

Henry School District No. 14-2

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

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

Henry School District No. 14-2

School District Officials

June 30, 2023

Board Members

Adam Hartley ----- Board President

Nicole Watson ----- Member

Paula Blue-----Vice President

Paul Johnson ----- Member

Audrey Rider ----- Member

Todd Obele -----Superintendent

Gail Thompson-----Business Manager

Henry School District No. 14-2

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

School Board
Henry School District No. 14-2
Henry, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry School District No. 14-2, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2023, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany Schedule of Current Audit Findings as item 2023-001 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
December 22, 2023

Henry School District No. 14-2
Schedule of Prior Audit Findings
June 30, 2023

Prior Audit Findings:

Finding Number 2022-001 – Internal Control Finding

There is a significant deficiency resulting from lack of segregation of duties for revenues. This finding has not been corrected and is being restated as Finding 2023-001.

Finding Number 2022-002 – Compliance Finding

There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Special Education Fund. This finding has been corrected.

Henry School District No. 14-2
Schedule of Current Audit Findings
June 30, 2023

Current Audit Findings:

Finding Number 2023-001 – Internal Control Finding

There is a significant deficiency resulting from lack of segregation of duties.

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible, and practical.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



Independent Auditor's Report

School Board
Henry School District No. 14-2
Henry, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry School District No. 14-2, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry School District No. 14-2 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
December 22, 2023

Henry School District No. 14-2
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 1,498,436	\$ 72,010	\$ 1,570,446
Investments-certificates of deposit	21,641	--	21,641
Accounts receivable	38,763	--	38,763
Taxes receivable	505,606	--	505,606
Due from other government	44,495	--	44,495
Inventories	--	10,550	10,550
Net pension asset	5,144	--	5,144
Capital assets:			
Land and construction in progress	11,221	--	11,221
Other capital assets, net of depreciation	1,910,346	34,494	1,944,840
Total Assets	4,035,652	117,054	4,152,706
Deferred Outflows of Resources:			
Pension-related deferred outflows	509,978	--	509,978
Total Deferred Outflows of Resources	509,978	--	509,978
Liabilities:			
Accounts payable	18,791	--	18,791
Unearned revenue	--	15,038	15,038
Other current liabilities	163,612	5,980	169,592
Long-term liabilities:			
Due within one year	55,000	--	55,000
Due in more than one year	105,000	--	105,000
Total Liabilities	342,403	21,018	363,421
Deferred Inflows of Resources:			
Taxes levied for future periods	497,639	--	497,639
Pension related deferred inflows	300,816	--	300,816
Total Deferred Inflows of Resources	798,455	--	798,455
Net Position:			
Net investment in capital assets	1,761,567	34,494	1,796,061
Restricted for:			
Capital outlay	503,838	--	503,838
Special education	7,016	--	7,016
SDRS pension purposes	214,306	--	214,306
Unrestricted	918,045	61,542	979,587
Total Net Position	\$ 3,404,772	\$ 96,036	\$ 3,500,808

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

Henry School District No. 14-2
Statement of Activities – Government-Wide
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 1,375,982	\$ --	\$ 237,145	\$ (1,138,837)	\$ --	\$ (1,138,837)
Support services	1,075,618	26,943	18,930	(1,029,745)	--	(1,029,745)
Community services	97,229	--	--	(97,229)	--	(97,229)
Interest on long-term debt	5,563	--	--	(5,563)	--	(5,563)
Cocurricular activities	112,356	8,610	--	(103,746)	--	(103,746)
Total Governmental Activities	2,666,748	35,553	256,075	(2,375,120)	--	(2,375,120)
Business-Type Activities:						
Food service	125,749	54,428	88,468	--	17,147	17,147
Driver's education	3,768	5,200	--	--	1,432	1,432
Total Business Type Activities	129,517	59,628	88,468	--	18,579	18,579
Total Primary Government	\$ 2,796,265	\$ 95,181	\$ 344,543	(2,375,120)	18,579	(2,356,541)
General Revenues:						
Taxes:						
				1,185,971	--	1,185,971
				23,411	--	23,411
Revenue from State Sources:						
				1,393,970	--	1,393,970
			Unrestricted investment earnings	6,992	--	6,992
			Other general revenues	74,598	--	74,598
			Total General Revenues	2,684,942	--	2,684,942
			Change in Net Position	309,822	18,579	328,401
			Net Position - Beginning of Year	<u>3,094,950</u>	<u>77,457</u>	<u>3,172,407</u>
			Net Position - End of Year	<u>\$ 3,404,772</u>	<u>\$ 96,036</u>	<u>\$ 3,500,808</u>

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

Henry School District No. 14-2
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,001,361	\$ 470,891	\$ 26,184	\$ 1,498,436
Investments-certificates of deposit	21,641	--	--	21,641
Taxes receivable - current	260,016	155,165	82,459	497,640
Taxes receivable - delinquent	4,689	2,102	1,175	7,966
Accounts receivable	--	38,763	--	38,763
Due from other governments	44,495	--	--	44,495
Total Assets	<u>\$ 1,332,202</u>	<u>\$ 666,921</u>	<u>\$ 109,818</u>	<u>\$ 2,108,941</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 10,873	\$ 7,918	\$ --	\$ 18,791
Contracts payable	113,293	--	16,052	129,345
Payroll deductions and withholding and employer matching payable	29,975	--	4,292	34,267
Total Liabilities	<u>154,141</u>	<u>7,918</u>	<u>20,344</u>	<u>182,403</u>
Deferred Inflows of Resources:				
Taxes levied for future period	260,016	155,165	82,458	497,639
Delinquent taxes not available	4,689	2,102	1,175	7,966
Total Deferred Inflows of Resources	<u>264,705</u>	<u>157,267</u>	<u>83,633</u>	<u>505,605</u>
Fund Balances:				
Restricted:				
For capital outlay	--	501,736	--	501,736
For special education	--	--	5,841	5,841
Assigned -unemployment	31,286	--	--	31,286
Unassigned	882,070	--	--	882,070
Total Fund Balances	<u>913,356</u>	<u>501,736</u>	<u>5,841</u>	<u>1,420,933</u>
Total Liabilities and Fund Balances	<u>\$ 1,332,202</u>	<u>\$ 666,921</u>	<u>\$ 109,818</u>	<u>\$ 2,108,941</u>

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

Henry School District No. 14-2

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

Total Fund Balances - Governmental Funds	\$ 1,420,933
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.	1,921,567
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Capital Outlay Certificates	(160,000)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:	
Delinquent Property Taxes Receivable	7,966
Proportionate Share of Net Pension Asset	5,144
Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds.	(300,816)
Pension related deferred outflows are components of non current assets and therefore are not reported in the funds.	<u>509,978</u>
Net Position - Governmental Activities	<u><u>\$ 3,404,772</u></u>

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

Henry School District No. 14-2

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

June 30, 2023

	General	Capital Outlay	Special Education	Total Governmental Funds
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 606,101	\$ 370,418	\$ 201,301	\$ 1,177,820
Prior years' ad valorem taxes	420	160	90	670
Utility taxes	23,411	--	--	23,411
Penalties and interest on taxes	2,191	818	456	3,465
Tuition and Fees:				
Earnings on Investments and Deposits	6,992	--	--	6,992
Cocurricular Activities:				
Admissions	8,610	--	--	8,610
Charges for services	7,416	--	2,928	10,344
Other	15,363	--	--	15,363
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	10,128	--	--	10,128
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,246,953	--	--	1,246,953
Restricted grants-in-aid	--	--	147,017	147,017
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from Unrestricted grants-in-aid received from federal government through an intermediate source	1,748	--	--	1,748
Restricted grants-in-aid received directly from federal government	--	17,182	--	17,182
Restricted grants-in-aid received from federal government through the state	156,749	80,396	--	237,145
Total Revenues	\$ 2,086,082	\$ 468,974	\$ 351,792	\$ 2,906,848

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

Henry School District No. 14-2

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

June 30, 2023 (Continued)

	General	Capital Outlay	Special Education	Total Governmental Funds
<u>Expenditures</u>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 466,393	\$ 14,983	\$ --	\$ 481,376
Middle/junior high	206,395	6,924	--	213,319
High school	248,089	24,082	--	272,171
Preschool	45,740	--	--	45,740
Special Programs:				
Programs for special education	--	--	275,853	275,853
Educationally deprived	58,926	--	--	58,926
Adult Continuing Education Programs:				
Other adult continuing education programs	290	--	--	290
Support Services:				
Students:				
Guidance	59,726	--	--	59,726
Psychological	--	--	16,473	16,473
Health	5,309	--	--	5,309
Speech pathology	--	--	31,088	31,088
Student therapy services	--	--	19,133	19,133
Instructional Staff:				
Improvement of instruction	4,570	--	--	4,570
Educational media	69,474	--	--	69,474
General Administration:				
Board of education	75,576	--	1,071	76,647
Executive administration	142,573	--	--	142,573
School Administration:				
Office of the principal	63,422	--	--	63,422
Other	509	--	--	509
Business:				
Fiscal services	102,960	--	--	102,960
Facilities acquisition and construction	--	43,165	--	43,165
Operation and maintenance of plant	156,129	--	--	156,129
Student transportation	215,732	24,941	--	240,673
Special Education:				
Administrative costs	--	--	17,800	17,800
Community Services:				
Custody and care of children	97,229	--	--	97,229
Debt Services:				
	--	55,563	--	55,563

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

Henry School District No. 14-2

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2023 (Continued)

	General	Capital Outlay	Special Education	Total Governmental Funds
Cocurricular Activities:				
Male activities	14,026	--	--	14,026
Female activities	17,502	--	--	17,502
Transportation	15,884	--	--	15,884
Combined activities	27,069	--	--	27,069
Capital Outlay	--	158,616	--	158,616
Total Expenditures	<u>2,093,523</u>	<u>328,274</u>	<u>361,418</u>	<u>2,783,215</u>
Excess of Revenue Over (Under) Expenditures	(7,441)	140,700	(9,626)	123,633
Other Financing Sources (Uses):				
Transfer in	100,000	--	--	100,000
Transfer out	--	(100,000)	--	(100,000)
Compensation for Loss of General Capital Assets	--	38,763	--	38,763
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(61,237)</u>	<u>--</u>	<u>38,763</u>
Net Change in Fund Balances	92,559	79,463	(9,626)	162,396
Fund Balance, Beginning of Year	<u>820,797</u>	<u>422,273</u>	<u>15,467</u>	<u>1,258,537</u>
Fund Balance, End of Year	<u>\$ 913,356</u>	<u>\$ 501,736</u>	<u>\$ 5,841</u>	<u>\$ 1,420,933</u>

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

Henry School District No. 14-2

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 162,396
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	158,616
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.	(95,931)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position	
Capital Outlay Certificates	50,000
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."	4,016
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>30,725</u>
Change in net position of governmental activities	<u>\$ 309,822</u>

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

Henry School District No. 14-2
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 66,294	\$ 5,716	\$ 72,010
Inventory - supplies	2,724	--	2,724
Inventory - stores for resale	5,275	--	5,275
Inventory of donated food	2,551	--	2,551
Total Current Assets	<u>76,844</u>	<u>5,716</u>	<u>82,560</u>
Noncurrent Assets:			
Machinery and equipment - local funds	93,512	--	93,512
Less accumulated depreciation	<u>(59,018)</u>	<u>--</u>	<u>(59,018)</u>
Total Noncurrent Assets	<u>34,494</u>	<u>--</u>	<u>34,494</u>
Total Assets	<u><u>\$ 111,338</u></u>	<u><u>\$ 5,716</u></u>	<u><u>\$ 117,054</u></u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 3,676	\$ --	\$ 3,676
Payroll deductions and withholdings and employer matching payable	1,620	--	1,620
Deposits Payable	684	--	684
Unearned revenue	<u>15,038</u>	<u>--</u>	<u>15,038</u>
Total Current Liabilities	<u>21,018</u>	<u>--</u>	<u>21,018</u>
Net Position:			
Net investment in capital assets	34,494	--	34,494
Unrestricted net position	<u>55,826</u>	<u>5,716</u>	<u>61,542</u>
Total Net Position	<u><u>\$ 90,320</u></u>	<u><u>\$ 5,716</u></u>	<u><u>\$ 96,036</u></u>

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

Henry School District No. 14-2

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 47,113	\$ --	\$ 47,113
Adult	2,869	--	2,869
Other charges for goods and services	4,446	5,200	9,646
Total Operating Revenue	54,428	5,200	59,628
Operating Expenses:			
Food Service:			
Salaries	42,657	3,500	46,157
Employee benefits	13,187	268	13,455
Cost of sales - purchased	49,267	--	49,267
Cost of sales - donated	7,803	--	7,803
Other	1,534	--	1,534
Depreciation	11,301	--	11,301
Total Operating Expenses	125,749	3,768	129,517
Operating (Loss)	(71,321)	1,432	(69,889)
Nonoperating Revenues/Expenses:			
State grants	261	--	261
Federal grants	78,234	--	78,234
Donated food	9,973	--	9,973
Total Nonoperating Revenue/ (Expenses)	88,468	--	88,468
Change in Net Position	17,147	1,432	18,579
Net Position - Beginning Of Year	73,173	4,284	77,457
Net Position - End of Year	\$ 90,320	\$ 5,716	\$ 96,036

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

Henry School District No. 14-2
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 61,207	\$ 5,200	\$ 66,407
Cash payments to suppliers	(56,457)	--	(56,457)
Cash payments to employees	(55,550)	(3,768)	(59,318)
Net Cash (Used) by Operating Activities	<u>(50,800)</u>	<u>1,432</u>	<u>(49,368)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	261	--	261
Cash reimbursements - federal	78,234	--	78,234
Net Cash Provided by Noncapital Financing Activities	<u>78,495</u>	<u>--</u>	<u>78,495</u>
Cash Flows from Capital and related Financing Activities:			
Purchase of Capital Assets	(27,424)	--	(27,424)
Net Cash Provided by Noncapital Financing Activities	<u>(27,424)</u>	<u>--</u>	<u>(27,424)</u>
Net Change in Cash and Cash Equivalents	271	1,432	1,703
Cash and Cash Equivalents, Beginning of Year	66,023	4,284	70,307
Cash and Cash Equivalents, End of Year	<u>\$ 66,294</u>	<u>\$ 5,716</u>	<u>\$ 72,010</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (71,321)	\$ 1,432	\$ (69,889)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	11,301	--	11,301
Value of commodities used	7,803	--	7,803
Change in Assets and Liabilities:			
Inventory	(5,656)	--	(5,656)
Deferred revenue	6,779	--	6,779
Contracts payable	400	--	400
Accrued payroll expenses	(106)	--	(106)
Net cash (used) by operating activities:	<u>\$ (50,800)</u>	<u>\$ 1,432</u>	<u>\$ (49,368)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 9,973</u>	<u>\$ --</u>	<u>\$ 9,973</u>

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

Henry School District No. 14-2
Statement of Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	\$ 11,901
Investments-certificate of deposit	<u>3,911</u>
 Total Assets	 <u>\$ 15,812</u>
 Liabilities:	
Amounts held for others	<u>\$ 15,812</u>
 Total Liabilities	 <u>\$ 15,812</u>

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Henry School District No. 14-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Proprietary Funds:

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Other Enterprise Fund – A fund maintained by the School District for other user fees. This is a major fund.

Fiduciary Funds:

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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

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

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 3.7% for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost.

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	NA	NA
Buildings	\$ 50,000	Straight-line	50 years
Improvements	10,000	Straight-line	15/25 years
Machinery and Equipment	1,000/5,000	Straight-line	5-20 years

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

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of capital outlay certificates payable.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

h. Leases:

The School District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

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

i. Subscription-Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

j. Program Revenues:

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

q. Pensions:

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

2. Implementation of New Accounting Standards:

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the terms of the lease. The statement requires a lessee to recognize a lease liability and an intangible right-to-use lease asset. The implementation of the standard had no effect on beginning net position.

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

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

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

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

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

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District’s deposits in financial institutions were not exposed to credit risk.

Custodial Credit Risk – Investments – The risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from investments to the fund making the investment, except for the income from pooled accounts, which is credited to the General Fund.

4. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The School District expects all receivables to be collected within one year. Since all receivables are considered collectible, no allowances for estimated uncollectable have been established.

5. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated the lower of cost or market. The cost valuation method is based on the first-in, first-out cost flow assumption. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

5. Inventory: (Continued)

In the government-wide financial statements and in the enterprise fund financial statements, Food Service Fund inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

6. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year’s appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year’s appropriations, and therefore are not susceptible to accrual has been reported as deferred inflow of resources levied for the future period 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.”

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

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

	06/30/2022	Increases	Decreases	06/30/2023
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 11,221	\$ --	\$ --	\$ 11,221
Total capital assets not being depreciated/amortized	11,221	--	--	11,221
Capital assets being depreciated/amortized:				
Buildings	2,435,968	--	--	2,435,968
Improvements	176,609	78,972	--	255,581
Machinery & Equipment	311,411	79,644	15,041	376,014
Library Books	111,686	--	--	111,686
Total capital assets being depreciated/amortized	3,035,674	158,616	15,041	3,179,249
Less accumulated depreciation/amortization for:				
Buildings	739,721	48,719	--	788,440
Improvements	100,083	13,453	--	113,536
Machinery & Equipment	251,267	32,975	15,041	269,201
Library Books	96,942	784	--	97,726
Total accumulated depreciation/amortization	1,188,013	95,931	15,041	1,268,903
Total capital assets being depreciated/amortized, net	1,847,661	62,685	--	1,910,346
Net Capital Assets	\$ 1,858,882	\$ 62,685	\$ --	\$ 1,921,567

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 28,306
Support services	29,750
Co-curricular activities	37,875
Total Depreciation/Amortization Expense	\$ 95,931

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

	06/30/2022	Increases	Decreases	06/30/2023
	Balance			Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 68,327	\$ 27,424	\$ 2,239	\$ 93,512
Less accumulated depreciation for:				
Machinery & Equipment	49,956	11,301	2,239	59,018
Total capital assets, net	\$ 18,371	\$ 16,123	\$ --	\$ 34,494

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food service	\$ 11,301

8. Long-Term Liabilities:

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

	06/30/2022	Increase	Decrease	06/30/2023	Due Within
					One Year
Governmental Activities:					
Bonds Payable:					
Capital Outlay Certificates	\$ 210,000	\$ --	\$ 50,000	\$ 160,000	\$ 55,000
Total Long-Term Liabilities	\$ 210,000	\$ --	\$ 50,000	\$ 160,000	\$ 55,000

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

Henry School District No. 14-2 General Obligation Capital Outlay Refunding Certificates Series 2012	During January 2013, the School District entered into an agreement to receive General Obligation Capital Outlay Refunding Certificates in the amount of \$620,000. There is a varying interest rate from 1 to 2.75% assessed on these bonds. Final payment is January 2026. The Capital Outlay Fund makes payment on this debt.	\$ 160,000
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Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Outlay Certificates</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 55,000	\$ 4,400	\$ 55,000	\$ 4,400
2024	50,000	2,888	50,000	2,888
2025	55,000	1,513	55,000	1,513
Totals	<u>\$ 160,000</u>	<u>\$ 8,801</u>	<u>\$ 160,000</u>	<u>\$ 8,801</u>

9. Restricted Net Position:

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 503,838
Special Education	Law	7,016
SDRS Pension Purposes	Law	214,306
Total		<u>\$ 725,160</u>

10. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds.	\$ 100,000
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11. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

Benefits Provided:

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

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

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

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

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 81,771
2022	77,989
2021	75,398

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

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

Proportionate share of pension liability	\$ 7,684,382
Less proportionate share of net pension restricted for pension benefits	<u>7,689,526</u>
Proportionate share of net pension (asset)	<u><u>\$ (5,144)</u></u>

At June 30, 2023, the School District reported an asset of (\$5,144) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.05443500%, which is a decrease of -0.0009551% from its proportion measured as of June 30, 2021.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized reduction of pension expense of (\$30,725). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 97,929	\$ 334
Changes in assumption	326,965	286,541
Net difference between projected and actual earnings on pension plan investments	--	12,329
Changes in proportion and difference between district contributions and proportionate share of contributions	3,313	1,612
District contributions subsequent to the measurement date	81,771	--
Total	\$ 509,978	\$ 300,816

\$81,771 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 34,030
2025	72,342
2026	(81,065)
2027	102,083
Total	\$ 127,390

Actuarial Assumptions:

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

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubG-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.

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	<u>2.7%</u>

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	<u>\$ 1,068,198</u>	<u>\$ (5,144)</u>	<u>\$ (882,348)</u>

Pension Plan Fiduciary Net Position:

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

12. Joint Ventures:

Northeast Technical High School

The School District participates in the Northeast Technical High School for the purpose of providing vocational education. Member districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

The members of the Northeast Technical High School and their relative participation in the Northeast Technical High School are as follows:

Castlewood School District No. 28-1	5%
Florence School District No. 14-1	4%
Great Plains Lutheran School	7%
Hamlin School District No. 28-3	6%
Henry School District No. 14-2	3%
Summit School District No. 54-6	3%
Watertown School District No. 14-4	66%
Waverly School District No. 14-5	5%

The Northeast Technical High School's governing board is composed of three Watertown school board members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School's director, the superintendent of the Watertown School District and one other superintendent of a member school district that is appointed by the governing board.

The School District retains no equity in net position of the NTHS but does have a responsibility to fund deficits of the NTHS in proportion to the relative participation described above. Separate financial statements for this joint venture are available from Northeast Technical High School.

At June 30, 2023, this joint venture had:

	June 30, 2023
Total Assets	\$ 1,677,916
Total Deferred Outflows of Resources	\$ 294,515
Total Liabilities	\$ 127,364
Total Deferred Inflows of Resources	\$ 172,957
Total Net Position	\$ 1,672,110

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

12. Joint Ventures: (Continued)

Northeast Area Cooperative

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) for the purpose of providing administrative services to the member School Districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	3.43%	Florence School District No. 14-1	3.59%
Britton-Hecla School District No. 45-4	5.56%	Hamlin School District No. 28-3	10.28%
Castlewood School District No. 28-1	3.92%	Henry School District No. 14-2	2.22%
Clark School District No. 12-2	5.56%	Iroquois School District No. 02-3	2.74%
DeSmet School District No. 38-2	3.66%	Lake Preston School District No. 38-3	2.16%
Deubrook School District No. 5-6	4.79%	Oldham-Ramona School District No. 39-5	1.78%
Deuel School District No. 19-4	6.50%	Rosholt School District No. 54-4	2.97%
Elkton School District No. 5-3	5.02%	Rutland School District No. 39-4	2.31%
Enemy Swim Day School	1.78%	Sioux Valley School District No. 5-5	8.52%
Estelline School District No. 28-2	3.22%	Summit School District No. 54-6	1.96%
Waubay School District No. 18-3	2.16%	Willow Lake School District No. 12-3	3.54%
Waverly School District No. 14-5	3.16%	Wilmot School District No. 54-7	2.69%
Webster Area School District No. 18-5	6.48%		

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2023, this joint venture had:

	<u>June 30, 2023</u>
Total Assets	\$ 2,381,230
Total Deferred Outflows of Resources	\$ 1,131,401
Total Liabilities	\$ 530,765
Total Deferred Inflows of Resources	\$ 674,326
Total Net Position	\$ 2,307,540

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

13. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of four different plans.

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

Liability Insurance:

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

Worker's Compensation:

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

Unemployment Benefits:

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

The School District has assigned equity in the amount of \$31,286 for the payment of future unemployment benefits.

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

Henry School District No. 14-2
Notes to the Financial Statements
June 30, 2023

14. Significant Contingencies – Litigation:

At June 30, 2023, the School District was not involved in any litigation.

15. 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

Henry School District No. 14-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 587,429	\$ 587,429	\$ 606,101	\$ 18,672
Prior years' ad valorem taxes	2,000	2,000	420	(1,580)
Utility taxes	13,000	13,000	23,411	10,411
Penalties and interest on taxes	1,000	1,000	2,191	1,191
Earnings on Investments and Deposits	250	250	6,992	6,742
Cocurricular Activities:				
Admissions	6,000	6,000	8,610	2,610
Other Revenue from Local Sources:				
Charges for services	2,500	2,500	7,416	4,916
Other	5,000	5,000	15,363	10,363
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	6,500	6,500	10,128	3,628
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,204,958	1,205,958	1,246,953	40,995
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	35,659	35,659	--	(35,659)
Unrestricted grants-in-aid received from federal government through an intermediate source	1,000	1,000	1,748	748
Restricted grants-in-aid received from federal government through the state	<u>141,678</u>	<u>141,678</u>	<u>156,749</u>	<u>15,071</u>
Total Revenues	<u>\$ 2,006,974</u>	<u>\$ 2,007,974</u>	<u>\$ 2,086,082</u>	<u>\$ 78,108</u>

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

Henry School District No. 14-2

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

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Instructional Services:				
Regular Programs:				
Elementary	\$ 479,330	\$ 479,330	\$ 466,393	\$ 12,937
Middle/junior high	235,034	235,034	206,395	28,639
High school	258,705	258,705	248,089	10,616
Preschool	43,960	43,960	45,740	(1,780)
Special Programs:				
Educationally deprived	64,860	64,860	58,926	5,934
Adult Continuing Education Programs:				
Other adult continuing education programs	2,000	2,000	290	1,710
Support Services:				
Students:				
Guidance	60,545	60,545	59,726	819
Health	6,700	6,700	5,309	1,391
Instructional Staff:				
Improvement of instruction	12,100	12,100	4,570	7,530
Educational media	70,782	70,782	69,474	1,308
General Administration:				
Board of education	83,171	83,171	75,576	7,595
Executive administration	144,005	144,005	142,573	1,432
School Administration:				
Office of the principal	62,695	62,695	63,422	(727)
Other	500	500	509	(9)
Business:				
Fiscal services	100,951	100,951	102,960	(2,009)
Operation and maintenance of plant	170,657	170,657	156,129	14,528
Student transportation	257,240	257,240	215,732	41,508
Central:				
Staff	500	500	--	500
Other Support Services				
Community Services:				
Custody and care of children	99,258	99,258	97,229	2,029
Nonprogrammed Charges:				
Payments to state - unemployment	3,300	3,300	--	3,300
Cocurricular Activities:				
Male activities	20,840	20,840	14,026	6,814
Female activities	18,147	18,147	17,502	645
Transportation	30,000	30,000	15,884	14,116
Combined activities	29,667	29,667	27,069	2,598
Contingencies	5,000	5,000	--	5,000
Total Expenditures	2,259,947	2,259,947	2,093,523	166,424
Excess of Revenues Over Expenditures	(252,973)	(251,973)	(7,441)	244,532
Other Financing Sources:				
Operating transfers in	100,000	100,000	100,000	--
Operating transfers out	(91,371)	(91,371)	--	91,371
Total Other Financing Sources:	8,629	8,629	100,000	91,371
Net Change in Fund Balances	(244,344)	(243,344)	92,559	335,903
Fund Balance, Beginning of Year	820,797	820,797	820,797	--
Fund Balance, End of Year	\$ 576,453	\$ 577,453	\$ 913,356	\$ 335,903

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

Henry School District No. 14-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 360,000	\$ 360,000	\$ 370,418	\$ 10,418
Prior years' ad valorem taxes	500	500	160	(340)
Penalties and interest on taxes	800	800	818	18
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal				
Restricted grants-in-aid received directly				
from the federal government	13,000	13,000	17,182	4,182
Restricted grants-in-aid received from federal				
government through the state	213,210	213,210	80,396	(132,814)
Total Revenues	587,510	587,510	468,974	(118,536)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	9,500	9,500	14,983	(5,483)
Middle/junior high	6,500	6,500	6,924	(424)
High school	69,800	69,800	24,082	45,718
Special programs:				
Support Services:				
Instructional Staff:				
General Administration:				
Business:				
Facilities acquisition and construction	384,210	384,210	146,722	237,488
Student transportation	75,000	75,000	80,000	(5,000)
Debt Services:	56,500	56,500	55,563	937
Cocurricular Activities:				
Combined activities	6,000	6,000	--	6,000
Total Expenditures	607,510	607,510	328,274	279,236
Excess of Revenue Over (Under)				
Expenditures	(20,000)	(20,000)	140,700	160,700
Other Financing Sources (Uses):				
Transfers out	(100,000)	(100,000)	(100,000)	--
Compensation for Loss of General Cap Assets	--	--	38,763	38,763
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(61,237)	38,763
Net Change in Fund Balances	(120,000)	(120,000)	79,463	199,463
Fund Balance, Beginning of Year	422,273	422,273	422,273	--
Fund Balance, End of Year	\$ 302,273	\$ 302,273	\$ 501,736	\$ 199,463

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

Henry School District No. 14-2
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 171,779	\$ 171,779	\$ 201,301	\$ 29,522
Prior years' ad valorem taxes	300	300	90	(210)
Penalties and interest on taxes	400	400	456	56
Other Revenue from Local Sources:				
Charges for services	900	900	2,928	2,028
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-Aid	35,495	35,495	--	(35,495)
Restricted grants-in-aid	90,000	90,000	147,017	57,017
Total Revenues	<u>298,874</u>	<u>298,874</u>	<u>351,792</u>	<u>52,918</u>
Expenditures				
Instructional Services:				
Special programs:				
Programs for special education	298,282	298,282	275,853	22,429
Support Services:				
Students:				
Guidance	1,400	1,400	--	1,400
Psychological	17,000	17,000	16,473	527
Speech pathology	28,000	28,000	31,088	(3,088)
Student therapy services	21,000	21,000	19,133	1,867
General Administration:				
Board of education	1,900	1,900	1,071	829
Special Education:				
Administrative costs	24,630	24,630	17,800	6,830
Other special education costs	3,500	3,500	--	3,500
Total Expenditures	<u>395,712</u>	<u>395,712</u>	<u>361,418</u>	<u>34,294</u>
Excess of Revenues Over (Under) Expenditures	(96,838)	(96,838)	(9,626)	87,212
Other Financing Sources (Uses):				
Transfer in	81,371	81,371	--	(81,371)
Total Other Financing Sources (Uses)	<u>81,371</u>	<u>81,371</u>	<u>--</u>	<u>(81,371)</u>
Net Change in Fund Balance	(15,467)	(15,467)	(9,626)	5,841
Fund Balance, Beginning of Year	15,467	15,467	15,467	--
Fund Balance, End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,841</u>	<u>\$ 5,841</u>

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

Henry School District No. 14-2
Notes to the Required Supplementary Information
June 30, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. Basis of Presentation:

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

Henry School District No. 14-2

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0544350%	0.0553700%	0.0553901%	0.0584457%	0.0552334%	0.0549153%	0.0419504%	0.0450663%	0.0460297%
District's proportionate share of net pension liability (asset)	\$ (5,144)	\$ (424,040)	\$ (2,406)	\$ (6,194)	\$ (1,288)	\$ (4,984)	\$ 141,704	\$ (191,139)	\$ (331,625)
District's covered-employee payroll	\$ 1,299,814	\$ 1,256,633	\$ 1,215,647	\$ 1,242,675	\$ 1,148,256	\$ 1,115,763	\$ 669,125	\$ 822,775	\$ 804,934
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.74%	0.20%	0.50%	0.11%	0.45%	21.18%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Henry School District No. 14-2
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 81,771	\$ 77,989	\$ 75,398	\$ 72,939	\$ 74,561	\$ 68,895	\$ 66,946	\$ 55,631	\$ 49,367
Contributions in relation to the contractually-required contribution	<u>81,771</u>	<u>77,989</u>	<u>75,398</u>	<u>72,939</u>	<u>74,561</u>	<u>68,895</u>	<u>66,946</u>	<u>55,631</u>	<u>49,367</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,362,844	\$ 1,299,814	\$ 1,256,633	\$ 1,215,647	\$ 1,242,675	\$ 1,148,256	\$ 1,115,763	\$ 798,125	\$ 822,775
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.97%	6.00%

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

Henry School District No. 14-2
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

Henry School District No. 14-2
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2023 (Continued)

As of June 30, 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 equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes

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