

**HERREID SCHOOL DISTRICT NO. 10-1**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2022**

**HERREID SCHOOL DISTRICT NO. 10-1**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2022**

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Board Members:

Josh Sayler - President  
Brandon Ritter - Vice President  
Dena Hanson  
Colleen Rueb  
Holly Randall

Superintendent:

Lance Vander Vorst

Business Manager:

Wayne Hanson

**HERREID SCHOOL DISTRICT NO. 10-1**  
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**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

WILLIAM J BACHMEIER, CPA  
CHRISTINE OLSEN, CPA  
EMILY SCHAEFERS, CPA

210 EAST GRAND CROSSING | PO BOX 460  
MOBRIDGE, SD 57601  
605- 845-3658 | 605- 845-3754 (FAX)  
KBACPAS.COM

WITH OFFICES IN  
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL AUDITING STANDARDS

School Board  
Herreid School District No. 10-1  
Herreid, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Herreid School District No. 10-1, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Herreid School District No. 10-1's basic financial statements, and have issued our report thereon dated May 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Herreid School District No. 10-1'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 Herreid School District No. 10-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Herreid School District No. 10-1'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 School District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2022-001 through 2022-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

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 and 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Kohlman Bueisbach: Anderson LLP*

May 28, 2024

**HERREID SCHOOL DISTRICT NO. 10-1**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2022**

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PRIOR AUDIT FINDINGS:

2021-001

A material weakness was reported for lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity, which could result in errors not being found in a timely manner.

Status:

This finding has not been corrected and is restated as current audit finding 2022-001.

2021-002

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles (GAAP). As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Status:

This finding has not been corrected and is restated as current audit finding 2022-002.

2021-003

The School District does not have an internal control structure to provide for the recording of all necessary material adjustments.

Status:

This finding has not been corrected and is restated as current audit finding 2022-003.

2021-004

The School District did not bid the purchase of new gym bleachers.

Status:

This finding is not restated.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2022**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2022-001

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity, which could result in errors not being found in a timely manner.

Cause

Internal controls are not adequately designed to prevent or detect material misstatements due to either fraud or error.

Effect

The School District has a limited number of employees who prepare all records for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the School Board take a more active roll in their oversight of cash, investments, revenues, grants, receivables, inventories, payables, expenditures, payroll, capital assets, debt, and equity.

Views of Responsible Officials

The School District has determined that it is not cost beneficial to employ additional personnel just to be just to be able to adequately segregate duties for cash and investments, revenues, receivables and grants, inventories, expenditures, payables and payroll, capital assets, debt, and equity, and accepts the risks involved. The School Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented include dual signatures on checks and board members reviewing vouchers. The Superintendent, Lance Vander Vorst, is responsible for this finding.

2022-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.



**HERREID SCHOOL DISTRICT NO. 10-1**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2022**  
**(Continued)**

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Cause

Internal controls are not adequately designed to prepare the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in a organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

Both management and the School Board have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Board Chairman, Josh Saylor, is responsible for this finding.

2022-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause

Internal controls are not adequately designed to record all material adjustments.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstances is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2022**  
**(Continued)**

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Views of Responsible Officials

The School District accepts the risks associated with this deficiency. The School Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Board Chairman, Josh Sayler, is responsible for this finding.

Closing Conference

The contents of this report were discussed by Christine Olsen with Wayne Hanson (Business Manager) and Lance Vander Vorst (Superintendent) on March 19, 2024.

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

WILLIAM J BACHMEIER, CPA  
CHRISTINE OLSEN, CPA  
EMILY SCHAEFERS, CPA

210 EAST GRAND CROSSING | PO BOX 460  
MOBRIDGE, SD 57601  
605- 845-3658 | 605- 845-3754 (FAX)  
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WITH OFFICES IN  
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board  
Herreid School District No. 10-1  
Herreid, South Dakota

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 Herreid School District No. 10-1, South Dakota (School District), as of and for the year ended June 30, 2022, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which has resulted in a restatement of the net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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.

Auditors' 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 auditors' 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 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 risk 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 and Pension Schedules on pages 39 through 45 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 the 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 May 28, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

*Kohlman Bierschbach : Anderson LLP*

May 28, 2024

**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,446,000	\$ 6,172	\$ 2,452,172
Investments	60,000	-	60,000
Taxes receivable	706,404	-	706,404
Accounts receivable	3,199	-	3,199
Internal balances	54,205	(54,205)	-
Inventories	9,454	3,372	12,826
Other assets	108,948	3,231	112,179
Restricted Assets:			
Cash and cash equivalents	15,654	-	15,654
Net pension asset	299,896	7,683	307,579
Capital Assets:			
Land, improvements and construction/development in progress	5,464	-	5,464
Other capital assets, net of depreciation/amortization	<u>1,234,807</u>	<u>24,882</u>	<u>1,259,689</u>
<b>TOTAL ASSETS</b>	<u>4,944,031</u>	<u>(8,865)</u>	<u>4,931,967</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>407,981</u>	<u>16,261</u>	<u>424,242</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>407,981</u>	<u>16,261</u>	<u>424,242</u>
<b>LIABILITIES:</b>			
Other current liabilities	116,012	3,664	119,676
Unearned revenue	-	2,311	2,311
Noncurrent Liabilities:			
Due within one year	67,788	-	67,788
Due in more than one year	<u>118,872</u>	<u>-</u>	<u>118,872</u>
<b>TOTAL LIABILITIES</b>	<u>302,672</u>	<u>5,975</u>	<u>308,647</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	906,297	-	906,297
Pension related deferred inflows	<u>583,677</u>	<u>15,066</u>	<u>598,743</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,489,974</u>	<u>15,066</u>	<u>1,505,040</u>
<b>NET POSITION:</b>			
Net investment in capital assets	1,058,271	24,882	1,083,153
Restricted for:			
Capital outlay purposes	1,097,332	-	1,097,332
Special education purposes	252,773	-	252,773
SDRS pension purposes	124,200	8,878	133,078
Other purposes	15,654	-	15,654
Unrestricted (Deficit)	<u>1,021,976</u>	<u>(47,405)</u>	<u>974,571</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,570,206</u>	<u>\$ (13,645)</u>	<u>\$ 3,556,561</u>

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
			Primary Government Business-Type Activities	Total
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 1,054,751	\$ -	\$ 75,120	\$ (979,631)
Support services	648,623	25	-	(648,598)
*Interest on long-term debt	7,472	-	-	(7,472)
Curricular activities	86,413	16,850	-	(69,563)
Total Governmental Activities	<u>1,797,259</u>	<u>16,875</u>	<u>75,120</u>	<u>(1,705,264)</u>
<b>Business-Type Activities:</b>				
Food services	94,976	10,713	78,600	\$ (5,663)
Preschool	22,701	6,500	-	(16,201)
Total Business-Type Activities	<u>117,677</u>	<u>17,213</u>	<u>78,600</u>	<u>(21,864)</u>
<b>Total Primary Government</b>	<u>\$ 1,914,936</u>	<u>\$ 34,088</u>	<u>\$ 153,720</u>	<u>(1,727,128)</u>
<b>General Revenues:</b>				
<b>Taxes:</b>				
Property taxes			1,820,904	1,820,904
Utility taxes			21,708	21,708
<b>Revenue from state sources:</b>				
State aid			201,080	201,080
Other			30,568	30,568
Unrestricted investment earnings			2,265	2,265
Other general revenues			29,884	29,884
Transfers			(39,000)	-
<b>Total General Revenues and Transfers</b>			<u>2,067,409</u>	<u>2,106,409</u>
<b>Change in Net Position</b>			362,145	379,281
<b>Net Position - Beginning</b>			3,208,061	3,177,280
<b>Net Position - Ending</b>			<u>\$ 3,570,206</u>	<u>\$ 3,556,561</u>

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

The notes to the financial statements are an integral part of this statement.

# HERREID SCHOOL DISTRICT NO. 10-1

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,118,865	\$ 1,099,060	\$ 242,114	\$ 2,460,039
Investments	10,000	50,000	-	60,000
Taxes receivable - current	433,680	183,167	86,208	703,055
Taxes receivable - delinquent	2,565	542	242	3,349
Accounts receivable - net	-	-	7	7
Due from other funds	57,404	-	-	57,404
Due from federal government	38,256	-	36,864	75,120
Due from county government	21,708	-	-	21,708
Inventories of supplies	9,454	-	-	9,454
Deposits	8,914	-	-	8,914
Restricted cash and cash equivalents	15,654	-	-	15,654
<b>TOTAL ASSETS</b>	<b>\$ 1,716,500</b>	<b>\$ 1,332,769</b>	<b>\$ 365,435</b>	<b>\$ 3,414,704</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Contracts payable	\$ 100,592	\$ -	\$ 1,631	\$ 102,223
Payroll deductions and withholdings and employer matching payable	13,566	-	223	13,789
<b>TOTAL LIABILITIES</b>	<b>114,158</b>	<b>-</b>	<b>1,854</b>	<b>116,012</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	2,565	542	242	3,349
Taxes levied for future period	560,052	235,437	110,808	906,297
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>562,617</b>	<b>235,979</b>	<b>111,050</b>	<b>909,646</b>
<b>FUND BALANCES:</b>				
<b>Nonspendable:</b>				
Inventories of supplies	9,454	-	-	9,454
Deposits	8,914	-	-	8,914
<b>Restricted for:</b>				
Capital outlay purposes	-	1,096,790	-	1,096,790
Special education purposes	-	-	252,531	252,531
Athletic purposes	8,518	-	-	8,518
Music education purposes	5,996	-	-	5,996
Veterans' memorial	1,140	-	-	1,140
<b>Assigned:</b>				
Teachers' supplies	4,087	-	-	4,087
Unassigned	1,001,616	-	-	1,001,616
<b>TOTAL FUND BALANCES</b>	<b>1,039,725</b>	<b>1,096,790</b>	<b>252,531</b>	<b>2,389,046</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,716,500</b>	<b>\$ 1,332,769</b>	<b>\$ 365,435</b>	<b>\$ 3,414,704</b>

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

Total Fund Balances - Governmental Funds	\$	2,389,046
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		299,896
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		1,240,271
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		407,981
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease liability	\$ 19,735	
CO certificates	162,265	
Accrued leave	<u>4,660</u>	(186,660)
Assets, such as taxes receivable that are not available to pay for the current period expenditures, are deferred in the funds.		
Taxes receivable	\$ <u>3,349</u>	3,349
Pension related referred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(583,677)</u>
Net Position - Governmental Activities	\$	<u><u>3,570,206</u></u>

The notes to the financial statements are an integral part of this statement.



**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,110,091	\$ 470,769	\$ 224,714	\$ 1,805,574
Prior years' ad valorem taxes	9,786	6,787	2,795	19,368
Utility taxes	21,708	-	-	21,708
Penalties and interest on taxes	2,615	1,552	638	4,805
Earnings on investments and deposits	2,061	204	-	2,265
Cocurricular activities:				
Admissions	9,608	-	-	9,608
Other student activity income	7,242	-	-	7,242
Other revenue from local sources:				
Refund of prior years' expenditures	683	-	-	683
Charges for services	25	-	-	25
Other	15,563	-	-	15,563
Revenue from Intermediate Sources:				
County sources:				
County apportionment	12,202	-	-	12,202
Revenue in lieu of taxes	143	-	-	143
Revenue from State Sources:				
Grants-in-aid				
Unrestricted grants-in-aid	231,648	-	-	231,648
Revenue from Federal Sources:				
Grants-in-aid				
Restricted grants-in-aid received from federal government through the state	38,256	-	36,864	75,120
<b>TOTAL REVENUES</b>	<b><u>1,461,631</u></b>	<b><u>479,312</u></b>	<b><u>265,011</u></b>	<b><u>2,205,954</u></b>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	422,763	5,528	-	428,291
Middle/Junior high	192,964	14,926	-	207,890
High school	283,617	24,724	-	308,341
Special programs:				
Programs for special education	-	-	101,919	101,919
Educationally deprived	23,768	-	-	23,768
Support Services:				
Students:				
Guidance	5,032	-	-	5,032
Psychological	-	-	23,473	23,473
Speech pathology	-	-	33,145	33,145
Student therapy services	-	-	9,647	9,647
Instructional staff:				
Improvement of instruction	1,341	-	-	1,341
Educational media	47,768	-	-	47,768

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
General administration:				
Board of education	32,084	-	-	32,084
Executive administration	87,195	-	-	87,195
School administration:				
Office of the principal	6,240	-	-	6,240
Other	34,626	-	-	34,626
Business:				
Fiscal services	63,550	-	-	63,550
Facilities acquisition and construction	2,780	-	-	2,780
Operation and maintenance of plant	166,061	198	-	166,259
Student transportation	80,265	-	-	80,265
Food services	434	-	-	434
Special education:				
Administrative costs	-	-	23,713	23,713
Debt Services	-	69,558	-	69,558
Cocurricular Activities:				
Male activities	24,929	-	-	24,929
Female activities	10,358	-	-	10,358
Combined activities	45,097	-	-	45,097
Capital Outlay	<u>20,903</u>	<u>30,314</u>	<u>-</u>	<u>51,217</u>
TOTAL EXPENDITURES	<u>1,551,775</u>	<u>145,248</u>	<u>191,897</u>	<u>1,888,920</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(90,144)</u>	<u>334,064</u>	<u>73,114</u>	<u>317,034</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	212,248	-	-	212,248
Transfers out	(39,000)	(212,248)	-	(251,248)
Sale of surplus property	50	-	-	50
Compensation for loss of general capital assets	<u>1,243</u>	<u>-</u>	<u>-</u>	<u>1,243</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>174,541</u>	<u>(212,248)</u>	<u>-</u>	<u>(37,707)</u>
NET CHANGE IN FUND BALANCES	84,397	121,816	73,114	279,327
FUND BALANCE - BEGINNING	<u>955,328</u>	<u>974,974</u>	<u>179,417</u>	<u>2,109,719</u>
FUND BALANCE - ENDING	<u>\$ 1,039,725</u>	<u>\$ 1,096,790</u>	<u>\$ 252,531</u>	<u>\$ 2,389,046</u>

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

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Net Change in Fund Balances - Total Governmental Funds	\$	279,327
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.		51,217
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.		(106,768)
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.		
Leases	\$ 11,128	
CO certificates	<u>50,958</u>	62,086
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		(8,843)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)		83,038
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) are not reflected in the governmental funds.		<u>2,088</u>
Change in Net Position of Governmental Activities	\$	<u><u>362,145</u></u>

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	Enterprise Funds		Total
	Major	Nonmajor	
	Food Service Fund	Preschool Fund	
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ 6,172	\$ -	\$ 6,172
Account receivable, net	3,231	-	3,231
Inventories of supplies	181	-	181
Inventories of stores purchased for resale	1,137	-	1,137
Inventory of donated food	<u>2,054</u>	<u>-</u>	<u>2,054</u>
Total Current Assets	<u>12,775</u>	<u>-</u>	<u>12,775</u>
Noncurrent Assets:			
Net pension asset	7,683	-	7,683
Capital Assets:			
Machinery and equipment	54,899	-	54,899
Less : accumulated depreciation	<u>(30,017)</u>	<u>-</u>	<u>(30,017)</u>
Total Noncurrent Assets	<u>32,565</u>	<u>-</u>	<u>32,565</u>
<b>TOTAL ASSETS</b>	<u>45,340</u>	<u>-</u>	<u>45,340</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>16,261</u>	<u>-</u>	<u>16,261</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>16,261</u>	<u>-</u>	<u>16,261</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
Contracts payable	-	3,404	3,404
Due to General Fund	-	54,205	54,205
Payroll deductions and withholdings and employer matching payable	-	260	260
Unearned revenue	<u>2,311</u>	<u>-</u>	<u>2,311</u>
<b>TOTAL LIABILITIES</b>	<u>2,311</u>	<u>57,869</u>	<u>60,180</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension related deferred inflows	<u>15,066</u>	<u>-</u>	<u>15,066</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>15,066</u>	<u>-</u>	<u>15,066</u>
<b>NET POSITION:</b>			
Net investment in capital assets	24,882	-	24,882
SDRS pension purposes	8,878	-	8,878
Unrestricted (Deficit)	<u>10,464</u>	<u>(57,869)</u>	<u>(47,405)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 44,224</u>	<u>\$ (57,869)</u>	<u>\$ (13,645)</u>

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Enterprise Funds		Total
	Major	Nonmajor	
	Food Service Fund	Preschool Fund	
OPERATING REVENUE:			
Food sales:			
Student	\$ 302	\$ -	\$ 302
Adult	5,325	-	5,325
Ala carte	5,057	-	5,057
Other charges for goods and services	<u>29</u>	<u>6,500</u>	<u>6,529</u>
TOTAL OPERATING REVENUE	<u>10,713</u>	<u>6,500</u>	<u>17,213</u>
OPERATING EXPENSES:			
Salaries	30,345	20,425	50,770
Employee benefits	1,638	2,218	3,856
Purchased services	3,183	-	3,183
Supplies	589	58	647
Cost of sales - purchased	50,288	-	50,288
Cost of sales - donated	4,857	-	4,857
Other	300	-	300
Depreciation/Amortization	<u>3,776</u>	<u>-</u>	<u>3,776</u>
TOTAL OPERATING EXPENSES	<u>94,976</u>	<u>22,701</u>	<u>117,677</u>
OPERATING LOSS	<u>(84,263)</u>	<u>(16,201)</u>	<u>(100,464)</u>
NONOPERATING REVENUE:			
State grants	196	-	196
Federal grants	72,754	-	72,754
Donated food	<u>5,650</u>	<u>-</u>	<u>5,650</u>
TOTAL NONOPERATING REVENUE	<u>78,600</u>	<u>-</u>	<u>78,600</u>
LOSS BEFORE TRANSFERS	(5,663)	(16,201)	(21,864)
TRANSFERS IN	<u>25,000</u>	<u>14,000</u>	<u>39,000</u>
CHANGE IN NET POSITION	19,337	(2,201)	17,136
NET POSITION - BEGINNING	<u>24,887</u>	<u>(55,668)</u>	<u>(30,781)</u>
NET POSITION - ENDING	<u>\$ 44,224</u>	<u>\$ (57,869)</u>	<u>\$ (13,645)</u>

The notes to the financial statements are an integral part of this statement.

# HERREID SCHOOL DISTRICT NO. 10-1

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2022

	Enterprise Funds		Total
	Major	Nonmajor	
	Food Services Fund	Preschool Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 7,293	\$ 6,500	\$ 13,793
Cash payments to employees for services	(34,106)	(22,700)	(56,806)
Cash payments to suppliers of goods or services	<u>(54,294)</u>	<u>-</u>	<u>(54,294)</u>
Net cash used by operating activities	<u>(81,107)</u>	<u>(16,200)</u>	<u>(97,307)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	25,000	14,000	39,000
Change in due to other funds	(10,671)	2,200	(8,471)
Operating grants received	<u>72,950</u>	<u>-</u>	<u>72,950</u>
Net cash provided by noncapital financing activities	<u>87,279</u>	<u>16,200</u>	<u>103,479</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	6,172	-	6,172
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 6,172</u>	<u>\$ -</u>	<u>\$ 6,172</u>

#### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	\$ (84,263)	\$ (16,201)	\$ (100,464)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Depreciation expense	3,776	-	3,776
Value of donated commodities used	4,857	-	4,857
Change in assets and liabilities:			
Accounts receivable	(2,128)	-	(2,128)
Inventories	66	-	66
Net pension asset	(7,615)	-	(7,615)
Pension related deferred outflows	(3,403)	-	(3,403)
Benefits payable	-	1	1
Unearned revenue	(1,292)	-	(1,292)
Pension related deferred inflows	<u>8,895</u>	<u>-</u>	<u>8,895</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (81,107)</u>	<u>\$ (16,200)</u>	<u>\$ (97,307)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Value of commodities received	\$ 5,650	\$ -	\$ 5,650

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2022**

	Private-Purpose Trust Fund	Custodial Funds
<b>ASSETS:</b>		
Cash and cash equivalents	\$ -	\$ 68,926
Certificates of deposit	34,016	-
<b>TOTAL ASSETS</b>	<b>34,016</b>	<b>68,926</b>
<b>LIABILITIES:</b>		
Due to General Fund	-	3,199
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,199</b>
<b>NET POSITION:</b>		
Restricted for:		
Individuals, organizations and other governments	-	65,727
Scholarships	34,016	-
<b>TOTAL NET POSITION</b>	<b>\$ 34,016</b>	<b>\$ 65,727</b>

The notes to the financial statements are an integral part of this statement.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Collections for student activities	\$ <u>          -</u>	\$ <u>          90,957</u>
TOTAL ADDITIONS	<u>          -</u>	<u>          90,957</u>
DEDUCTIONS:		
Payments for student activities	<u>          -</u>	<u>          67,773</u>
TOTAL DEDUCTIONS	<u>          -</u>	<u>          67,773</u>
CHANGE IN NET POSITION	-	23,184
NET POSITION - BEGINNING	<u>          34,016</u>	<u>          42,543</u>
NET POSITION - ENDING	<u>\$          34,016</u>	<u>\$          65,727</u>

The notes to the financial statements are an integral part of this statement.



**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 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 Herreid School District No. 10-1 (School District), consists of the primary government (which includes all of the funds, organizations, 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 Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

**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 ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 1 - (Continued)

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 Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding 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 School District. This fund is financed by grants and property taxes. This is a major fund.

Proprietary Funds:

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

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

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

Preschool Fund - A fund used to record financial transactions related to preschool operations. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 1 - (Continued)

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

The Adney Scholarship Trust Fund is the only private-purpose trust fund.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental 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 fund types 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, 2022, are reimbursements for federal program expenditures and gross receipts.

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.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 1 - (Continued)

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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.

The total June 30, 2022 balance of capital assets for governmental activities are all valued at original costs. The total June 30, 2022 balance of capital assets for business-type activities are all valued at original costs.

For governmental activities Capital Assets, 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, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 1 - (Continued)

Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements	\$ 2,500	Straight-line	10 - 20 years
Buildings	\$ 2,500	Straight-line	50 years
Machinery and Equipment	\$ 2,500	Straight-line	4 - 20 years
Intangible Assets	\$ 2,500	Straight-line	5 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 primarily consist of compensated absences, lease liabilities, and capital outlay certificates payable.

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

h. Leases:

Lessee:

The School District is a lessee for a noncancellable lease of two copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$2,500 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.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 1 - (Continued)

- 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. 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 non-exchange 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 non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

j. 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.

k. Proprietary Funds Revenue and Expenses Classifications:

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

l. Cash and Cash Equivalents:

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.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 1 - (Continued)

m. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

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.

n. Application of Net Position:

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

o. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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 or committed. Fund balance may be assigned by the School Board, Superintendent, or Business Manager.

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.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 1 - (Continued)

The Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory and deposits.

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

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

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

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

p. Pensions:

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

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2022, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases standard. This statement changes the way that, previously known as, operating leases are reported.

NOTE 3 - DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL NONMAJOR FUND

As of June 30, 2022, the Preschool Fund had a deficit fund balance/net position in the amount of \$57,869. The Governing Board plans to make an operating transfer to correct the deficit.

NOTE 4 - 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 all the funds except the Scholarship Fund and Trust and Custodial Fund 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.



**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 4 - (Continued)

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

As of June 30, 2022, the School District's investments reported in the financial statements consisted of only certificates of deposit.

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

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. All of the School District's investments are in certificates of deposit with the Campbell County Bank.

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 of the fund making the investment. The School District's policy is to credit interest income from the General Fund, and Special Education Fund pooled account to the General Fund on a monthly basis. Trust and Custodial Fund interest income is credited to the General Fund on an annual basis. All other funds have their own accounts with interest being credited to that fund. Certificates of deposit interest income is credited to the fund making the investment. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 5 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for Athletics, Music, and Veterans' Memorial through segregation of balances in separate accounts totals \$15,654 for the year ended June 30, 2022.

NOTE 6 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been determined to be necessary.

NOTE 7 - INVENTORY

Inventory held for consumption is stated at cost. Inventory held for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 7 - (Continued)

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.

NOTE 8 - PROPERTY TAXES

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 the 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 - property taxes levied for 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".

NOTE 9 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

PRIMARY GOVERNMENT

	<u>Balance</u> <u>7/1/2021</u>	<u>Restatement</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2022</u>
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 5,464	\$ -	\$ -	\$ -	\$ 5,464
Capital assets, being depreciated/amortized:					
Improvements	213,939	-	-	-	213,939
Buildings	1,836,614	-	30,314	-	1,866,928
Machinery and equipment	803,955	-	20,903	-	824,858
Intangible lease asset	<u>-</u>	<u>48,136</u>	<u>-</u>	<u>-</u>	<u>48,136</u>
Total, being depreciated/amortized	<u>2,854,508</u>	<u>48,136</u>	<u>51,217</u>	<u>-</u>	<u>2,953,861</u>
Less accumulated depreciation/amortization for:					
Improvements	99,693	-	2,635	-	102,328
Buildings	968,888	-	59,036	-	1,027,924
Machinery and equipment	526,432	-	33,969	-	560,401
Intangible lease asset	<u>-</u>	<u>17,273</u>	<u>11,128</u>	<u>-</u>	<u>28,401</u>
Total accumulated depreciation/amortization	<u>1,595,013</u>	<u>17,273</u>	<u>106,768</u>	<u>-</u>	<u>1,719,054</u>
Total capital assets, being depreciated/amortized, net	<u>1,259,495</u>	<u>30,863</u>	<u>(55,551)</u>	<u>-</u>	<u>1,234,807</u>
Total governmental activity capital assets, net	<u>\$ 1,264,959</u>	<u>\$ 30,863</u>	<u>\$ (55,551)</u>	<u>\$ -</u>	<u>\$ 1,240,271</u>

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 9 - (Continued)

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 48,782
Support Services	49,750
Cocurricular Activities	<u>8,236</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 106,768</u>

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/22</u>
Business-type activities:				
Capital assets, being depreciated/amortized:				
Machinery and equipment	\$ <u>54,899</u>	\$ -	\$ -	\$ <u>54,899</u>
Total, being depreciated/amortized	<u>54,899</u>	-	-	<u>54,899</u>
Less accumulated depreciation/amortization for:				
Machinery and equipment	<u>26,241</u>	<u>3,776</u>	-	<u>30,017</u>
Total accumulated depreciation/amortization	<u>26,241</u>	<u>3,776</u>	-	<u>30,017</u>
Total business-type activity capital assets, net	<u>\$ 28,658</u>	<u>\$ (3,776)</u>	<u>\$ -</u>	<u>\$ 24,882</u>

Depreciation/Amortization expense was charged to functions as follows:

Business-Type Activities:	
Food Services	<u>\$ 3,776</u>

NOTE 10 - LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 4,660	\$ -	\$ 4,660	\$ 4,660	\$ 4,660	\$ 4,660
Capital Outlay Certificates	213,224	-	-	50,959	162,265	52,493
Lease	<u>-</u>	<u>30,863</u>	<u>-</u>	<u>11,128</u>	<u>19,735</u>	<u>10,635</u>
Total	<u>\$ 217,884</u>	<u>\$ 30,863</u>	<u>\$ 4,660</u>	<u>\$ 66,747</u>	<u>\$ 186,660</u>	<u>\$ 67,788</u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 10 - (Continued)

Liabilities payable at June 30, 2022, are comprised of the following:

**PRIMARY GOVERNMENT**

Governmental Activities:

Capital Outlay Certificates:

Maturity date of June 15, 2025, with an interest rate  
of 2.95% payable from the Capital Outlay Fund \$ 162,265

Compensated Absences:

Payable from the General Fund \$ 4,660

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2022, are as follows:

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2022

Year Ending June 30,	Capital Outlay Certificates Payable	
	Principal	Interest
2023	\$ 52,493	\$ 4,465
2024	54,068	2,890
2025	55,704	1,254
Total	\$ 162,265	\$ 8,609

NOTE 11 - LEASES

The School District is leasing two Canon copiers from Marco, Inc. One lease is for 48 months with monthly payments of \$611 starting September 4, 2019. Payments changed from \$611 to \$942.38 in July 2021. The other lease is for 60 months with monthly payments of \$350 starting May 23, 2018. Payments changed from \$350 to \$331.70 in July 2021. The School District paid a total of \$20,004.10 in the year ended June 30, 2022.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 10,635	\$ 204	\$ 10,839
2024	7,269	70	7,339
2025	1,831	4	1,835
Total	\$ 19,735	\$ 278	\$ 20,013

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 12 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTION**

Interfund receivable and payable balances at June 30, 2022, were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 57,404	\$ -
Preschool Fund	-	54,205
Trust & Custodial Fund	-	3,199
<b>Total</b>	<b>\$ 57,404</b>	<b>\$ 57,404</b>

**NOTES 13 - RESTRICTED NET POSITION**

Restricted net position for the year ended June 30, 2022, was as follows:

Purpose	Restricted By	Amount
<b>Major Purposes:</b>		
Capital Outlay Purposes	Law	\$ 1,097,332
Special Education Purposes	Law	252,773
SDRS Pension Purposes	Law	133,078
<b>Other Purposes:</b>		
Athletics	Outside Sources	8,518
Music	Outside Sources	5,996
Veterans' Memorial	Outside Sources	1,140
<b>Total Restricted Net Position</b>		<b>\$ 1,498,837</b>

These balances are restricted due to federal grant and statutory requirements and outside sources.

**NOTE 14 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2022, were as follows:

Transfers from:	Transfers to:			
	General Fund	Preschool Fund	Food Service Fund	Totals
General Fund	\$ -	\$ 14,000	\$ 25,000	\$ 39,000
Capital Outlay	212,248	-	-	212,248
<b>Totals</b>	<b>\$ 212,248</b>	<b>\$ 14,000</b>	<b>\$ 25,000</b>	<b>\$ 251,248</b>

The purpose of the interfund transfers was to transfer federal monies to help with general operation expenses.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 15 - 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 defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- 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 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, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 15 - (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020, were \$56,956, \$54,866, and \$53,959, respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 105.52% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2021, and reported by the School District as of June 30, 2022, are as follows:

Proportionate share of pension liability	\$	5,569,151
Less proportionate share of net pension restricted for pension benefits		<u>5,876,730</u>
Proportionate share of net pension liability (asset)		<u>\$ (307,579)</u>

At June 30, 2022, the School District reported an asset of \$307,579 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .04016300%, which is an decrease of 0.0003798% from its proportion measured as June 30, 2020.

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$87,249. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,043	\$ 806
Changes in assumption	353,714	154,032
Net difference between projected and actual earnings on pension plan investments	-	439,384
Changes in proportion and difference between School District contributions and proportionate share of contributions	2,529	4,521
School District contributions subsequent to the measurement date	<u>56,956</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 424,242</u>	<u>\$ 598,743</u>

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 15 - (Continued)

\$56,956 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:	
2023	\$ (58,963)
2024	(38,471)
2025	(10,414)
2026	(123,609)
TOTAL	\$ (231,457)

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary Increases	Graded by years of services, from 6.5 % at entry to 3.00 % after 25 years of service
Discount Rate	6.50 % net of plan investment expense. This is composed of an average inflation rate of 2.25 % and real returns of 4.25 %
Future COLAs	2.25 %

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0 %	4.3 %
Fixed Income	30.0 %	1.6 %
Real Estate	10.0 %	4.6 %
Cash	2.0 %	0.9 %
Total	100.0 %	



**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

NOTE 15 - (Continued)

Discount Rate:

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

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

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

	1%	Current Discount Rate	1%
	Decrease		Increase
School District's proportionate share of the net pension liability (asset)	\$ 498,048	\$ (307,579)	\$ (961,562)

Pension Plan Fiduciary Net Position:

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

NOTE 16 - JOINT VENTURES

The School District participates in the joint venture known as Northwest Area Schools Multi- District. This is a School District service unit formed for the purpose of providing education services in the area of career and technical educational services to the member school districts.

Northwest Area Schools Multi-District

The School District participates in the joint venture known as Oahe Special Education Cooperative, formed for the purpose of providing special education services to the member school districts.

The members of the Cooperative and their relative percentage participation are as follows:

Bowdle School District No. 22-1	16.67 %
Eureka School District No. 44-1	16.67 %
Herreid School District No. 10-1	16.67 %
Hoven School District No. 53-2	16.67 %
Selby Area School District No. 62-5	16.66 %
Smee School District No. 15-3	16.66 %

The Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 16 - (Continued)

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Oahe Special Education Cooperative.

At June 30, 2022, this joint venture had total assets of \$614,636, total liabilities of \$89,027, and net position of \$525,609.

NOTE 17 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. There is no lifetime maximum payment per person.

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

Liability Insurance:

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

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance with covers up to \$1,000,000 per individual per incident.

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

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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NOTE 17 - (Continued)

Unemployment Benefits:

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

During the year ended June 30, 2022, no claims were filed for unemployment benefits. At June 30, 2022, no claims had been filed or were outstanding. It is not anticipated that any claims for unemployment benefits will be filed in the next fiscal year.

NOTE 18 - IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2022, the School District implemented GASB Statement No. 87, Lease accounting standards. The School District added an intangible lease asset in the amount of \$30,863 and a lease liability in the amount of \$30,863.

NOTE 19 - LITIGATION

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

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through May 28, 2024, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THEN MD&A**

**HERREID SCHOOL DISTRICT NO. 10-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 716,246	\$ 716,246	\$ 1,110,091	\$ 393,845
Prior years' ad valorem taxes	-	-	9,786	9,786
Utility taxes	64,000	64,000	21,708	(42,292)
Penalties and interest on taxes	8,500	8,500	2,615	(5,885)
Earnings on investments and deposits	1,400	1,400	2,061	661
Cocurricular activities:				
Admissions	3,300	3,300	9,608	6,308
Other student activity income	-	-	7,242	7,242
Other revenue from local sources:				
Refund of prior years' expenditures	-	-	683	683
Charges for services	-	-	25	25
Other	13,000	13,000	15,563	2,563
Revenue from Intermediate Sources:				
County sources:				
County apportionment	180,000	180,000	12,202	(167,798)
Revenue in lieu of taxes	-	-	143	143
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	68,854	68,854	231,648	162,794
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	261,854	293,854	38,256	(255,598)
Other federal revenue	<u>104,035</u>	<u>104,035</u>	<u>-</u>	<u>(104,035)</u>
<b>TOTAL REVENUES</b>	<u>1,421,189</u>	<u>1,453,189</u>	<u>1,461,631</u>	<u>8,442</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	445,000	445,000	422,763	22,237
Middle/Junior high	180,000	180,000	192,964	(12,964)
High school	335,000	335,000	283,617	51,383
Special programs:				
Educationally deprived	24,219	24,219	23,768	451
Support Services:				
Students:				
Guidance	6,000	6,000	5,032	968
Instructional staff:				
Improvement of instruction	25,046	25,046	1,341	23,705
Educational media	30,300	62,300	68,671	(6,371)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
General administration:				
Board of education	38,855	38,855	32,084	6,771
Executive administration	95,300	95,300	87,195	8,105
School administration:				
Office of the principal	10,000	10,000	6,240	3,760
Other	29,700	29,700	34,626	(4,926)
Business:				
Fiscal services	69,175	69,175	63,550	5,625
Facilities acquisition and construction	-	-	2,780	(2,780)
Operation and maintenance of plant	179,250	179,250	166,061	13,189
Student transportation services	88,630	88,630	80,265	8,365
Food services	-	-	434	(434)
Cocurricular Activities:				
Male activities	38,000	38,000	24,929	13,071
Female activities	23,535	23,535	10,358	13,177
Combined activities	42,025	42,025	45,097	(3,072)
Contingencies	25,000	25,000		
Amount transferred		-		25,000
TOTAL EXPENDITURES	<u>1,685,035</u>	<u>1,717,035</u>	<u>1,551,775</u>	<u>165,260</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(263,846)</u>	<u>(263,846)</u>	<u>(90,144)</u>	<u>173,702</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	241,521	241,521	212,248	(29,273)
Transfers out	(30,000)	(40,000)	(39,000)	1,000
Sale of surplus property	-	-	50	50
Compensation for loss of general capital assets	-	-	1,243	1,243
TOTAL OTHER FINANCING SOURCES (USES)	<u>211,521</u>	<u>201,521</u>	<u>174,541</u>	<u>(26,980)</u>
NET CHANGE IN FUND BALANCES	(52,325)	(62,325)	84,397	146,722
FUND BALANCE - BEGINNING	<u>955,328</u>	<u>955,328</u>	<u>955,328</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 903,003</u>	<u>\$ 893,003</u>	<u>\$ 1,039,725</u>	<u>\$ 146,722</u>

**HERREID SCHOOL DISTRICT NO. 10-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 553,000	\$ 553,000	\$ 470,769	\$ (82,231)
Prior years' ad valorem taxes	-	-	6,787	6,787
Penalties and interest on taxes	900	900	1,552	652
Earnings on investments and deposits	750	750	204	(546)
Revenue from Federal Sources::				
Other federal revenue	<u>120,811</u>	<u>120,811</u>	<u>-</u>	<u>(120,811)</u>
<b>TOTAL REVENUES</b>	<u>675,461</u>	<u>675,461</u>	<u>479,312</u>	<u>(196,149)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	26,060	26,060	5,528	20,532
Middle/Junior high	19,055	19,055	14,926	4,129
High school	20,085	20,085	24,724	(4,639)
Support Services:				
Business:				
Facilities acquisition and construction	214,250	214,250	30,314	183,936.0
Operation and maintenance of plant	-	-	198	(198)
Student transportation services	85,490	85,490	-	85,490
Food services	4,000	4,000	-	4,000
Debt Services	59,000	59,000	69,558	(10,558)
Cocurricular Activities:				
Combined activities	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<b>TOTAL EXPENDITURES</b>	<u>433,940</u>	<u>433,940</u>	<u>145,248</u>	<u>288,692</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>241,521</u>	<u>241,521</u>	<u>334,064</u>	<u>(484,841)</u>
<b>OTHER FINANCING USES:</b>				
Transfers out	<u>(241,521)</u>	<u>(241,521)</u>	<u>(212,248)</u>	<u>29,273</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>(241,521)</u>	<u>(241,521)</u>	<u>(212,248)</u>	<u>29,273</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	121,816	(455,568)
<b>FUND BALANCE - BEGINNING</b>	<u>974,974</u>	<u>974,974</u>	<u>974,974</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 974,974</u>	<u>\$ 974,974</u>	<u>\$ 1,096,790</u>	<u>\$ 121,816</u>

**HERREID SCHOOL DISTRICT NO. 10-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS**  
**YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 288,164	\$ 288,164	\$ 224,714	\$ (63,450)
Prior years' ad valorem taxes	450	450	2,795	2,345
Penalties and interest on taxes	-	-	638	638
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	300	300	-	(300)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	28,186	28,186	36,864	8,678
Other federal revenue	<u>11,215</u>	<u>11,215</u>	<u>-</u>	<u>(11,215)</u>
TOTAL REVENUES	<u>328,315</u>	<u>328,315</u>	<u>265,011</u>	<u>(63,304)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	165,550	165,550	101,919	63,631
Support Services:				
Students:				
Psychological	36,565	36,565	23,473	13,092
Speech pathology	50,200	50,200	33,145	17,055
Student therapy services	42,500	42,500	9,647	32,853
Special education:				
Administrative costs	<u>33,500</u>	<u>33,500</u>	<u>23,713</u>	<u>9,787</u>
TOTAL EXPENDITURES	<u>328,315</u>	<u>328,315</u>	<u>191,897</u>	<u>136,418</u>
NET CHANGE IN FUND BALANCES	-	-	73,114	73,114
FUND BALANCE - BEGINNING	<u>179,417</u>	<u>179,417</u>	<u>179,417</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 179,417</u>	<u>\$ 179,417</u>	<u>\$ 252,531</u>	<u>\$ 73,114</u>



**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISON FOR THE GENERAL FUND**  
**AND FOR EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2022**

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NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
8. 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.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**HERREID SCHOOL DISTRICT NO. 10-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**LAST 8 FISCAL YEARS\***

	<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)	0.0401630 %	0.0405428 %	0.0428618 %	0.0408717 %	0.0383462 %	0.036713 %	0.038593 %	0.040308 %
District's proportionate share of net pension liability (asset)	\$ 307,579	\$ (1,761)	\$ (4,542)	\$ (953)	\$ (3,480)	\$ 124,011	\$ (163,684)	\$ (290,402)
Districts covered payroll	\$ 914,429	\$ 899,323	\$ 911,534	\$ 849,685	\$ 776,246	\$ 698,092	\$ 703,790	\$ 704,877
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.64 %	0.20 %	0.50 %	0.11 %	0.45 %	17.76 %	23.26 %	41.20 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	105 %	100 %	100 %	100 %	100 %	97 %	104 %	107 %

\* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**HERREID SCHOOL DISTRICT NO. 10-1**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 56,956	\$ 54,866	\$ 53,959	\$ 54,692	\$ 50,981	\$ 46,575	\$ 41,886	\$ 42,227	\$ 42,292	\$ 37,558
Contributions in relation to the contractually required contribution	\$ <u>56,956</u>	\$ <u>54,866</u>	\$ <u>53,959</u>	\$ <u>54,692</u>	\$ <u>50,981</u>	\$ <u>46,575</u>	\$ <u>41,886</u>	\$ <u>42,227</u>	\$ <u>42,292</u>	\$ <u>37,558</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 949,273	\$ 914,429	\$ 899,323	\$ 911,534	\$ 849,685	\$ 776,246	\$ 698,092	\$ 703,790	\$ 704,877	\$ 625,956
Contributions as a percentage of covered payroll	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %

**HERREID SCHOOL DISTRICT NO. 10-1**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF**  
**PENSION CONTRIBUTIONS**  
**JUNE 30, 2022**

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Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs are assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The changes in the COLA assumption increased the Actuarial Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.