

HERREID SCHOOL DISTRICT NO. 10-1

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

HERREID SCHOOL DISTRICT NO. 10-1
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2023

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

TABLE OF CONTENTS

	<u>Page</u>
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 <u>Governmental Auditing Standards</u>	1 - 2
Schedule of Prior Audit Findings	3
Schedule of Current Audit Findings	4 - 7
Independent Auditors' Report	8 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
As of June 30, 2023:	
Statement of Net Position	11
Year Ended June 30, 2023:	
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
As of June 30, 2023:	
Balance Sheet	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Year Ended June 30, 2023:	
Statement of Revenues, Expenditures and Changes in Fund Balance	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Proprietary Funds:	
As of June 30, 2023:	
Statement of Net Position	17
Year Ended June 30, 2023:	
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19

HERREID SCHOOL DISTRICT NO. 10-1
TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Fiduciary Funds:	
As of June 30, 2023:	
Statement of Net Position	20
Year Ended June 30, 2023:	
Statement of Changes in Net Position	21
Notes to the Financial Statements	22 - 40
Required Supplementary Information Other than MD&A:	
Year Ended June 30, 2023:	
Budgetary Comparison Schedule - General Fund - Budgetary Basis	41
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis	42
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis	43
Notes to Required Supplementary Information - Budgetary Comparison Schedules	44
Schedule of the School District's Proportionate Share of Net Pension Liability (Asset)	45
Schedule of the School District's Pension Contributions	46
Notes to Required Supplementary Information - Pension Schedules	47 - 48

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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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 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 (School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated May 28, 2025, which was qualified because management did not maintain sufficient documentation for federal expenditures or free and reduced lunch applications. Management also materially misstated the cash balances on the annual report submitted to the State due to bank reconciliation errors.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 2023-001 through 2023-005, 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings as item 2023-004.

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 Breischbach: Anderson LLP

May 28, 2025

HERREID SCHOOL DISTRICT NO. 10-1
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

PRIOR AUDIT FINDINGS:

2022-001

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 2023-001.

2022-002

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 2023-002.

2022-003

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 2023-003.

HERREID SCHOOL DISTRICT NO. 10-1
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2023

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2023-001

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 inadequate internal controls and 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 inadequate internal controls and 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.

2023-002

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, 2023
(Continued)

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 Sayler, is responsible for this finding.

2023-003

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, 2023
(Continued)

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.

2023-004

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 in internal controls over the proper recording and maintenance of supporting records for federal expenditures and free and reduced lunch applications.

Cause

Internal controls are not adequately designed to properly record and maintain supporting records for federal expenditures and free and reduced lunch applications.

Effect

The School District has not maintained sufficient records for federal expenditures and free and reduced lunch applications.

Recommendation

We recommend the School District properly record and maintain sufficient records for federal expenditures and free and reduced lunch applications.

Views of Responsible Officials

The School District will modify their current procedures to ensure that federal expenditures are properly recorded and sufficient records are maintained for federal expenditures and free and reduced lunch applications. The Superintendent, Lance Vander Vorst, is responsible for this finding.

2023-005

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 materially misstated cash balances on the annual report, which could result errors in state funding due to errors in the bank reconciliation process that were not detected or corrected in a timely manner.

HERREID SCHOOL DISTRICT NO. 10-1
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2023
(Continued)

Cause

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

Effect

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 and implement improved reconciliation procedures and oversight..

Views of Responsible Officials

The School Board is taking a more active role in supervising the bank reconciliation process. Board member Colleen Reub is responsible for this finding.

COMPLIANCE AND OTHER MATTERS:

2023-004

This finding has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

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

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Herreid School District No. 10-1, South Dakota (School District), as of and for the year ended June 30, 2023, 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.

Summary of Opinions

Opinion Units

Governmental Activities	Qualified
Business-Type Activities	Qualified
Governmental Fund: General Fund	Qualified
Governmental Fund: Capital Outlay Fund	Qualified
Governmental Fund: Special Education Fund	Qualified
Enterprise Fund: Preschool Fund	Unmodified
Enterprise Fund: Food Service Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Qualified Opinions on Governmental Activities and Governmental Funds General Fund, Capital Outlay Fund and Special Education Fund and Business-Type Activities and Enterprise Fund Food Service Fund

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Governmental Funds General Fund, Capital Outlay Fund, Special Education Fund and Enterprise Fund Food Services Food of the School District, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Enterprise Fund Preschool Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund Preschool Fund and the aggregate remaining fund information of the School District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America. 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.

Matter Giving Rise to Qualified Opinions on Governmental Activities and Governmental Funds General Fund, Capital Outlay Fund and Special Education Fund and Business-Type Activities and Enterprise Fund Food Service Fund

Management did not properly record federal expenditures and did not maintain sufficient documentation for federal expenditures or free and reduced lunch applications. Management also materially misstated the cash balances on the annual report submitted to the State due to bank reconciliation errors.

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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and Pension Schedules on pages 41 through 48 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, 2025, 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, 2025

HERREID SCHOOL DISTRICT NO. 10-1

STATEMENT OF NET POSITION

JUNE 30, 2023

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,932,172	\$ 757	\$ 2,932,929
Investments	60,000	-	60,000
Taxes receivable	723,914	-	723,914
Internal balances	61,445	(61,445)	-
Inventories	7,683	8,227	15,910
Other assets	272,658	9,081	281,739
Restricted Assets:			
Cash and cash equivalents	16,174	-	16,174
Net pension asset	3,365	392	3,757
Capital Assets:			
Land, improvements and construction/development in progress	186,259	-	186,259
Other capital assets, net of depreciation/amortization	<u>1,378,183</u>	<u>26,657</u>	<u>1,404,840</u>
TOTAL ASSETS	<u>5,641,853</u>	<u>(16,331)</u>	<u>5,625,522</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>358,655</u>	<u>14,996</u>	<u>373,651</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>358,655</u>	<u>14,996</u>	<u>373,651</u>
LIABILITIES:			
Accounts payable	20,382	-	20,382
Other current liabilities	128,894	15,516	144,410
Unearned revenue	-	3,408	3,408
Noncurrent Liabilities:			
Due within one year	132,696	-	132,696
Due in more than one year	<u>239,400</u>	<u>-</u>	<u>239,400</u>
TOTAL LIABILITIES	<u>521,372</u>	<u>18,924</u>	<u>540,296</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,010,969	-	1,010,969
Pension related deferred inflows	<u>213,550</u>	<u>5,964</u>	<u>219,514</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,224,519</u>	<u>5,964</u>	<u>1,230,483</u>
NET POSITION:			
Net investment in capital assets	1,197,006	26,657	1,223,663
Restricted for:			
Capital outlay purposes	1,185,711	-	1,185,711
Special education purposes	357,463	-	357,463
SDRS pension purposes	148,470	9,424	157,894
Other purposes	16,174	-	16,174
Unrestricted (Deficit)	<u>1,349,793</u>	<u>(62,304)</u>	<u>1,287,489</u>
TOTAL NET POSITION	<u>\$ 4,254,617</u>	<u>\$ (26,223)</u>	<u>\$ 4,228,394</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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 1,219,799	\$ -	\$ 290,619	\$ (929,180)	\$	\$ (929,180)
Support services	774,977	15	-	(774,962)		(774,962)
*Interest on long-term debt	22,750	-	-	(22,750)		(22,750)
Curricular activities	83,600	14,850	-	(68,750)		(68,750)
Total Governmental Activities	2,101,126	14,865	290,619	(1,795,642)		(1,795,642)
Business-Type Activities:						
Food service	106,314	36,853	44,701	\$ (24,760)		(24,760)
Preschool	24,818	7,000	-	(17,818)		(17,818)
Total Business-Type Activities	131,132	43,853	44,701	(42,578)		(42,578)
Total Primary Government	\$ 2,232,258	\$ 58,718	\$ 335,320	(1,795,642)		(1,838,220)
General Revenues:						
Taxes:						
Property taxes				1,926,353	-	1,926,353
Utility taxes				21,142	-	21,142
Revenue from state sources:						
State aid				438,845	-	438,845
Other				25,547	-	25,547
Unrestricted investment earnings				6,664	-	6,664
Other general revenues				16,861	-	16,861
Transfers				(30,000)	30,000	-
Total General Revenues and Transfers				2,405,412	30,000	2,435,412
Change in Net Position				609,770	(12,578)	597,192
Net Position - Beginning				3,570,206	(13,645)	3,556,561
Adjustments:						
Prior period adjustment (see Note 15)				74,641	-	74,641
Adjusted Net Position - Beginning				3,644,847	(13,645)	3,631,202
Net Position - Ending				\$ 4,254,617	\$ (26,223)	\$ 4,228,394

*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, 2023**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 1,498,967	\$ 1,089,960	\$ 343,245	\$ 2,932,172
Investments	10,000	50,000	-	60,000
Taxes receivable - current	381,243	191,925	149,020	722,188
Taxes receivable - delinquent	1,409	215	102	1,726
Due from other funds	61,445	-	-	61,445
Due from federal government	79,802	113,804	62,593	256,199
Due from county government	7,545	-	-	7,545
Inventories of supplies	7,683	-	-	7,683
Deposits	8,914	-	-	8,914
Restricted cash and cash equivalents	<u>16,174</u>	<u>-</u>	<u>-</u>	<u>16,174</u>
TOTAL ASSETS	<u>\$ 2,073,182</u>	<u>\$ 1,445,904</u>	<u>\$ 554,960</u>	<u>\$ 4,074,046</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 12,389	\$ 7,776	\$ 217	\$ 20,382
Contracts payable	112,512	-	1,140	113,652
Payroll deductions and withholdings and employer matching payable	<u>15,086</u>	<u>-</u>	<u>156</u>	<u>15,242</u>
TOTAL LIABILITIES	<u>139,987</u>	<u>7,776</u>	<u>1,513</u>	<u>149,276</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	1,409	215	102	1,726
Taxes levied for future period	<u>562,568</u>	<u>252,417</u>	<u>195,984</u>	<u>1,010,969</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>563,977</u>	<u>252,632</u>	<u>196,086</u>	<u>1,012,695</u>
FUND BALANCES:				
Nonspendable:				
Inventories of supplies	7,683	-	-	7,683
Deposits	8,914	-	-	8,914
Restricted for:				
Capital outlay purposes	-	1,185,496	-	1,185,496
Special education purposes	-	-	357,361	357,361
Athletic purposes	8,518	-	-	8,518
Music education purposes	6,516	-	-	6,516
Veterans' memorial	1,140	-	-	1,140
Assigned:				
Teachers' supplies	4,087	-	-	4,087
Unassigned	<u>1,332,360</u>	<u>-</u>	<u>-</u>	<u>1,332,360</u>
TOTAL FUND BALANCES	<u>1,369,218</u>	<u>1,185,496</u>	<u>357,361</u>	<u>2,912,075</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,073,182</u>	<u>\$ 1,445,904</u>	<u>\$ 554,960</u>	<u>\$ 4,074,046</u>

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, 2023

Total Fund Balances - Governmental Funds	\$ 2,912,075
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.	3,365
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	1,564,442
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	358,655
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Lease liability \$ 76,869	
CO certificates 290,567	
Accrued leave <u>4,660</u>	(372,096)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	
Taxes receivable \$ <u>1,726</u>	1,726
Pension related referred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(213,550)</u>
Net Position - Governmental Activities	\$ <u><u>4,254,617</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, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,122,535	\$ 488,532	\$ 307,058	\$ 1,918,125
Prior years' ad valorem taxes	2,868	665	299	3,832
Utility taxes	21,142	-	-	21,142
Penalties and interest on taxes	4,502	1,020	497	6,019
Earnings on investments and deposits	6,136	528	-	6,664
Cocurricular activities:				
Admissions	8,990	-	-	8,990
Other student activity income	5,860	-	-	5,860
Other revenue from local sources:				
Contributions and donations	145	-	-	145
Charges for services	15	-	-	15
Revenue from Intermediate Sources:				
County sources:				
County apportionment	11,428	-	-	11,428
Revenue from State Sources:				
Grants-in-aid				
Unrestricted grants-in-aid	464,392	-	-	464,392
Revenue from Federal Sources:				
Grants-in-aid				
Unrestricted grants-in-aid received from federal government through the state	34,420	-	-	34,420
Restricted grants-in-aid received from federal government through the state	79,802	113,804	62,593	256,199
TOTAL REVENUES	<u>1,762,235</u>	<u>604,549</u>	<u>370,447</u>	<u>2,737,231</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	458,620	41,001	-	499,621
Middle/Junior high	206,349	7,118	-	213,467
High school	293,909	15,999	-	309,908
Special programs:				
Programs for special education	-	-	126,744	126,744
Educationally deprived	24,796	-	-	24,796
Support Services:				
Students:				
Guidance	5,563	-	-	5,563
Psychological	-	-	48,055	48,055
Speech pathology	-	-	30,439	30,439
Student therapy services	-	-	15,038	15,038
Instructional staff:				
Educational media	54,582	-	-	54,582

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
General administration:				
Board of education	39,638	-	-	39,638
Executive administration	90,808	-	-	90,808
School administration:				
Office of the principal	7,428	-	-	7,428
Other	32,512	-	-	32,512
Business:				
Fiscal services	67,248	-	-	67,248
Facilities acquisition and construction	-	8,326	-	8,326
Operation and maintenance of plant	197,485	726	-	198,211
Student transportation	91,653	-	-	91,653
Food services	100	-	-	100
Special education:				
Administrative costs	-	-	31,888	31,888
Debt Services	-	67,797	-	67,797
Cocurricular Activities:				
Male activities	28,336	-	-	28,336
Female activities	15,381	-	-	15,381
Combined activities	32,143	-	-	32,143
Capital Outlay	<u>880</u>	<u>396,507</u>	<u>-</u>	<u>397,387</u>
TOTAL EXPENDITURES	<u>1,647,431</u>	<u>537,474</u>	<u>252,164</u>	<u>2,437,069</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>114,804</u>	<u>67,075</u>	<u>118,283</u>	<u>300,162</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	198,862	-	-	198,862
Transfers out	(30,000)	(198,862)	-	(228,862)
General long-term debt issued	-	180,795	-	180,795
Sale of surplus property	950	4,060	-	5,010
Other	<u>5,228</u>	<u>-</u>	<u>-</u>	<u>5,228</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>175,040</u>	<u>(14,007)</u>	<u>-</u>	<u>161,033</u>
NET CHANGE IN FUND BALANCES	<u>289,844</u>	<u>53,068</u>	<u>118,283</u>	<u>461,195</u>
FUND BALANCE - BEGINNING	1,039,725	1,096,790	252,531	2,389,046
ADJUSTMENTS:				
Prior Period Adjustment (see Note 15)	<u>39,649</u>	<u>35,638</u>	<u>(13,453)</u>	<u>61,834</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>1,079,374</u>	<u>1,132,428</u>	<u>239,078</u>	<u>2,450,880</u>
FUND BALANCE - ENDING	<u>\$ 1,369,218</u>	<u>\$ 1,185,496</u>	<u>\$ 357,361</u>	<u>\$ 2,912,075</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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	461,195
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.		397,387
This amount represents the intangible lease asset which is reported as an expenditure on the fund financial statements but increases assets on the government-wide statements.		29,901
This amount represents the current year depreciation/amortization 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.		(110,974)
In the statement of activities, losses \$890 on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$4,060 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(4,950)
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	\$ 9,786	
CO certificates	<u>52,493</u>	62,279
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.		
CO certificates	\$ 180,795	
Leases	<u>66,920</u>	(247,715)
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".		(1,622)
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)		19,992
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) are not reflected in the governmental funds.		<u>4,277</u>
Change in Net Position of Governmental Activities	\$	<u><u>609,770</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, 2023**

	Enterprise Funds		Total
	Major	Nonmajor	
	Food Service Fund	Preschool Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 757	\$ 757
Account receivable, net	9,081	-	9,081
Inventories of supplies	167	-	167
Inventories of stores purchased for resale	1,559	-	1,559
Inventory of donated food	<u>6,501</u>	<u>-</u>	<u>6,501</u>
Total Current Assets	<u>17,308</u>	<u>757</u>	<u>18,065</u>
Noncurrent Assets:			
Net pension asset	392	-	392
Capital Assets:			
Machinery and equipment	54,899	-	54,899
Machinery and equipment - federal assistance	5,330	-	5,330
Less : accumulated depreciation	<u>(33,572)</u>	<u>-</u>	<u>(33,572)</u>
Total Noncurrent Assets	<u>27,049</u>	<u>-</u>	<u>27,049</u>
TOTAL ASSETS	<u>44,357</u>	<u>757</u>	<u>45,114</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>14,996</u>	<u>-</u>	<u>14,996</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,996</u>	<u>-</u>	<u>14,996</u>
LIABILITIES:			
Current Liabilities:			
Contracts payable	-	3,596	3,596
Due to General Fund	3,872	57,573	61,445
Due to federal government	11,645	-	11,645
Payroll deductions and withholdings and employer matching payable	-	275	275
Unearned revenue	<u>3,408</u>	<u>-</u>	<u>3,408</u>
TOTAL LIABILITIES	<u>18,925</u>	<u>61,444</u>	<u>80,369</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>5,964</u>	<u>-</u>	<u>5,964</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,964</u>	<u>-</u>	<u>5,964</u>
NET POSITION:			
Net investment in capital assets	26,657	-	26,657
SDRS pension purposes	9,424	-	9,424
Unrestricted (Deficit)	<u>(1,617)</u>	<u>(60,687)</u>	<u>(62,304)</u>
TOTAL NET POSITION	<u>\$ 34,464</u>	<u>\$ (60,687)</u>	<u>\$ (26,223)</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, 2023

	Enterprise Funds		
	Major	Nonmajor	
	Food Service	Preschool	
	Fund	Fund	Total
OPERATING REVENUE:			
Food sales:			
Student	\$ 28,906	\$ -	\$ 28,906
Adult	4,649	-	4,649
Ala carte	3,298	-	3,298
Other charges for goods and services	<u>-</u>	<u>7,000</u>	<u>7,000</u>
TOTAL OPERATING REVENUE	<u>36,853</u>	<u>7,000</u>	<u>43,853</u>
OPERATING EXPENSES:			
Salaries	31,612	21,575	53,187
Employee benefits	3,358	2,603	5,961
Purchased services	1,057	-	1,057
Supplies	345	640	985
Cost of sales - purchased	56,946	-	56,946
Cost of sales - donated	9,441	-	9,441
Depreciation/Amortization	<u>3,555</u>	<u>-</u>	<u>3,555</u>
TOTAL OPERATING EXPENSES	<u>106,314</u>	<u>24,818</u>	<u>131,132</u>
OPERATING LOSS	<u>(69,461)</u>	<u>(17,818)</u>	<u>(87,279)</u>
NONOPERATING REVENUE:			
State grants	176	-	176
Federal grants	32,237	-	32,237
Donated food	<u>12,288</u>	<u>-</u>	<u>12,288</u>
TOTAL NONOPERATING REVENUE	<u>44,701</u>	<u>-</u>	<u>44,701</u>
LOSS BEFORE TRANSFERS	(24,760)	(17,818)	(42,578)
TRANSFERS IN	<u>15,000</u>	<u>15,000</u>	<u>30,000</u>
CHANGE IN NET POSITION	(9,760)	(2,818)	(12,578)
NET POSITION - BEGINNING	<u>44,224</u>	<u>(57,869)</u>	<u>(13,645)</u>
NET POSITION - ENDING	<u>\$ 34,464</u>	<u>\$ (60,687)</u>	<u>\$ (26,223)</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, 2023

	Enterprise Funds		Total
	Major	Nonmajor	
	Food Services Fund	Preschool Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 32,100	\$ 7,000	\$ 39,100
Cash payments to employees for services	(35,515)	(24,611)	(60,126)
Cash payments to suppliers of goods or services	<u>(58,758)</u>	<u>-</u>	<u>(58,758)</u>
Net cash used by operating activities	<u>(62,173)</u>	<u>(17,611)</u>	<u>(79,784)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	15,000	15,000	30,000
Change in due to other funds	(3,057)	3,368	311
Change in due to federal government	11,645	-	11,645
Operating grants received	<u>32,413</u>	<u>-</u>	<u>32,413</u>
Net cash provided by noncapital financing activities	<u>56,001</u>	<u>18,368</u>	<u>74,369</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,172)	757	(5,415)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,172</u>	<u>-</u>	<u>6,172</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 757</u>	<u>\$ 757</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

OPERATING LOSS	\$ (69,461)	\$ (17,818)	\$ (87,279)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation expense	3,555	-	3,555
Value of donated commodities used	9,441	-	9,441
Change in assets and liabilities:			
Accounts receivable	(5,850)	-	(5,850)
Inventories	(409)	-	(409)
Net pension asset	7,291	-	7,291
Pension related deferred outflows	1,265	-	1,265
Benefits payable	-	15	15
Contracts payable	-	192	192
Unearned revenue	1,097	-	1,097
Pension related deferred inflows	<u>(9,102)</u>	<u>-</u>	<u>(9,102)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (62,173)</u>	<u>\$ (17,611)</u>	<u>\$ (79,784)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 12,288	\$ -	\$ 12,288

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, 2023

	Private-Purpose Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ -	\$ 72,780
Certificates of deposit	<u> 34,016</u>	<u> -</u>
TOTAL ASSETS	<u> 34,016</u>	<u> 72,780</u>
NET POSITION:		
Restricted for:		
Individuals, organizations and other governments	-	72,780
Scholarships	<u> 34,016</u>	<u> -</u>
TOTAL NET POSITION	\$ <u> 34,016</u>	\$ <u> 72,780</u>

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, 2023

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS:		
Collections for student activities	\$ <u>-</u>	\$ <u>115,788</u>
TOTAL ADDITIONS	<u>-</u>	<u>115,788</u>
DEDUCTIONS:		
Payments for student activities	<u>-</u>	<u>108,735</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>108,735</u>
CHANGE IN NET POSITION	-	7,053
NET POSITION - BEGINNING	<u>34,016</u>	<u>65,727</u>
NET POSITION - ENDING	\$ <u><u>34,016</u></u>	\$ <u><u>72,780</u></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, 2023

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 the 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, 2023

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, 2023

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, 2023, 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, 2023

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, 2023 balance of capital assets for governmental activities are all valued at original costs. The total June 30, 2023 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 Statement of Net Position.

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ -	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 three 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.

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

i. 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.

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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.

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, 2023

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 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. This statement changed the way that subscription-based information technology arrangements are reported. The implementation of this standard had no effect on the financial statements.

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

As of June 30, 2023, the Preschool Fund had a deficit fund balance/net position in the amount of \$60,687. 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, 2023

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, 2023, 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 \$16,174 for the year ended June 30, 2023.

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, 2023

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, 2023, is as follows:

PRIMARY GOVERNMENT

	Balance 7/1/2022	Restatement	Increases	Decreases	Balance 6/30/2023
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 5,464	\$ -	\$ -	\$ -	\$ 5,464
Construction/Development in progress	<u>-</u>	<u>-</u>	<u>180,795</u>	<u>-</u>	<u>180,795</u>
Total, not being depreciated/amortized	<u>5,464</u>	<u>-</u>	<u>180,795</u>	<u>-</u>	<u>186,259</u>
Capital assets, being depreciated/amortized:					
Improvements	213,939	-	-	-	213,939
Buildings	1,866,928	-	94,650	-	1,961,578
Machinery and equipment	824,858	-	121,942	49,500	897,300
Intangible lease asset	<u>48,136</u>	<u>-</u>	<u>29,901</u>	<u>-</u>	<u>78,037</u>
Total, being depreciated/amortized	<u>2,953,861</u>	<u>-</u>	<u>246,493</u>	<u>49,500</u>	<u>3,150,854</u>
Less accumulated depreciation/amortization for:					
Improvements	102,328	-	2,508	-	104,836
Buildings	1,027,924	-	63,559	-	1,091,483
Machinery and equipment	560,401	-	39,708	44,550	555,559
Intangible lease asset	<u>28,401</u>	<u>(12,807)</u>	<u>5,199</u>	<u>-</u>	<u>20,793</u>
Total accumulated depreciation/amortization	<u>1,719,054</u>	<u>(12,807)</u>	<u>110,974</u>	<u>44,550</u>	<u>1,772,671</u>
Total capital assets, being depreciated/amortized, net	<u>1,234,807</u>	<u>12,807</u>	<u>135,519</u>	<u>4,950</u>	<u>1,378,183</u>
Total governmental activity capital assets, net	<u>\$ 1,240,271</u>	<u>\$ 12,807</u>	<u>\$ 316,314</u>	<u>\$ 4,950</u>	<u>\$ 1,564,442</u>

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 - (Continued)

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 44,227
Support Services	58,787
Cocurricular Activities	<u>7,960</u>
 Total depreciation/amortization expense - governmental activities	 \$ <u><u>110,974</u></u>

	Balance 7/1/2022	Increases	Decreases	Balance 6/30/23
Business-type activities:				
Capital assets, being depreciated/amortized:				
Machinery and equipment	\$ <u>54,899</u>	\$ <u>5,330</u>	\$ <u>-</u>	\$ <u>60,229</u>
 Total, being depreciated/amortized	<u>54,899</u>	<u>5,330</u>	<u>-</u>	<u>60,229</u>
 Less accumulated depreciation/amortization for:				
Machinery and equipment	<u>30,017</u>	<u>3,555</u>	<u>-</u>	<u>33,572</u>
 Total accumulated depreciation/amortization	<u>30,017</u>	<u>3,555</u>	<u>-</u>	<u>33,572</u>
 Total business-type activity capital assets, net	\$ <u><u>24,882</u></u>	\$ <u><u>1,775</u></u>	\$ <u><u>-</u></u>	\$ <u><u>26,657</u></u>

Depreciation/Amortization expense was charged to functions as follows:

Business-Type Activities:	
Food Services	\$ <u><u>3,555</u></u>

Construction/Development in Progress at June 30, 2023, is composed of the following:

Project Name	Project Authorization	Expended Thru June 30, 2023	Committed	Required Future Financing
K-12 Addition	\$ 3,500,000	\$ 180,795	\$ 3,319,205	\$ -

NOTE 10 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 4,660	\$ 4,660	\$ 4,660	\$ 4,660	\$ 4,660
Capital Outlay Certificates	162,265	180,795	52,493	290,567	113,600
Lease	<u>19,735</u>	<u>66,920</u>	<u>9,786</u>	<u>76,869</u>	<u>14,436</u>
 Total	 \$ <u><u>186,660</u></u>	 \$ <u><u>252,375</u></u>	 \$ <u><u>66,939</u></u>	 \$ <u><u>372,096</u></u>	 \$ <u><u>132,696</u></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, 2023

NOTE 10 - (Continued)

Liabilities payable at June 30, 2023, 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 \$ 109,772

Maturity date of July 1, 2043, with an interest rate
of 3.75% payable from the Capital Outlay Fund.
The School is authorized up to \$3,500,000 and is still
borrowing on this debt. \$ 180,795

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, 2023, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2023

Year Ending June 30,	Capital Outlay Certificates Payable	
	Principal	Interest
2024	\$ 113,600	\$ 7,491
2025	<u>176,967</u>	<u>3,236</u>
Total	\$ <u>290,567</u>	\$ <u>10,727</u>

NOTE 11 - LEASES

The School District is leasing three 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 in July 2021. One lease is for 60 months with monthly payments of \$350 starting May 23, 2018. Payments changed from \$350 to \$332 in July 2021. The last lease is for 60 months with monthly payments of \$1,437 starting May 30, 2023. This lease agreement replaces the other two agreements mentioned above. The School District paid a total of \$20,177 for the copier lease for the year ended June 30, 2023.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 14,436	\$ 2,882	\$ 17,318
2025	15,024	2,224	17,248
2026	15,636	1,612	17,248
2027	16,273	975	17,248
2028	<u>15,500</u>	<u>312</u>	<u>15,812</u>
Total	\$ <u>76,869</u>	\$ <u>8,005</u>	\$ <u>84,874</u>

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTION

Interfund receivable and payable balances at June 30, 2023, were:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 61,445	\$ -
Preschool Fund	-	57,573
Food Service Fund	-	3,872
Total	<u>\$ 61,445</u>	<u>\$ 61,445</u>

NOTES 13 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2023, was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay Purposes	Law	\$ 1,185,711
Special Education Purposes	Law	357,463
SDRS Pension Purposes	Law	157,894
Other Purposes:		
Athletics	Outside Sources	8,518
Music	Outside Sources	6,516
Veterans' Memorial	Outside Sources	<u>1,140</u>
Total Restricted Net Position		<u>\$ 1,717,242</u>

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, 2023, were as follows:

	Transfers to:			
Transfers from:	General Fund	Preschool Fund	Food Service Fund	Totals
General Fund	\$ -	\$ 15,000	\$ 15,000	\$ 30,000
Capital Outlay	<u>198,862</u>	<u>-</u>	<u>-</u>	<u>198,862</u>
Totals	<u>\$ 198,862</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 228,862</u>

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, 2023

NOTE 15 - ADJUSTMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

During fiscal year 2023, accounting changes and error corrections resulted in adjustments to the beginning net position and fund net position as follows:

	General Fund	Capital Outlay Fund	Special Education Fund	Government-Wide Governmental Activities
6/30/23, as restated				
Prior period due from Federal Government	\$ 39,649	\$ 35,638	\$ (13,453)	\$ 61,834
06/30/23, as restated				
Amortization of lease asset	\$ -	\$ -	\$ -	\$ 12,807

NOTE 16 - PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 - (Continued)

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021, were \$61,287, \$56,956 and \$54,866, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 5,611,921
Less proportionate share of net pension restricted for pension benefits	<u>5,615,678</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (3,757)</u></u>

At June 30, 2023, the School District reported an asset of \$3,757 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was .03975400%, which is a decrease of 0.000409% from its proportion measured as of June 30, 2021.

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 - (Continued)

For the year ended June 30, 2023, the School District recognized reduction of pension expense of \$24,814. At June 30, 2023, 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	\$ 71,517	\$ 243
Changes in assumption	238,784	209,261
Net difference between projected and actual earnings on pension plan investments	-	9,003
Changes in proportion and difference between School District contributions and proportionate share of contributions	2,063	1,007
School District contributions subsequent to the measurement date	<u>61,287</u>	<u>-</u>
TOTAL	\$ <u>373,651</u>	\$ <u>219,514</u>

\$61,287 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:

2024	\$ 24,947
2025	52,721
2026	(59,326)
2027	<u>74,504</u>
TOTAL	\$ <u>92,846</u>

Actuarial Assumptions:

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

Inflation	2.25 %
Salary Increases	Graded by years of service, from 7.6% at entry to 3.15 % after 25 years of service
Discount Rate	6.50 % net of plan investment expense. This is composed of an average inflation rate of 2.50 % and real returns of 4.00 %
Future COLAs	2.10 %

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 - (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0 %	3.7 %
Fixed Income	30.0 %	1.1 %
Real Estate	10.0 %	2.6 %
Cash	<u>2.0 %</u>	0.4 %
Total	<u><u>100.0 %</u></u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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).

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 16 - (Continued)

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:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 780,107	\$ (3,757)	\$ (644,381)

Pension Plan Fiduciary Net Position:

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

NOTE 17 - JOINT VENTURES

Oahe Special Education Cooperative

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.

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, 2023, this joint venture had total assets of \$637,588, total liabilities of \$99,841, and net position of \$537,747.

NOTE 18 - RISK MANAGEMENT

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

HERREID SCHOOL DISTRICT NO. 10-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 18 - (Continued)

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.

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, 2023, no claims were filed for unemployment benefits. At June 30, 2023, 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 19 - LITIGATION

At June 30, 2023, 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, 2025, 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, 2023

	<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	\$ 646,056	\$ 646,056	\$ 1,122,535	\$ 476,479
Prior years' ad valorem taxes	-	-	2,868	2,868
Utility taxes	71,972	71,972	21,142	(50,830)
Penalties and interest on taxes	450,000	450,000	4,502	(445,498)
Earnings on investments and deposits	3,000	3,000	6,136	3,136
Cocurricular activities:				
Admissions	6,600	6,600	8,990	2,390
Other student activity income	-	-	5,860	5,860
Other revenue from local sources:				
Contributions and donations	-	-	145	145
Charges for services	-	-	15	15
Revenue from Intermediate Sources:				
County sources:				
County apportionment	-	-	11,428	11,428
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	371,656	371,656	464,392	92,736
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	-	-	34,420	34,420
Restricted grants-in-aid received from federal government through the state	84,050	84,050	79,802	(4,248)
TOTAL REVENUES	<u>1,633,334</u>	<u>1,633,334</u>	<u>1,762,235</u>	<u>128,901</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	455,000	455,000	458,620	(3,620)
Middle/Junior high	210,000	210,000	206,349	3,651
High school	350,000	350,000	293,909	56,091
Special programs:				
Educationally deprived	27,250	27,250	24,796	2,454
Support Services:				
Students:				
Guidance	6,750	6,750	5,563	1,187
Instructional staff:				
Improvement of instruction	34,295	34,295	-	34,295
Educational media	30,300	30,300	55,462	(25,162)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
General administration:				
Board of education	38,955	38,955	39,638	(683)
Executive administration	95,300	95,300	90,808	4,492
School administration:				
Office of the principal	10,000	10,000	7,428	2,572
Other	30,200	31,200	32,512	(1,312)
Business:				
Fiscal services	72,250	72,250	67,248	5,002
Operation and maintenance of plant	185,700	185,700	197,485	(11,785)
Student transportation services	103,123	103,123	91,653	11,470
Food services	-	-	100	(100)
Cocurricular Activities:				
Male activities	39,700	39,700	28,336	11,364
Female activities	28,750	28,750	15,381	13,369
Combined activities	48,400	48,400	32,143	16,257
Contingencies	30,000	30,000		-
Amount transferred	-	-		30,000
TOTAL EXPENDITURES	<u>1,795,973</u>	<u>1,796,973</u>	<u>1,647,431</u>	<u>149,542</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(162,639)</u>	<u>(163,639)</u>	<u>114,804</u>	<u>278,443</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	242,639	242,639	198,862	(43,777)
Transfers out	(80,000)	(80,000)	(30,000)	50,000
Sale of surplus property	-	-	950	950
Other	-	-	5,228	5,228
TOTAL OTHER FINANCING SOURCES (USES)	<u>162,639</u>	<u>162,639</u>	<u>175,040</u>	<u>12,401</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(1,000)</u>	<u>289,844</u>	<u>290,844</u>
FUND BALANCE - BEGINNING	1,039,725	1,039,725	1,039,725	-
ADJUSTMENTS:				
Prior Period Adjustment (see Note 15)	<u>-</u>	<u>-</u>	<u>39,649</u>	<u>39,649</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>1,039,725</u>	<u>1,039,725</u>	<u>1,079,374</u>	<u>39,649</u>
FUND BALANCE - ENDING	<u>\$ 1,039,725</u>	<u>\$ 1,038,725</u>	<u>\$ 1,369,218</u>	<u>\$ 330,493</u>

HERREID SCHOOL DISTRICT NO. 10-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 553,000	\$ 553,000	\$ 488,532	\$ (64,468)
Prior years' ad valorem taxes	-	-	665	665
Penalties and interest on taxes	900	900	1,020	120
Earnings on investments and deposits	750	750	528	(222)
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>135,480</u>	<u>135,480</u>	<u>113,804</u>	<u>(21,676)</u>
TOTAL REVENUES	<u>690,130</u>	<u>690,130</u>	<u>604,549</u>	<u>(85,581)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	24,225	24,225	46,628	(22,403)
Middle/Junior high	23,100	23,100	21,220	1,880
High school	24,750	24,750	21,626	3,124
Preschool services	5,000	5,000	-	5,000
Special programs:				
Educationally deprived	25,691	25,691	-	25,691
Support Services:				
Business:				
Facilities acquisition and construction	-	180,795	283,770	(102,975)
Operation and maintenance of plant	214,250	214,250	726	213,524
Student transportation services	125,475	125,475	95,707	29,768
Food services	5,000	5,000	-	5,000
Debt Services	<u>59,000</u>	<u>59,000</u>	<u>67,797</u>	<u>(8,797)</u>
TOTAL EXPENDITURES	<u>506,491</u>	<u>687,286</u>	<u>537,474</u>	<u>149,812</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>183,639</u>	<u>2,844</u>	<u>67,075</u>	<u>64,231</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(242,639)	(242,639)	(198,862)	43,777
General long-term debt issued	-	180,795	180,795	-
Sale of surplus property	<u>-</u>	<u>-</u>	<u>4,060</u>	<u>4,060</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(242,639)</u>	<u>(61,844)</u>	<u>(14,007)</u>	<u>47,837</u>
NET CHANGE IN FUND BALANCES	<u>(59,000)</u>	<u>(59,000)</u>	<u>53,068</u>	<u>112,068</u>
FUND BALANCE - BEGINNING	1,096,790	1,096,790	1,096,790	-
ADJUSTMENTS:				
Prior Period Adjustment (see Note 15)	<u>-</u>	<u>-</u>	<u>35,638</u>	<u>35,638</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>1,096,790</u>	<u>1,096,790</u>	<u>1,132,428</u>	<u>35,638</u>
FUND BALANCE - ENDING	<u>\$ 1,037,790</u>	<u>\$ 1,037,790</u>	<u>\$ 1,185,496</u>	<u>\$ 147,706</u>

HERREID SCHOOL DISTRICT NO. 10-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	<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	\$ 388,164	\$ 388,164	\$ 307,058	\$ (81,106)
Prior years' ad valorem taxes	450	450	299	(151)
Penalties and interest on taxes	-	-	497	497
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	<u>53,450</u>	<u>53,450</u>	<u>62,593</u>	<u>9,143</u>
TOTAL REVENUES	<u>442,364</u>	<u>442,364</u>	<u>370,447</u>	<u>(71,917)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	268,349	278,349	126,744	151,605
Support Services:				
Students:				
Psychological	38,565	53,565	48,055	5,510
Speech pathology	52,200	52,200	30,439	21,761
Student therapy services	42,500	42,500	15,038	27,462
Special education:				
Administrative costs	<u>40,750</u>	<u>40,750</u>	<u>31,888</u>	<u>8,862</u>
TOTAL EXPENDITURES	<u>442,364</u>	<u>467,364</u>	<u>252,164</u>	<u>215,200</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>(25,000)</u>	<u>118,283</u>	<u>143,283</u>
FUND BALANCE - BEGINNING	252,531	252,531	252,531	-
ADJUSTMENTS:				
Prior Period Adjustment (see Note 15)	<u>-</u>	<u>-</u>	<u>(13,453)</u>	<u>(13,453)</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>252,531</u>	<u>252,531</u>	<u>239,078</u>	<u>(13,453)</u>
FUND BALANCE - ENDING	<u>\$ 252,531</u>	<u>\$ 227,531</u>	<u>\$ 357,361</u>	<u>\$ 129,830</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, 2023

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 9 FISCAL YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0397540 %	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)	\$ 3,757	\$ (307,579)	\$ (1,761)	\$ (4,542)	\$ (953)	\$ (3,480)	\$ 124,011	\$ (163,684)	\$ (290,402)
Districts covered payroll	\$ 949,273	\$ 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	0.40 %	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)	101 %	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 61,287	\$ 56,956	\$ 54,866	\$ 53,959	\$ 54,692	\$ 50,981	\$ 46,575	\$ 41,886	\$ 42,227	\$ 42,292
Contributions in relation to the contractually required contribution	\$ <u>61,287</u>	\$ <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>
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	\$ 1,021,442	\$ 949,273	\$ 914,429	\$ 899,323	\$ 911,534	\$ 849,685	\$ 776,246	\$ 698,092	\$ 703,790	\$ 704,877
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, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

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

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

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

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, 2023
(Continued)

Actuarial Method Changes

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