173,297	\$ 144,869	\$ 155,625	\$ 149,443	\$ 145,226	\$ 134,674	\$ 138,472	\$ 142,977	\$ 139,357
Contributions in relation to the contractually-required contribution	<u>182,986</u>	<u>173,297</u>	<u>144,869</u>	<u>155,625</u>	<u>149,443</u>	<u>145,226</u>	<u>134,674</u>	<u>138,472</u>	<u>142,977</u>	<u>139,357</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	\$ 3,049,816	\$ 2,894,133	\$ 2,413,433	\$ 2,594,475	\$ 2,488,235	\$ 2,420,130	\$ 2,262,735	\$ 2,302,693	\$ 2,382,955	\$ 2,322,608
Contributions as a percentage of employee-covered payroll	6.00%	5.99%	6.00%	6.00%	6.01%	6.00%	5.95%	6.01%	6.00%	6.00%

Garretson School District No. 49-4

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%.

Garretson School District No. 49-4

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.