

# HAAKON SCHOOL DISTRICT NO. 27-1

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Financial Statements

June 30, 2023



**Haakon School District No. 27-1**  
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**June 30, 2023**

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

School Board  
Haakon School District No. 27-1  
Haakon County, South Dakota

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Haakon School District No. 27-1 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2023.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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 were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Management's Response as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

## **Haakon School District No. 27-1's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Management's Response. The 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 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 District'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.

*Casey Peterson, LTD*

Casey Peterson, LTD

Rapid City, South Dakota

October 10, 2023

**Haakon School District No. 27-1**  
**Schedule of Findings and Management's Responses (Unaudited)**  
**June 30, 2023**

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2023-001 *Condition:* The District has a limited number of finance staff, causing a concentration of responsibilities within the following processes/cycles: payroll, reconciliation of accounts, posting of general journal entries, recognition of revenues, and preparation of the financial statements. Material adjustments were proposed as a result of the concentration.

*Criteria:* A strong system of internal controls over accounting functions allows for the segregation of responsibilities among various personnel including oversight of functions assigned.

*Cause:* The District has a limited number of staff to perform the finance function.

*Effect:* There is a possibility of fraud or errors occurring and not being detected or corrected. Material audit adjustments were required related to year-end reporting for long-term debt, property and equipment, property taxes receivable, and deferred property tax inflows.

*Auditor's Recommendation:* Reconciliations of accounts and journal entries prepared by the Business Manager should be reviewed by the Superintendent or a School Board member with sufficient accounting expertise. Management and those charged with governance should evaluate the finance processes and cycles and determine whether the risks related to a concentration of responsibilities are outweighed by the costs of hiring additional staff.

*Management's Response:* In addition to the review of the financial statements, disclosure checklist, and proposed journal entries, the District will provide the Balance Sheet and Income Statement from the District's software as well as supporting schedules for financial statements notes. Due to the size of the District, it is not cost-effective to hire additional Finance Office staff, but the District will improve oversight procedures by the Superintendent performing documented reviews of the bank reconciliations and journal entries. The District staff responsible for these actions would be the District's Business Manager and these changes will be ongoing.

## Independent Auditor's Report

School Board  
Haakon School District No. 27-1  
Haakon County, South Dakota

### **Report on the Financial Statements**

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Haakon School District No. 27-1 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal 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 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 GAS 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 GAS, 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 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 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, budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Supplementary Information be presented to supplement the basic financial statements. Such required information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 October 10, 2023 on our consideration of the 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 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 Haakon School District No. 27-1's internal control over financial reporting and compliance.

*Casey Peterson, LTD*

Casey Peterson, LTD  
Rapid City, South Dakota  
October 10, 2023

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2023

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This section of Haakon School District No. 27-1's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

## **FINANCIAL HIGHLIGHTS**

- During the 22-23 FY, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$706,189 more than the \$4,395,055 governmental and business-type program expenses.
- The General Fund reported a \$46,267 increase in fund balance in FY 22-23. The Capital Outlay Fund reported an increase of \$314,827. The Special Education Fund reported an increase of \$43,190.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses. The only proprietary fund operated by the District is the Food Service Fund.
  - Fiduciary fund statements provide information about the financial relationships - like scholarships for graduating students - in which the District 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.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government covered and the types of information contained. The remainder of the overview section of the Management's Discussion and Analysis explains the structure and contents of each of the statements.

See independent auditor's report.

**Haakon School District No. 27-1  
Management’s Discussion and Analysis  
For the Year Ended June 30, 2023**

*Figure A-1*

**Major Features of Haakon School District’s Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Fund Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the District operates similar to private businesses, such as the food service operation.	Instances in which the District is the trustee or agent for someone else's resources.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included, and deferred inflows and outflows of resources	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during the 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 the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

See independent auditor’s report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2023

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District'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 District are reported in two categories:

- **Governmental Activities** - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), interest expense on long-term debt, and extracurricular activities (sports, debate, music, etc.). Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the District.

## **Fund Financial Statements**

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

- State Law requires some of the funds, such as the Capital Outlay Fund and the Special Education Fund.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The District has three kinds of funds:

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

See independent auditor's report.

**Haakon School District No. 27-1  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position increased as follows:

Table A-1  
HAAKON SCHOOL DISTRICT 27-1  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	
Current and Other Assets	\$ 5,902,692	\$ 6,020,853	\$ 90,633	\$ 92,685	\$ 5,993,325	\$ 6,113,538	-1.97%
Capital Assets (Net of Depreciation)	11,543,374	11,614,411	127,051	156,480	11,670,425	11,770,891	-0.85%
<b>Total Assets</b>	<u>17,446,066</u>	<u>17,635,264</u>	<u>217,684</u>	<u>249,165</u>	<u>17,663,750</u>	<u>17,884,429</u>	-1.23%
<b>Total Deferred Outflows of Resources</b>	<u>715,478</u>	<u>821,040</u>	<u>17,555</u>	<u>19,581</u>	<u>733,033</u>	<u>840,621</u>	-12.80%
Long-term Liabilities Outstanding	6,829,822	7,189,155	1,016	-	6,830,838	7,189,155	-4.98%
Other Liabilities	430,319	340,121	28,796	27,282	459,115	367,403	24.96%
<b>Total Liabilities</b>	<u>7,260,141</u>	<u>7,529,276</u>	<u>29,812</u>	<u>27,282</u>	<u>7,289,953</u>	<u>7,556,558</u>	-3.53%
<b>Total Deferred Inflows of Resources</b>	<u>1,664,773</u>	<u>2,408,166</u>	<u>10,286</u>	<u>27,351</u>	<u>1,675,059</u>	<u>2,435,517</u>	-31.22%
Net Investment in Capital Assets	4,750,684	4,438,693	127,051	156,480	4,877,735	4,595,173	6.15%
Restricted	3,389,429	2,934,343	7,446	6,387	3,396,875	2,940,730	15.51%
Unrestricted	1,103,733	1,145,826	60,821	51,246	1,164,554	1,197,072	-2.72%
<b>Total Net Position</b>	<u>9,243,846</u>	<u>8,518,862</u>	<u>195,318</u>	<u>214,113</u>	<u>9,439,164</u>	<u>8,732,975</u>	8.09%
<b>Beginning Net Position</b>	<u>8,518,862</u>	<u>7,754,747</u>	<u>214,113</u>	<u>179,445</u>	<u>8,732,975</u>	<u>7,934,192</u>	
<b>Increase (Decrease) in Net Position</b>	<u>\$ 724,984</u>	<u>\$ 764,115</u>	<u>\$ (18,795)</u>	<u>\$ 34,668</u>	<u>\$ 706,189</u>	<u>\$ 798,783</u>	
<b>Percentage Change in Net Position</b>	8.51%	9.85%	-8.78%	19.32%	8.09%	10.07%	

Current and other assets decreased in the current year mainly due to Net Pension Asset reduced in the current year. Other liabilities increased in the current year due to an increase in accounts payable and payroll liabilities due to the timing of payments. Long-term liabilities decreased due to payments made on long-term debt during FY 22-23.

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 District, consisting of Series 2016 Bonds and compensated absences payable, have been reported in this manner on the Statement of Net Position. The difference between the District's assets and deferred outflows and liabilities and deferred inflows is its net position.

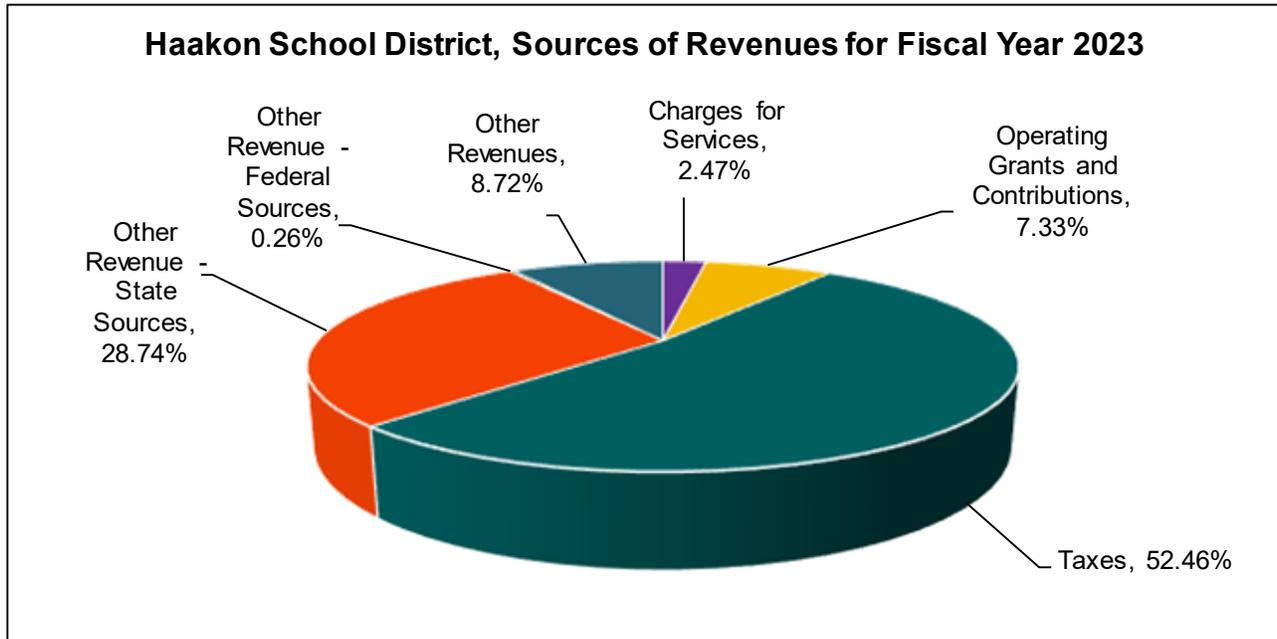
See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2023

## Changes in Net Position

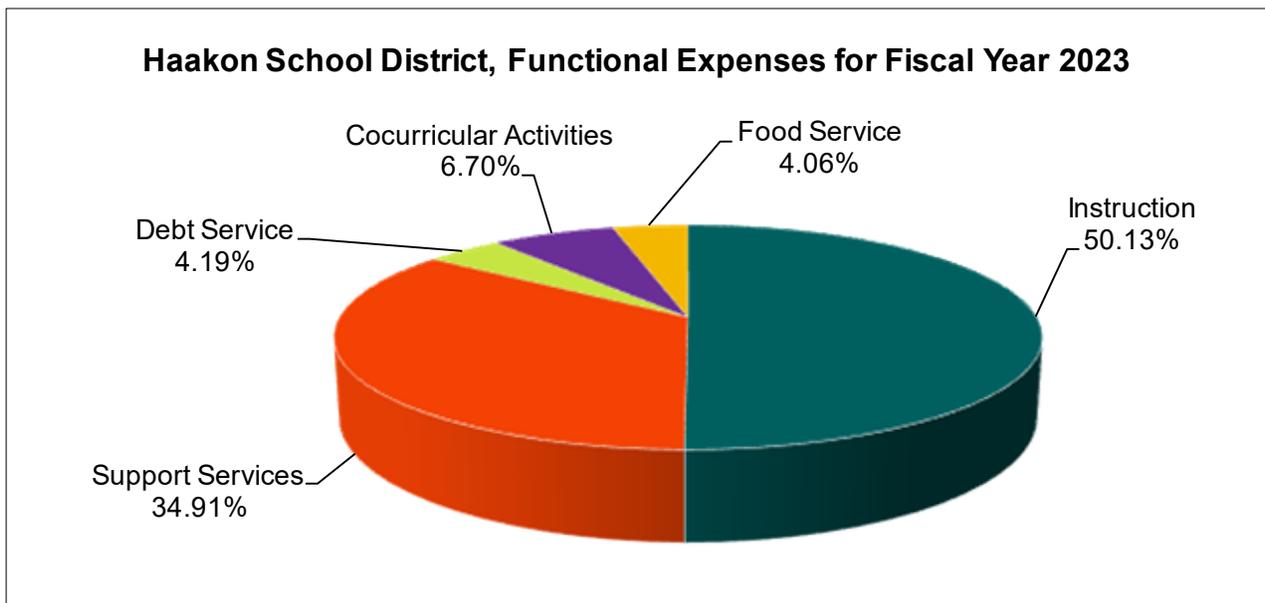
The District's revenues totaled \$5,132,317 (see Table A-2). Over half of the District's revenue comes from property and other taxes, while approximately 29% comes from state aid. (See Figure A-2).

Figure A-2



The total cost of all programs and services was \$4,395,055 (See Table A-2). The District's expenses cover a range of services encompassing instruction, support services, cocurricular activities, and food services (see Figure A-3).

Figure A-3



See independent auditor's report.

# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2023

## GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the District.

Table A-2  
HAAKON SCHOOL DISTRICT 27-1  
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2023	2022	2023	2022	2023	2022	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 34,770	\$ 28,371	\$ 91,615	\$ 14,645	\$ 126,385	\$ 43,016	193.81%
Operating Grants and Contributions	306,624	163,332	68,657	172,646	375,281	335,978	11.70%
Capital Grants and Contributions	55,122	311,853	-	-	55,122	311,853	-82.32%
General Revenues							
Taxes	2,684,233	2,761,988	-	-	2,684,233	2,761,988	-2.82%
Revenue State Sources	1,471,215	1,234,389	-	-	1,471,215	1,234,389	19.19%
Revenue Federal Sources	13,543	10,425	-	-	13,543	10,425	29.91%
Other General Revenue	343,998	52,883	-	-	343,998	52,883	550.49%
Unrestricted Investment Earnings	78,315	11,863	-	-	78,315	11,863	560.16%
Loss on Disposal of Assets	(31,073)	-	-	-	(31,073)	-	0.00%
<b>Total Revenues</b>	<b>4,956,747</b>	<b>4,575,104</b>	<b>160,272</b>	<b>187,291</b>	<b>5,117,019</b>	<b>4,762,395</b>	<b>7.45%</b>
<b>Expenses</b>							
Instruction	2,211,115	2,109,080	-	-	2,211,115	2,109,080	4.84%
Support Services	1,540,300	1,264,412	-	-	1,540,300	1,264,412	21.82%
Debt Service	184,748	175,166	-	-	184,748	175,166	5.47%
Cocurricular Activities	295,600	262,331	-	-	295,600	262,331	12.68%
Food Service	-	-	179,067	152,623	179,067	152,623	17.33%
<b>Total Expenses</b>	<b>4,231,763</b>	<b>3,810,989</b>	<b>179,067</b>	<b>152,623</b>	<b>4,410,830</b>	<b>3,963,612</b>	<b>11.28%</b>
Excess (Deficiency) Before Transfers	724,984	764,115	(18,795)	34,668	706,189	798,783	11.59%
<b>Increase (Decrease) in Net Position</b>	<b>724,984</b>	<b>764,115</b>	<b>(18,795)</b>	<b>34,668</b>	<b>706,189</b>	<b>798,783</b>	<b>11.59%</b>
<b>Beginning Net Position</b>	<b>8,518,862</b>	<b>7,754,747</b>	<b>214,113</b>	<b>179,445</b>	<b>8,732,975</b>	<b>7,934,192</b>	<b>10.07%</b>
<b>Ending Net Position</b>	<b>\$ 9,243,846</b>	<b>\$ 8,518,862</b>	<b>\$ 195,318</b>	<b>\$ 214,113</b>	<b>\$ 9,439,164</b>	<b>\$ 8,732,975</b>	<b>8.09%</b>

## GOVERNMENTAL ACTIVITIES

The governmental activities showed an increase in revenues and an increase in expenses. These changes are primarily due to an increase in interest rates and insurance proceeds.

## BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service Operation) decreased, and expenses increased in FY 22-23 as shown in Table A-2.

See independent auditor's report.

**Haakon School District No. 27-1  
Management's Discussion and Analysis  
For the Year Ended June 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The General Fund's fund balance did not have any significant changes. The Capital Outlay Fund's fund balance increased due to revenues exceeding expenses in the current year. The Special Education Fund's fund balance increased due to revenues exceeding expenses in the current year. The Bond Redemption fund balances did not have any significant changes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no significant changes to the General Fund budget this fiscal year.

**CAPITAL ASSET ADMINISTRATION**

Capital Assets decreased for the District due to disposal of a bus during the fiscal year.

**Table A-3  
HAAKON SCHOOL DISTRICT 27-1  
Capital Assets, Net of Depreciation**

	Governmental Activities		Business-type Activities		Total Dollar Change 2022-2023	Total Percentage Change 2022-2023
	2023	2022	2023	2022		
Land	\$ 26,020	\$ 26,020	\$ -	\$ -	\$ -	0.00%
Construction in Progress	69,200	-	-	-	69,200	100.00%
Buildings	9,953,949	10,187,626	-	-	(233,677)	-2.29%
Improvements Other Than Building	454,377	310,967	-	-	143,410	46.12%
Machinery and Equipment	1,039,828	1,089,798	127,051	156,480	(79,399)	-7.29%
<b>Total Capital Assets (Net)</b>	<b>\$ 11,543,374</b>	<b>\$ 11,614,411</b>	<b>\$ 127,051</b>	<b>\$ 156,480</b>	<b>\$ (100,466)</b>	<b>136.54%</b>

Capital asset purchases during the year ended June 30, 2023, included concrete for new stairs, a new phone system, gym equipment, and a playground climber.

**LONG-TERM DEBT**

At year-end, the District had \$6,829,822 in bonds and other long-term obligations as shown on Table A-4 below.

**Table A-4  
HAAKON SCHOOL DISTRICT 27-1  
Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change 2022-2023	Total Percentage Change 2022-2023
	2023	2022	2023	2022		
Series 2016 Bond	\$ 6,685,000	\$ 7,060,000	\$ -	\$ -	\$ (375,000)	-5.31%
Series 2016 Bond Premium	107,690	115,718	-	-	(8,028)	-6.94%
Compensated Absences	37,132	13,437	1,016	-	24,711	183.90%
<b>Total Outstanding Debt and Obligations</b>	<b>\$ 6,829,822</b>	<b>\$ 7,189,155</b>	<b>\$ 1,016</b>	<b>\$ -</b>	<b>\$ (358,317)</b>	<b>-4.98%</b>

The District is liable for the accrued vacation and sick leave payable to the Superintendent, Business Manager, and all 12-month hourly employees.

See independent auditor's report.

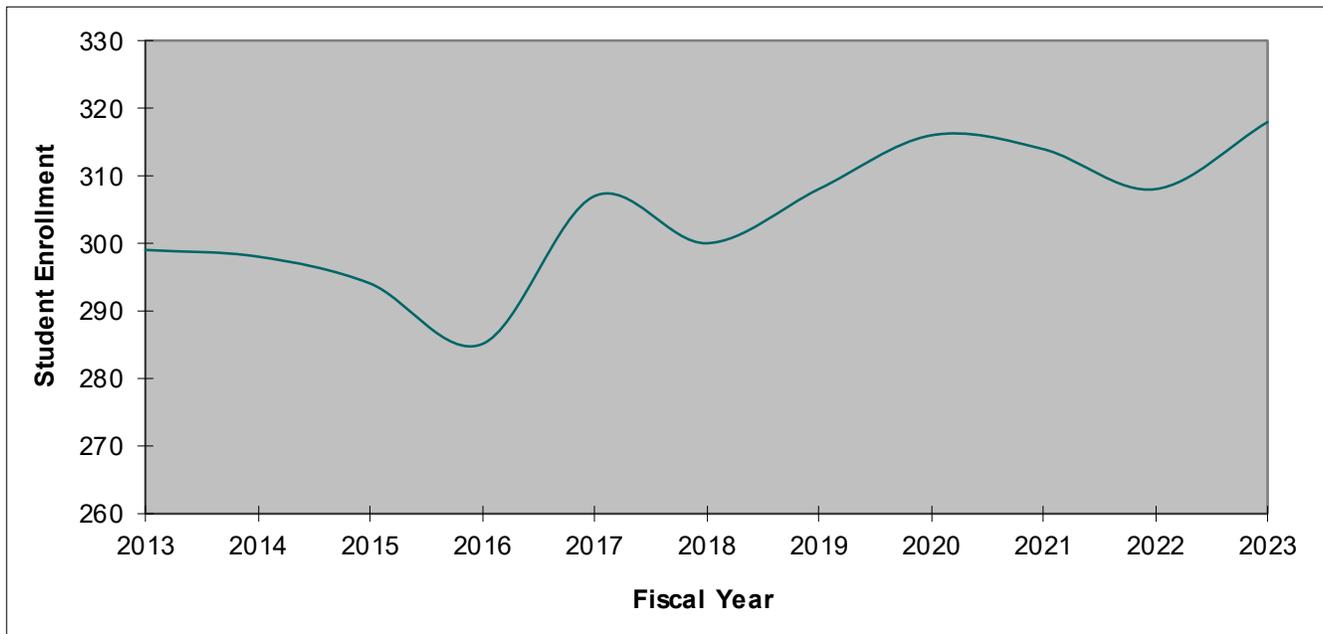
# Haakon School District No. 27-1 Management's Discussion and Analysis For the Year Ended June 30, 2023

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown little change. Local revenues have ultimately remained steady, slightly increasing due to property values. No significant increases in revenue in this area are expected.

One of the primary sources of revenue for the District is based on a target teacher salary allocation received from the State of South Dakota. The state aid formula was modified beginning in FY17. The state aid formula aims for a target teacher salary and establishes needs based on that number along with enrollment. The average daily membership (ADM) has increased this year from 308 to 318. The impact of this new formula on the stability of the District's revenues is not fully known. This is expected to reduce funding available to the District in future years. The Capital Outlay levy has been modified to limit future growth in collections which may impair the District's ability to fund future capital projects.

The District's enrollment for the last ten years has been as follows:



## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Haakon School District Business Office, PO Box 730, 330 Scottie Ave, Philip, SD 57567.

See independent auditor's report.

## BASIC FINANCIAL STATEMENTS

**Haakon School District No. 27-1**  
**Statement of Net Position**  
**June 30, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,716,244	\$ 80,856	\$ 3,797,100
Certificates of Deposit	799,823	-	799,823
Taxes Receivable	1,047,322	-	1,047,322
Accounts Receivable	-	3,528	3,528
Due From Other Governments	334,893	-	334,893
Inventories	-	6,249	6,249
Prepaid Items	4,410	-	4,410
	<u>5,902,692</u>	<u>90,633</u>	<u>5,993,325</u>
Capital Assets:			
Land	26,020	-	26,020
Buildings	14,342,297	-	14,342,297
Improvements	577,390	-	577,390
Equipment	1,487,994	221,030	1,709,024
Construction in Progress	69,200	-	69,200
Less: Accumulated Depreciation	<u>(4,959,527)</u>	<u>(93,979)</u>	<u>(5,053,506)</u>
Total Capital Assets, Net of Depreciation	<u>11,543,374</u>	<u>127,051</u>	<u>11,670,425</u>
Restricted Assets:			
Net Pension Asset	<u>7,216</u>	<u>177</u>	<u>7,393</u>
<b>TOTAL ASSETS</b>	<u>17,453,282</u>	<u>217,861</u>	<u>17,671,143</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension-related Deferred Outflows	<u>715,478</u>	<u>17,555</u>	<u>733,033</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>715,478</u>	<u>17,555</u>	<u>733,033</u>
<b>LIABILITIES</b>			
Accrued Expenses	430,319	2,897	433,216
Unearned Revenue	-	25,899	25,899
Long-term Liabilities:			
Due Within One Year	399,741	-	399,741
Due in More than One Year	<u>6,430,081</u>	<u>1,016</u>	<u>6,431,097</u>
<b>TOTAL LIABILITIES</b>	<u>7,260,141</u>	<u>29,812</u>	<u>7,289,953</u>

See Independent Auditor's Report.

**Haakon School District No. 27-1**  
**Statement of Net Position (Continued)**  
**June 30, 2023**

	Governmental Activities	Business-type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes Levied for Future Periods	1,245,537	-	1,245,537
Pension-related Deferred Inflows	419,236	10,286	429,522
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,664,773</u>	<u>10,286</u>	<u>1,675,059</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,750,684	127,051	4,877,735
Restricted for:			
Debt Repayment	232,066	-	232,066
Capital Outlay	2,219,774	-	2,219,774
Special Education	634,131	-	634,131
Proportionate Share of Net Pension Asset	303,458	7,446	310,904
Unrestricted	1,103,733	60,821	1,164,554
<b>TOTAL NET POSITION</b>	<u>\$ 9,243,846</u>	<u>\$ 195,318</u>	<u>\$ 9,439,164</u>

See Independent Auditor's Report.

**Haakon School District No. 27-1  
Statement of Activities  
For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>GOVERNMENTAL ACTIVITIES</b>							
Instruction	\$ 2,211,115	\$ -	\$ 299,464	\$ 55,122	\$ (1,856,529)	\$ -	\$ (1,856,529)
Support Services	1,540,300	5,168	7,160	-	(1,527,972)	-	(1,527,972)
Cocurricular Activities	295,600	29,602	-	-	(265,998)	-	(265,998)
Interest on Long-term Debt *	184,748	-	-	-	(184,748)	-	(184,748)
Total Governmental Activities	4,231,763	34,770	306,624	55,122	(3,835,247)	-	(3,835,247)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Food Service	179,067	91,615	68,657	-	-	(18,795)	(18,795)
Total Primary Government	\$ 4,410,830	\$ 126,385	\$ 375,281	\$ 55,122	-	(18,795)	(3,854,042)
<b>GENERAL REVENUES</b>							
Taxes:							
Property Taxes					2,565,643	-	2,565,643
Gross Receipts Taxes					118,590	-	118,590
Revenue from State Sources:							
State Aid					1,471,215	-	1,471,215
Revenue from Federal Sources					13,543	-	13,543
Revenue from Intermediate Sources					14,715	-	14,715
Unrestricted Investment Earnings					78,315	-	78,315
Other General Revenues					329,283	-	329,283
Loss on Disposal of Assets					(31,073)	-	(31,073)
Total General Revenues					4,560,231	-	4,560,231
<b>CHANGE IN NET POSITION</b>					724,984	(18,795)	706,189
<b>NET POSITION - BEGINNING</b>					8,518,862	214,113	8,732,975
<b>NET POSITION - ENDING</b>					\$ 9,243,846	\$ 195,318	\$ 9,439,164

\* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Balance Sheet - Governmental Funds**  
**June 30, 2023**

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,268,591	\$ 1,538,102	\$ 627,904	\$ 278,647	\$ 3,713,244
Certificates of Deposit	-	799,823	-	-	799,823
Advance Payments	3,000	-	-	-	3,000
Taxes Receivable, Current	410,159	187,208	218,340	229,714	1,045,421
Taxes Receivable, Delinquent	1,090	240	276	295	1,901
Due From Other Governments	233,519	10,454	90,920	-	334,893
Prepaid Items	4,410	-	-	-	4,410
<b>TOTAL ASSETS</b>	<b><u>\$ 1,920,769</u></b>	<b><u>\$ 2,535,827</u></b>	<b><u>\$ 937,440</u></b>	<b><u>\$ 508,656</u></b>	<b><u>\$ 5,902,692</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 31,312	\$ 90,573	\$ 18,347	\$ -	\$ 140,232
Contracts Payable	193,692	-	17,280	-	210,972
Payroll Deductions and Employer Matching Payable	45,324	-	4,617	-	49,941
<b>Total Liabilities</b>	<b><u>270,328</u></b>	<b><u>90,573</u></b>	<b><u>40,244</u></b>	<b><u>-</u></b>	<b><u>401,145</u></b>
Deferred Inflows of Resources:					
Property Taxes Levied for Future Periods	482,024	225,000	262,513	276,000	1,245,537
Delinquent Taxes not Available	1,090	240	276	295	1,901
<b>Total Deferred Inflows of Resources</b>	<b><u>483,114</u></b>	<b><u>225,240</u></b>	<b><u>262,789</u></b>	<b><u>276,295</u></b>	<b><u>1,247,438</u></b>
Fund Balances:					
Restricted:					
For Retirement of Debt	-	-	-	232,361	232,361
For Capital Outlay	-	2,220,014	-	-	2,220,014
For Special Education	-	-	634,407	-	634,407
Unassigned	1,167,327	-	-	-	1,167,327
<b>Total Fund Balances</b>	<b><u>1,167,327</u></b>	<b><u>2,220,014</u></b>	<b><u>634,407</u></b>	<b><u>232,361</u></b>	<b><u>4,254,109</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 1,920,769</u></b>	<b><u>\$ 2,535,827</u></b>	<b><u>\$ 937,440</u></b>	<b><u>\$ 508,656</u></b>	<b><u>\$ 5,902,692</u></b>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1  
Reconciliation of the Governmental Funds Balance  
Sheet to the Statement of Net Position  
June 30, 2023**

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Total Fund Balances - Governmental Funds	\$	4,254,109
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.		11,543,374
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
General Obligation Debt		(6,792,690)
Compensated Absences		(37,132)
Interest Payable		(29,174)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year-end consisted of:		
Property Taxes Receivable		1,901
Net pension asset reported in governmental activities is not an available financial resource and, therefore, are not reported in the funds.		7,216
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the funds.		715,478
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the funds.		<u>(419,236)</u>
Net Position - Governmental Activities	\$	<u>9,243,846</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2023**

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>REVENUES</b>					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 1,009,972	\$ 456,751	\$ 533,650	\$ 560,709	\$ 2,561,082
Gross Receipts Taxes	118,590	-	-	-	118,590
Penalties and Interest on Taxes	2,297	814	930	997	5,038
Cocurricular Activities	29,602	-	-	-	29,602
Earnings on Deposits	26,119	36,358	12,528	3,310	78,315
Other Local Revenue	<u>74,296</u>	<u>259,810</u>	<u>345</u>	<u>-</u>	<u>334,451</u>
Total Revenue from Local Sources	<u>1,260,876</u>	<u>753,733</u>	<u>547,453</u>	<u>565,016</u>	<u>3,127,078</u>
Revenue from Intermediate Sources:					
County Sources	<u>14,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,715</u>
Revenue from State Sources:					
Unrestricted Grants-in-aid	1,471,215	-	-	-	1,471,215
Restricted Grants-in-aid	<u>2,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,031</u>
Total Revenue from State Sources	<u>1,473,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,473,246</u>
Revenue from Federal Sources:					
Unrestricted Grants-in-aid	13,543	-	-	-	13,543
Restricted Grants-in-aid	<u>213,673</u>	<u>55,122</u>	<u>90,920</u>	<u>-</u>	<u>359,715</u>
Total Revenue from Federal Sources	<u>227,216</u>	<u>55,122</u>	<u>90,920</u>	<u>-</u>	<u>373,258</u>
Total Revenues	<u>2,976,053</u>	<u>808,855</u>	<u>638,373</u>	<u>565,016</u>	<u>4,988,297</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds (Continued)**  
**For the Year Ended June 30, 2023**

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>EXPENDITURES</b>					
Instructional Services:					
Regular Programs	1,390,208	79,098	-	-	1,469,306
Special Programs	125,788	-	376,186	-	501,974
Total Instruction	<u>1,515,996</u>	<u>79,098</u>	<u>376,186</u>	<u>-</u>	<u>1,971,280</u>
Support Services:					
Pupils	64,853	-	132,209	-	197,062
Instructional Staff	37,153	836	-	-	37,989
General Administration	170,529	508	-	-	171,037
School Administration	216,512	-	-	-	216,512
Business	656,503	128,998	-	-	785,501
Central	2,184	-	-	-	2,184
Special Education	-	-	86,788	-	86,788
Total Support Services	<u>1,147,734</u>	<u>130,342</u>	<u>218,997</u>	<u>-</u>	<u>1,497,073</u>
Cocurricular Activities:					
Male Activities	69,226	-	-	-	69,226
Female Activities	43,815	-	-	-	43,815
Transportation	31,168	-	-	-	31,168
Combined Activities	106,072	18,706	-	-	124,778
Total Cocurricular Activities	<u>250,281</u>	<u>18,706</u>	<u>-</u>	<u>-</u>	<u>268,987</u>
Debt Service	-	-	-	553,626	553,626
Capital Outlay	-	265,882	-	-	265,882
Total Expenditures	<u>2,914,011</u>	<u>494,028</u>	<u>595,183</u>	<u>553,626</u>	<u>4,556,848</u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,121,060</u>	<u>1,905,187</u>	<u>591,217</u>	<u>220,971</u>	<u>3,838,435</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,167,327</u>	<u>\$ 2,220,014</u>	<u>\$ 634,407</u>	<u>\$ 232,361</u>	<u>\$ 4,254,109</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2023**

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Net Change in Fund Balances - Total Governmental Funds	\$	415,674
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		(39,981)
<p>In the Statement of Activities, losses on disposal of capital assets are reported while the governmental funds only report the proceeds from disposal of capital assets.</p>		(31,073)
<p>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."</p>		(477)
<p>Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		35,658
<p>Governmental funds do not reflect the change in compensated absences, but the Statement of Activities reflects the change in these accruals through expenses.</p>		(23,695)
<p>Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term debt liabilities in the Statement of Net Position.</p>		375,000
<p>Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.</p>		(14,150)
<p>Amortization of premium on long-term debt is not an expense of the funds but is included as a component of interest expense in the Statement of Activities.</p>		8,028
		8,028
Change in Net Position of Governmental Activities	\$	724,984

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Net Position - Proprietary Fund**  
**June 30, 2023**

	Food Service Fund
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 80,856
Due From Other Governments	3,528
Inventory	6,249
Total Current Assets	90,633
Noncurrent Assets:	
Net Pension Asset	177
Machinery and Equipment - Local Funds	221,030
Less Accumulated Depreciation	(93,979)
Total Noncurrent Assets	127,228
<b>TOTAL ASSETS</b>	217,861
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension-related Deferred Outflows	17,555
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	60
Contracts Payable	1,555
Payroll Deductions and Employer Matching Payable	1,282
Unearned Revenue	25,899
Total Current Liabilities	28,796
Noncurrent Liabilities:	
Accrued Leave Payable	1,016
<b>TOTAL LIABILITIES</b>	29,812
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension-related Deferred Inflows	10,286
<b>NET POSITION</b>	
Net Investment in Capital Assets	127,228
Proportionate Share of Net Pension Asset	7,446
Unrestricted	60,644
<b>TOTAL NET POSITION</b>	\$ 195,318

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Revenues, Expenses and Changes in Fund**  
**Net Position - Proprietary Fund**  
**For the Year Ended June 30, 2023**

	Food Service Fund
<b>OPERATING REVENUE</b>	
Sales to Pupils	\$ 79,478
Sales to Adults	2,316
Sales a la Carte	6,185
Other Sales	3,636
Total Operating Revenue	91,615
<b>OPERATING EXPENSES</b>	
Salaries	45,690
Employee Benefits	12,079
Purchased Services	2,783
Supplies	20,428
Cost of Sales - Purchased Food	48,044
Cost of Sales - Donated Food	12,416
Miscellaneous	23,973
Depreciation	13,654
Total Operating Expenses	179,067
<b>OPERATING LOSS</b>	<b>(87,452)</b>
<b>NONOPERATING REVENUE</b>	
State Sources:	
Cash Reimbursements	379
Federal Sources:	
Cash Reimbursements	57,772
Donated Food	10,506
Total Nonoperating Revenue	68,657
<b>CHANGE IN NET POSITION</b>	<b>(18,795)</b>
<b>NET POSITION - BEGINNING</b>	<b>214,113</b>
<b>NET POSITION - ENDING</b>	<b>\$ 195,318</b>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2023**

	Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 93,687
Payments to Suppliers	(96,260)
Payments to Employees	<u>(58,297)</u>
Net Cash Used by Operating Activities	(60,870)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating Subsidies	<u>66,816</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,946
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>74,910</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 80,856</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (87,452)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	13,654
Cost of Sales - Donated Food	12,416
Change in Assets and Liabilities:	
Inventory	(959)
Unearned Revenue	2,072
Accounts Payable	(73)
Pension Activity	(1,059)
Accrued Leave Payable	1,016
Payroll Deductions and Employer Matching Payable	<u>(485)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (60,870)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2023**

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	<u>Custodial Funds</u>	<u>Private- Purpose Trust Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 196,663	\$ -
Certificates of Deposit	-	146,002
Investments in Assets Held by Others	<u>-</u>	<u>94,390</u>
<b>TOTAL ASSETS</b>	<u>\$ 196,663</u>	<u>\$ 240,392</u>
<b>NET POSITION</b>		
Restricted for:		
Individuals, Organizations, and Other Governments	<u>\$ 196,663</u>	<u>\$ 240,392</u>
<b>TOTAL NET POSITION</b>	<u>\$ 196,663</u>	<u>\$ 240,392</u>

The accompanying notes are an integral part of this statement.

**Haakon School District No. 27-1**  
**Statement of Changes in Fiduciary Net Position - Fiduciary Funds**  
**For the Year Ended June 30, 2023**

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	<u>Custodial Funds</u>	<u>Private- Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Private Donations	\$ 301,903	\$ -
Interest Earnings	<u>-</u>	<u>2,716</u>
Total Additions	<u>301,903</u>	<u>2,716</u>
<b>DEDUCTIONS</b>		
Payments for Student Activities	272,122	-
Payments for Scholarships	<u>-</u>	<u>13,539</u>
Total Deductions	<u>272,122</u>	<u>13,539</u>
<b>CHANGE IN NET POSITION</b>	29,781	(10,823)
<b>NET POSITION - BEGINNING</b>	<u>166,882</u>	<u>251,215</u>
<b>NET POSITION - ENDING</b>	<u>\$ 196,663</u>	<u>\$ 240,392</u>

The accompanying notes are an integral part of these financial statements.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

The reporting entity of Haakon County School District No. 27-1 (the District), 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 District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a seven-member Board of Education (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other school districts. See detailed Note 11 entitled "Joint Venture" 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 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 District as a whole. These statements include the financial activities of the overall government, except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities.

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

Fund financial statements of the District 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 a primary operating fund of the District or if it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 year to year or because of public interest in the fund's operations.

The funds of the District are described below within their respective fund types:

**Governmental Funds:**

*General Fund* - The General Fund was established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

*Special Revenue Fund Types* - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

*Capital Outlay Fund* - A fund established by SDCL 13-16-6 to meet expenditures that result in the lease of, acquisitions of, or additions to, real property, plant or equipment, textbooks, and instructional software. This fund is financed by property taxes and 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 primarily by property taxes and state and federal grants. This is a major fund.

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

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary Funds:

*Enterprise Fund Types* - Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the focus of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis whether financed or recovered through user charges or grants; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's only enterprise fund is as follows:

*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.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

*Private-purpose Trust Fund Types* - Private-purpose trust funds are used to account for all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains several Scholarship Funds. The purpose of these funds is to provide scholarships to qualifying students.

*Custodial Types* - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

**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 and similar fiduciary fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

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. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

All proprietary funds 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. CASH AND CASH EQUIVALENTS**

For the purpose of preparing the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**E. INVENTORY**

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental funds and governmental activities consist of expendable supplies held for consumption. In the government-wide financial statements and in the enterprise 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 funds, the cost of inventory purchased is recorded as an expenditure at the time inventory items are consumed. Inventories reported in the governmental fund financial statements are equally offset by a Nonspendable Fund Balance unless included in accounts payable, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. As of June 30, 2023, there was no inventory reported in governmental funds.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. RESTRICTED ASSETS**

The District has reported restricted assets in the Statement of Net Position. The amounts reported as restricted for Net Pension Asset represent the District's proportionate share of the Net Pension Asset of the South Dakota Retirement System.

**G. CAPITAL ASSETS**

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

The accounting treatment of 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.

*Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 financial statements.

*Government-wide Financial Statements:*

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

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	5,000	50 yrs
Improvements	5,000	20 yrs
Equipment (government-wide)	5,000	5-15 yrs
Equipment (proprietary funds)	1,000	5-15 yrs
Intangible Lease Assets	5,000	5-15 yrs
Intangible Subscription Assets	5,000	5-15 yrs

Depreciation/amortization expense is calculated using the straight-line and composite methods. All depreciation/amortization of exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated or amortized.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. 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.

*Government-wide Financial Statements:*

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences, and bonds payable.

*Compensated Absences* - Accrued leave payable is accounted for using the methods described below related to long-term liabilities. Vacation leave is earned by 12-month employees at varying rates depending on years of service. Sick leave is earned by the employees based on their contracts. Upon termination, employees are entitled to receive compensation for their accrued vacation. Employees who are retiring at 55 years of age or older and have worked for the District for 15 consecutive years or more will be reimbursed \$50 for each accumulated unused sick leave up to 50 days for certified staff and \$6.25 per hour up to 400 hours for classified employees. Accrued leave payable balances, which require an accrual in the financial statements, are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charged as an expenditure at the time of separation. Compensated absences for governmental activities typically have been liquidated from the General Fund.

*Fund Financial Statements:*

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 on the accrual basis, the same as in the government-wide financial statements.

**I. LEASES**

The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$30,000 or more.

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

Key estimates and judgments related to leases include how the 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 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 District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The 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.

The District may be a lessor for a noncancellable lease of property, though as of June 30, 2023, the District was not a lessor of a noncancellable lease.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

**J. Subscription-based Information Technology Arrangements:**

The District may enter into subscription-based information technology arrangements (SBITAs) with vendors to use vendor provided information technology. The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with arrangements over a year in length and with an initial, individual value of \$30,000 or more.

At the commencement of a subscription, the 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 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 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 District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The subscription term includes the non-cancellable 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 District is reasonably certain to exercise.

The 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.

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

**K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 8.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period and property taxes that are intended to finance the next fiscal year. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period. The District reports deferred inflows of resources related to the District's pension plan for qualified retirees in the government-wide and proprietary fund statements of net position.

**K. NET POSITION AND FUND BALANCE**

*Government-wide Financial Statements:*

Equity on the Statement of Net Position includes the following three components:

*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 capital outlay certificates, bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* - Consists of net position with constraints placed on its 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.

*Unrestricted* - Represents all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements:*

The District classifies governmental fund balances as follows:

*Nonspendable* - Includes fund amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted* - Constraints are placed on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law by constitutional provisions or enabling legislation.

*Assigned* - Amounts that are constrained by the District's intent to be used for specific purposes but that are not considered restricted or committed. The Board and management have the authority to assign fund balances.

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

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

Proprietary net position is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

**K. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS**

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

**L. PROGRAM REVENUES**

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

*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.

*Program Revenues - Operating Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

*Program Revenues - Capital Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

**M. UNEARNED REVENUE**

The proprietary fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. PENSIONS**

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

**O. IMPLEMENTATION OF GASB STATEMENT NO. 96**

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-based Information Technology Arrangements (SBITA)*. GASB 96 affects any government entity that enters into a subscription agreement. The main difference between previous GAAP and GASB 96 is the recognition of subscription assets and subscription liabilities for the user and the recognition of a subscription receivable and deferred inflow of resources for the vendor. The District has determined that there are no subscriptions that meet the requirements of recognition under GASB 96 during the year ended June 30, 2023.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. The General, Capital Outlay, Special Education, and Debt Redemption funds participate in the internal cash pool. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

*Deposits* - The 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 that 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.

The District's policy is to report at cost plus interest and credit all income from investments and deposits to the fund making the investment, except capital credits which are reported entirely in the General Fund.

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Credit Risk* - State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices. As of June 30, 2023, the following investments were held with the South Dakota Community Foundation for scholarships (Note 9):

Investment	Credit	Level	Total	Amount Due in Less Than One Year
Interest in Assets Held by Others	N/A	3	\$ 94,390	\$ -

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest in Assets Held by Others include assets the District transferred to the South Dakota Community Foundation. These assets are invested in various asset classes. The SDCF allocates an amount each year that can be distributed for scholarships.

*Custodial Credit Risk - Deposits* - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

*Concentration of Credit Risk* - The District places no limit on the amount that may be deposited with any one financial institution. The District's deposits are with one financial institution; the District's deposits were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

*Interest Rate Risk* - The 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.

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments included in the fund financial statements consisted of \$256,249 due from the South Dakota Department of Education, \$67,549 due from Haakon County, \$750 due from the City of Phillip, and \$10,345 from other school districts at June 30, 2023.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 4 - CHANGES IN CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 26,020	\$ -	\$ -	\$ 26,020
Construction in Progress	<u>-</u>	<u>69,200</u>	<u>-</u>	<u>69,200</u>
Total Capital Assets Not Being Depreciated	<u>26,020</u>	<u>69,200</u>	<u>-</u>	<u>95,220</u>
Capital Assets Being Depreciated:				
Buildings	14,342,297	-	-	14,342,297
Improvements	416,528	160,862	-	577,390
Equipment	<u>1,529,587</u>	<u>53,256</u>	<u>(94,849)</u>	<u>1,487,994</u>
Total Capital Assets Being Depreciated	<u>16,288,412</u>	<u>214,118</u>	<u>(94,849)</u>	<u>16,407,681</u>
Less Accumulated Depreciation for:				
Buildings	4,154,671	233,677	-	4,388,348
Improvements	105,561	17,452	-	123,013
Equipment	<u>439,789</u>	<u>72,153</u>	<u>(63,776)</u>	<u>448,166</u>
Total Accumulated Depreciation	<u>4,700,021</u>	<u>323,282</u>	<u>(63,776)</u>	<u>4,959,527</u>
Total Capital Assets Being Depreciated, Net	<u>11,588,391</u>	<u>(109,164)</u>	<u>(31,073)</u>	<u>11,448,154</u>
Net Capital Assets	<u>\$ 11,614,411</u>	<u>\$ (39,964)</u>	<u>\$ (31,073)</u>	<u>\$ 11,543,374</u>
Business-type Activities:				
Equipment	\$ 238,465	\$ -	\$ (17,435)	\$ 221,030
Less Accumulated Depreciation	<u>81,985</u>	<u>13,654</u>	<u>(1,660)</u>	<u>93,979</u>
Net Capital Assets	<u>\$ 156,480</u>	<u>\$ (13,654)</u>	<u>\$ (15,775)</u>	<u>\$ 127,051</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 241,166
Support Services	54,388
Cocurricular Activities	<u>27,728</u>
Total Depreciation Expense	<u>\$ 323,282</u>

Depreciation expense for the business-type activities was charged to the Food Service Fund.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 5 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts Due</u> <u>Within 1 Year</u>
Governmental Activities:					
General Obligation Debt					
Series 2016 Bond Premium	\$ 115,718	\$ -	\$ 8,028	\$ 107,690	\$ -
Series 2016 Bond	7,060,000	-	375,000	6,685,000	380,000
Other Liabilities:					
Compensated Absences	<u>13,437</u>	<u>36,227</u>	<u>12,532</u>	<u>37,132</u>	<u>19,741</u>
<b>Total Long-term Liabilities</b>	<b><u>\$ 7,189,155</u></b>	<b><u>\$ 36,227</u></b>	<b><u>\$ 395,560</u></b>	<b><u>\$ 6,829,822</u></b>	<b><u>\$ 399,741</u></b>
Series 2016 Bonds, Interest varying between 1-3%, due in semi-annual installments until maturity on 12/01/2037					\$ 6,685,000
Series 2016 Bond Premiums, amortized over 20 years					<u>107,690</u>
					<b><u>\$ 6,792,690</u></b>

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2023, excluding compensated absences are as follows:

Year Ending June 30,	<u>General Obligation Debt</u>		<u>Totals</u>
	<u>Principal</u>	<u>Interest</u>	
2024	380,000	172,095	552,095
2025	385,000	165,300	550,300
2026	390,000	157,550	547,550
2027	400,000	149,650	549,650
2028	410,000	141,550	551,550
2029-2033	2,190,000	545,425	2,735,425
2034-2038	<u>2,530,000</u>	<u>193,950</u>	<u>2,723,950</u>
	<b><u>\$ 6,685,000</u></b>	<b><u>\$ 1,525,520</u></b>	<b><u>\$ 8,210,520</u></b>

Compensated absence payments are made from the fund that the payroll expenditures are charged. Generally, payments are made from the General Fund.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 6 - RESTRICTED NET POSITION**

The following table shows restricted net position as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	
Major Purposes:		
Capital Outlay	Law	\$ 2,219,774
Special Education	Law	634,131
Debt Services	Debt Covenants	232,066
Share of Net Pension Asset	Law	<u>310,904</u>
Total		<u>\$ 3,396,875</u>

**NOTE 7 - PROPERTY TAX**

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

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 are not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

State statute allows the General Fund tax rates to be increased by special election of the voters.

**NOTE 8 - PENSION PLAN**

Plan Information

All employees, working more than 20 hours per week during the 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 is found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Benefits Provided

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

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 8 - PENSION PLAN (CONTINUED)**

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

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

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 8 - PENSION PLAN (CONTINUED)**

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 District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021 were \$118,139, \$112,076, and \$108,053, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the District as of the measurement period ending June 30, 2022 and reported by the District as of June 30, 2023 are as follows:

Proportionate Share of Pension Liability	\$ 11,043,008
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>11,050,401</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (7,393)</u>

At June 30, 2023, the District reported a liability (asset) of \$(7,393) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the District's proportion was 0.0782270% which is an increase (decrease) of (0.0029333)% from its proportion measured as of June 30, 2021.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 8 - PENSION PLAN (CONTINUED)**

For the year ended June 30, 2023, the District recognized pension expense (reduction of pension expense) of \$(36,216). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 140,730	\$ 480
Changes in Assumption	469,873	411,781
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	17,717
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	4,291	(456)
District Contributions Subsequent to the Measurement Date	118,139	-
Total	\$ 733,033	\$ 429,522

\$118,139 reported as deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,		
2024	\$	51,633
2025		103,684
2026		(116,606)
2027		146,661
2028		-
Thereafter		-
	\$	185,372

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 Rate	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%

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 8 - PENSION PLAN (CONTINUED)**

Mortality Rates

All mortality rates are 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.

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%
	<u>100.0%</u>	

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 8 - PENSION PLAN (CONTINUED)**

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension (Asset)/Liability	<u>\$ 1,535,076</u>	<u>\$ (7,393)</u>	<u>\$ (1,267,998)</u>

Pension Plan Fiduciary Net Position

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

**NOTE 9 - INVESTMENTS IN ASSETS HELD BY OTHERS**

The District has unconditional rights to assets held by the South Dakota Community Foundation (Community Foundation). The value of investments held by the Community Foundation on the District's behalf was \$94,390 as of the year ended June 30, 2023. The interest in the Community Foundation is reported at fair market value each year. Assets held by the Community Foundation are used to pay scholarships and are reported as an asset of the fiduciary funds.

**NOTE 10 - RISK MANAGEMENT**

The 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 year ended June 30, 2023, the District managed its risks as follows:

Employee Health Insurance

The District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. Unemployment claims, if any, are intended to be paid from current-year appropriations, normally from the General Fund.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 10 - RISK MANAGEMENT (CONTINUED)**

Claims are billed by the state quarterly. During the year ended June 30, 2023 no claims had been filed for unemployment benefits, and none deemed to be material are anticipated in the next fiscal year.

Liability Insurance

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

Worker's Compensation

The District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (the Pool) which provides workers' compensation insurance coverage for participating members of the Pool. The objective of the Pool is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report and to cooperate with the Pool to resolve any worker's compensation claims.

The District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool members. The District may also be responsible for additional assessments in the event the Pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based on each participant's percentage of contribution in relation to the total contributions to the Pool of all participants for the year in which the shortfall occurs. The Pool provides loss coverage to all participants through pool retained risk retention and insurance coverage purchased by the Pool in excess of the retained risk. The Pool pays the first \$500,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,000,000 per individual, per incident. There was no additional assessment charged to Pool members for the year ended June 30, 2023.

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

**NOTE 11 - JOINT VENTURE**

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts.

**Haakon School District No. 27-1**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**NOTE 11 - JOINT VENTURE (CONTINUED)**

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

- Belle Fourche School District 8.33%
- Custer School District 8.33%
- Douglas School District 8.33%
- Edgemont School District 8.33%
- Haakon School District 8.33%
- Hill City School District 8.33%
- Hot Springs School District 8.33%
- Lead/Deadwood School District 8.33%
- Meade School District 8.33%
- Oelrichs School District 8.33%
- Rapid City School District 8.33%
- Spearfish School District 8.33%

The Co-op's governing board is comprised of one representative, a school board member, from each member school district. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The 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 (unaudited) may be obtained by writing to BHSSC, PO Box 218, Sturgis, SD 57785. At June 30, 2023, this joint venture had assets of \$10,109,260, liabilities of \$811,800, deferred inflows of \$1,683,371, and net position of \$7,614,089.

The District paid \$15,018 for the contract for services with the Co-op during the year ended June 30, 2023.

**NOTE 12 - CONCENTRATIONS**

The District is dependent upon program revenues and operating revenues from the State of South Dakota for its primary existence.

**NOTE 13 - EMERGING ACCOUNTING PRONOUNCEMENTS**

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. GASB 101 affects any government entity that provides compensated absences for employees. GASB 101 requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. GASB 101 is effective for years beginning after December 15, 2023. The District has not yet implemented this update and is in the process of assessing the effect on the financial statements.

**NOTE 14 - 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

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUE</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 979,366	\$ 979,366	\$ 1,009,972	\$ 30,606
Gross Receipts Taxes	75,000	75,000	118,590	43,590
Penalties and Interest on Taxes	2,000	2,000	2,297	297
Cocurricular Activities	24,500	24,500	29,602	5,102
Earnings on Deposits	3,200	3,200	26,119	22,919
Other Local Revenue	<u>36,800</u>	<u>36,800</u>	<u>74,296</u>	<u>37,496</u>
Total Revenue from Local Sources	<u>1,120,866</u>	<u>1,120,866</u>	<u>1,260,876</u>	<u>140,010</u>
Revenue from Intermediate Sources:				
County Sources	<u>15,000</u>	<u>15,000</u>	<u>14,715</u>	<u>(285)</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	1,466,473	1,466,473	1,471,215	4,742
Restricted Grants-in-aid	<u>-</u>	<u>-</u>	<u>2,031</u>	<u>2,031</u>
Total Revenue from State Sources	<u>1,466,473</u>	<u>1,466,473</u>	<u>1,473,246</u>	<u>6,773</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	7,000	7,000	13,543	6,543
Restricted Grants-in-aid	<u>262,446</u>	<u>262,446</u>	<u>213,673</u>	<u>(48,773)</u>
Total Revenue from Federal Sources	<u>269,446</u>	<u>269,446</u>	<u>227,216</u>	<u>(42,230)</u>
<b>TOTAL REVENUE</b>	<u>2,871,785</u>	<u>2,871,785</u>	<u>2,976,053</u>	<u>104,268</u>

See independent auditor's report and notes to required supplementary information.

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - General Fund - Budgetary Basis**  
**(Continued)**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	1,431,254	1,431,254	1,390,208	41,046
Special Programs	<u>133,430</u>	<u>133,430</u>	<u>125,788</u>	<u>7,642</u>
Total Instruction	<u>1,564,684</u>	<u>1,564,684</u>	<u>1,515,996</u>	<u>48,688</u>
Support Services:				
Pupils	65,719	65,719	64,853	866
Instructional Staff	38,114	38,114	37,153	961
General Administration	177,287	177,287	170,529	6,758
School Administration	187,244	187,244	216,512	(29,268)
Business	637,068	637,068	656,503	(19,435)
Central	<u>2,500</u>	<u>2,500</u>	<u>2,184</u>	<u>316</u>
Total Support Services	<u>1,107,932</u>	<u>1,107,932</u>	<u>1,147,734</u>	<u>(39,802)</u>
Cocurricular Activities:				
Male Activities	68,713	68,713	69,226	(513)
Female Activities	41,114	41,114	43,815	(2,701)
Activity Transportation	43,935	43,935	31,168	12,767
Combined Activities	<u>99,216</u>	<u>99,216</u>	<u>106,072</u>	<u>(6,856)</u>
Total Cocurricular Activities	<u>252,978</u>	<u>252,978</u>	<u>250,281</u>	<u>2,697</u>
Contingencies	<u>30,000</u>	<u>30,000</u>	-	<u>30,000</u>
<b>TOTAL EXPENDITURES</b>	<u>2,955,594</u>	<u>2,955,594</u>	<u>2,914,011</u>	<u>41,583</u>
<b>NET CHANGE IN FUND BALANCES</b>	(83,809)	(83,809)	46,267	130,076
<b>FUND BALANCE - BEGINNING</b>	<u>1,121,060</u>	<u>1,121,060</u>	<u>1,121,060</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,037,251</u>	<u>\$ 1,037,251</u>	<u>\$ 1,167,327</u>	<u>\$ 130,076</u>

See independent auditor's report and notes to required supplementary information.

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 455,000	\$ 455,000	\$ 456,751	\$ 1,751
Penalties and Interest on Taxes	1,500	1,500	814	(686)
Earnings on Deposits	10,000	10,000	36,358	26,358
Other Local Revenue	5,000	5,000	259,810	254,810
Total Revenue from Local Sources	<u>471,500</u>	<u>471,500</u>	<u>753,733</u>	<u>282,233</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	<u>170,000</u>	<u>170,000</u>	<u>55,122</u>	<u>(114,878)</u>
<b>TOTAL REVENUES</b>	<u>641,500</u>	<u>641,500</u>	<u>808,855</u>	<u>167,355</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	<u>103,520</u>	<u>103,520</u>	<u>79,098</u>	<u>24,422</u>
Total Instruction	<u>103,520</u>	<u>103,520</u>	<u>79,098</u>	<u>24,422</u>
Support Services:				
Instructional Staff	8,500	8,500	3,196	5,304
General Administration	500	500	508	(8)
School Administration	1,000	1,000	-	1,000
Business	494,660	494,660	377,060	117,600
Total Support Services	<u>504,660</u>	<u>504,660</u>	<u>380,764</u>	<u>123,896</u>
Cocurricular Activities:				
Combined Activities	<u>52,397</u>	<u>52,397</u>	<u>34,166</u>	<u>18,231</u>
<b>TOTAL EXPENDITURES</b>	<u>660,577</u>	<u>660,577</u>	<u>494,028</u>	<u>166,549</u>
<b>NET CHANGE IN FUND BALANCES</b>	(19,077)	(19,077)	314,827	333,904
<b>FUND BALANCE - BEGINNING</b>	<u>1,905,187</u>	<u>1,905,187</u>	<u>1,905,187</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,886,110</u>	<u>\$ 1,886,110</u>	<u>\$ 2,220,014</u>	<u>\$ 333,904</u>

See independent auditor's report and notes to required supplementary information.

**Haakon School District No. 27-1**  
**Budgetary Comparison Schedule - Special Education Fund -**  
**Budgetary Basis**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUE</b>				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 527,500	\$ 527,500	\$ 533,650	\$ 6,150
Penalties and Interest on Taxes	500	500	930	430
Earnings on Deposits	8,000	8,000	12,528	4,528
Other Local Revenue	150	150	345	195
Total Revenue from Local Sources	<u>536,150</u>	<u>536,150</u>	<u>547,453</u>	<u>11,303</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	84,250	84,250	90,920	6,670
Total Revenue from Federal Sources	<u>84,250</u>	<u>84,250</u>	<u>90,920</u>	<u>6,670</u>
<b>TOTAL REVENUE</b>	<u>620,400</u>	<u>620,400</u>	<u>638,373</u>	<u>17,973</u>
<b>EXPENDITURES</b>				
Instructional Services:				
Special Programs	418,069	418,069	376,186	41,883
Total Instruction	<u>418,069</u>	<u>418,069</u>	<u>376,186</u>	<u>41,883</u>
Support Services:				
Pupils	137,429	137,429	132,209	5,220
Business	8,000	8,000	-	8,000
Special Education	36,345	36,345	86,788	(50,443)
Total Support Services	<u>181,774</u>	<u>181,774</u>	<u>218,997</u>	<u>(37,223)</u>
<b>TOTAL EXPENDITURES</b>	<u>599,843</u>	<u>599,843</u>	<u>595,183</u>	<u>4,660</u>
<b>NET CHANGE IN FUND BALANCES</b>	20,557	20,557	43,190	22,633
<b>FUND BALANCE - BEGINNING</b>	<u>591,217</u>	<u>591,217</u>	<u>591,217</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 611,774</u>	<u>\$ 611,774</u>	<u>\$ 634,407</u>	<u>\$ 22,633</u>

See independent auditor's report and notes to required supplementary information.

**Haakon School District No. 27-1  
Schedule of the District's Proportionate Share  
of the Net Pension Liability (Asset)  
South Dakota Retirement System**

Year*	District's Proportion of Net Pension Liability/Asset	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered- employee Payroll (b)	District's Proportionate Share of Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability/Asset
2023	.07822700	\$ (7,393)	\$ 1,867,893	-0.40%	100.10%
2022	.07935800	\$ (607,747)	\$ 1,800,888	-33.75%	105.52%
2021	.08116030	\$ (3,525)	\$ 1,781,222	-0.20%	100.04%
2020	.08448370	\$ (8,953)	\$ 1,796,298	-0.50%	100.09%
2019	.08551460	\$ (1,994)	\$ 1,777,758	-0.11%	100.02%
2018	.09060300	\$ (8,222)	\$ 1,840,867	-0.45%	100.10%
2017	.07935390	\$ 268,050	\$ 1,508,912	17.76%	96.89%
2016	.08602920	\$ (364,874)	\$ 1,570,655	-23.23%	104.10%
2015	.08498910	\$ (612,312)	\$ 1,486,226	-41.20%	107.26%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension asset, which is June 30 of the previous year. Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report and notes to required supplementary information.

**Haakon School District No. 27-1  
Schedule of Pension Contributions  
South Dakota Retirement System**

Year*	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered- employee Payroll (c)	Contributions as a Percentage of Covered- employee Payroll (b/c)
2023	\$ 118,139	\$ 118,139	\$ -	\$ 1,968,947	6.00%
2022	\$ 112,076	\$ 112,076	\$ -	\$ 1,867,893	6.00%
2021	\$ 108,053	\$ 108,053	\$ -	\$ 1,800,888	6.00%
2020	\$ 106,873	\$ 106,873	\$ -	\$ 1,781,222	6.00%
2019	\$ 107,778	\$ 107,778	\$ -	\$ 1,796,298	6.00%
2018	\$ 106,666	\$ 106,666	\$ -	\$ 1,777,758	6.00%
2017	\$ 110,452	\$ 110,452	\$ -	\$ 1,840,867	6.00%
2016	\$ 90,580	\$ 90,580	\$ -	\$ 1,508,912	6.00%
2015	\$ 94,239	\$ 94,239	\$ -	\$ 1,570,655	6.00%

\*Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report and notes to required supplementary information.

**Haakon School District No. 27-1**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2023**

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**NOTE 1 - BASIS OF PRESENTATION**

The Budgetary Comparison Schedules have been prepared on the budgetary basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds present capital outlay expenditures as a separate function.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
3. The proposed budget is published for public review no later than July 15 of each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. 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.
6. 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 number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

**NOTE 3 - PENSION PLAN**

Changes from Prior Valuation

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

See independent auditor's report.

**Haakon School District No. 27-1**  
**Notes to the Required Supplementary Information (Continued)**  
**For the Year Ended June 30, 2023**

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**NOTE 3 - PENSION PLAN (CONTINUED)**

The details of 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 contributions were 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 FVFE 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%.

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 be equal to the restricted maximum COLA of 2.10%.

See independent auditor's report.

**Haakon School District No. 27-1**  
**Notes to the Required Supplementary Information (Continued)**  
**For the Year Ended June 30, 2023**

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**NOTE 3 - PENSION PLAN (CONTINUED)**

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 a 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.

See independent auditor's report.

## OTHER INFORMATION

**Haakon School District No. 27-1  
School District Officials  
June 30, 2023**

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**BOARD MEMBERS**

President - Scott Brech  
Vice-President - Anita Peterson  
Trevor Fitch  
Jeff Gabriel  
Tucker Smith  
Jari Spry  
Doug Thorson

**SUPERINTENDENT**

Jeffery Rickman

**BUSINESS MANAGER**

Britni Ross

See independent auditor's report.