

Howard School District No. 48-3

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

**For the Year Ended
June 30, 2022**

Howard School District No. 48-3

School District Officials

June 30, 2022

Board Members

Julie Schwader ----- President
Jill Calmus ----- Vice President
Sara Miller ----- Member
Danny Connor ----- Member
Stacy Kampshoff ----- Member
Wyatt Walter ----- Member
Laura Shumaker ----- Member

Dennis Peters ----- Superintendent

Kimberly Cleveland ----- Business Manager

Howard School District No. 48-3

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

School Board
Howard School District No. 48-3
Miner County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard School District No. 48-3, Miner County, South Dakota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Howard School District’s basic financial statements, and have issued our report thereon dated February 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Howard 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 Howard School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Howard 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature in cursive script that reads "ELO Prof LLC".

Huron, South Dakota

February 21, 2023

Howard School District No. 48-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2022

Schedule of Prior Audit Findings

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings and Questioned Costs

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.



Independent Auditor's Report

School Board
Howard School District No. 48-3
Howard, South Dakota

Report on the Audit of the Financial Statements 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 Howard School District No. 48-3 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Howard School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard School District as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or 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 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.

Handwritten signature in cursive script that reads "ELO Prof LLC".

Huron, South Dakota
February 21, 2023

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

This section of Howard School District No. 48-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

During the year, the School's revenues of \$5,612,101 generated from taxes and other revenues of the governmental and business-type programs were \$194,817 more than the \$5,417,284 in governmental and business-type program expenditures.

Total revenues were down 4.4% mainly due to property taxes and other general revenues.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and After School program and Drivers Education (Fund 53).
- Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of Howard School's Government-Wide and Fund Financial Statements

	Government Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers' education program	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

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

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

The School has three kinds of funds:

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

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Howard School District No. 48-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2021	2022	2021	2022	2021	2022	Change 2021-2022
Current and Other Assets	\$ 6,985,448	\$ 7,882,608	\$ 77,447	\$ 127,980	\$ 7,062,895	\$ 8,010,588	13.42%
Capital Assets (Net of Depreciation)	<u>9,597,020</u>	<u>9,291,445</u>	<u>31,994</u>	<u>28,653</u>	<u>9,629,014</u>	<u>9,320,098</u>	-3.21%
Total Assets	<u>16,582,468</u>	<u>17,174,053</u>	<u>109,441</u>	<u>156,633</u>	<u>16,691,909</u>	<u>17,330,686</u>	3.83%
Pension and OPEB Related Deferred Outflows	834,394	1,140,621	--	--	834,394	1,140,621	36.70%
Total Deferred Outflows of Resources	<u>834,394</u>	<u>1,140,621</u>	<u>--</u>	<u>--</u>	<u>834,394</u>	<u>1,140,621</u>	36.70%
Long-Term Liabilities Outstanding	5,309,029	4,685,055	--	--	5,309,029	4,685,055	-11.75%
Other Liabilities	<u>314,269</u>	<u>273,568</u>	<u>15,875</u>	<u>9,044</u>	<u>330,144</u>	<u>282,612</u>	-14.40%
Total Liabilities	<u>5,623,298</u>	<u>4,958,623</u>	<u>15,875</u>	<u>9,044</u>	<u>5,639,173</u>	<u>4,967,667</u>	-11.91%
Taxes Levied for Future Period	1,494,706	1,412,333	--	--	1,494,706	1,412,333	-5.51%
Pension and OPEB Related Deferred Inflows	868,825	2,125,475	--	--	868,825	2,125,475	144.64%
Total Deferred Inflows of Resources	<u>2,363,531</u>	<u>3,537,808</u>	<u>--</u>	<u>--</u>	<u>2,363,531</u>	<u>3,537,808</u>	49.68%
Net Position							
Net Investment in Capital Assets	4,913,185	5,001,252	31,994	28,653	4,945,179	5,029,905	1.71%
Restricted	4,156,898	4,176,203	--	--	4,156,898	4,176,203	0.46%
Unrestricted	<u>359,950</u>	<u>640,788</u>	<u>61,572</u>	<u>118,936</u>	<u>421,522</u>	<u>759,724</u>	80.23%
Total Net Position	<u>9,430,033</u>	<u>9,818,243</u>	<u>93,566</u>	<u>147,589</u>	<u>9,523,599</u>	<u>9,965,832</u>	4.64%
Beginning Net Position	<u>9,159,861</u>	<u>9,430,033</u>	<u>71,408</u>	<u>93,566</u>	<u>9,231,269</u>	<u>9,523,599</u>	3.17%
Increase (Decrease) in Net Position	<u>\$ 270,172</u>	<u>\$ 388,210</u>	<u>\$ 22,158</u>	<u>\$ 54,023</u>	<u>\$ 292,330</u>	<u>\$ 442,233</u>	

The District's combined net position of approximately \$9.7 million is approximately \$195 thousand or 2.05% more than on June 30, 2021.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of net pension liability, compensated absences payable, GOB bonds QZAB bonds, and QSCB bonds, have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The District's revenues totaled \$5,612,101. (See Table A-4.) This was an approximately 4.4% decrease. Approximately 72% of the District's revenue comes from property and other taxes, with another 12% from state aid. (See Table A-2.)

Table A-2
Howard School District No. 48-3
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 4,029,188	71.79%
State sources	681,277	12.14%
Operating grants & contributions	743,422	13.25%
Charges for services	106,419	1.90%
Unrestricted investment earnings	19,799	0.35%
Other revenues	<u>31,996</u>	<u>0.57%</u>
Total Revenue	<u>\$ 5,612,101</u>	<u>100.00%</u>

Total costs of all programs and service decreased by approximately 2.89%. The District's expenses totaled \$5,417,284. (See Table A-4.) The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, driver's education and FAST program. (See Table A-3.)

Table A-3
Howard School District No. 48-3
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 2,577,372	49.85%
Support services	1,813,538	35.08%
Cocurricular activities	348,384	6.74%
Interest on long-term debt	178,609	3.45%
Food service	241,382	4.67%
FAST program	4,045	0.08%
Drivers education	6,363	0.13%
Community services	<u>175</u>	<u>0.00%</u>
Total Expenditures	<u>\$ 5,169,868</u>	<u>100.00%</u>

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School.

Table A-4
Howard School District 48-3
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>Percentage Change</u> <u>2021-2022</u>
Revenues							
Program Revenues:							
Charges for services	\$ 43,698	\$ 47,117	\$ 49,857	\$ 59,302	\$ 93,555	\$ 106,419	13.75%
Operating grants and contributions	348,157	498,885	191,479	244,537	539,636	743,422	37.76%
General Revenues:							
Taxes	4,363,834	4,029,188	--	--	4,363,834	4,029,188	-7.67%
Revenue state sources	640,075	681,277	--	--	640,075	681,277	6.44%
Unrestricted investment earnings	28,233	19,645	196	154	28,429	19,799	-30.36%
Other general revenues	192,336	30,176	12,755	1,820	205,091	31,996	-84.40%
Total Revenues	<u>5,616,333</u>	<u>5,306,288</u>	<u>254,287</u>	<u>305,813</u>	<u>5,870,620</u>	<u>5,612,101</u>	-4.40%
Expenses							
Instruction	2,920,877	2,577,372	--	--	2,920,877	2,577,372	-11.76%
Support services	1,873,485	1,813,538	--	--	1,873,485	1,813,538	-3.20%
Community services	226	175	--	--	226	175	-22.57%
Nonprogrammed charges	3,460	--	--	--	3,460	--	-100.00%
Interest on long-term debt	184,867	178,609	--	--	184,867	178,609	-3.39%
Cocurricular activities	347,818	348,384	--	--	347,818	348,384	0.16%
Food service	--	--	234,554	241,382	234,554	241,382	2.91%
Other enterprise activity	--	--	13,003	10,408	13,003	10,408	-19.96%
Total Expenses	<u>5,330,733</u>	<u>4,918,078</u>	<u>247,557</u>	<u>251,790</u>	<u>5,578,290</u>	<u>5,169,868</u>	-7.32%
Excess (Deficiency) Before Transfers	<u>285,600</u>	<u>388,210</u>	<u>6,730</u>	<u>54,023</u>	<u>292,330</u>	<u>442,233</u>	51.28%
Transfers	<u>(15,428)</u>	<u>--</u>	<u>15,428</u>	<u>--</u>	<u>--</u>	<u>--</u>	0.00%
Increase (Decrease) in Net Position	270,172	388,210	22,158	54,023	292,330	442,233	51.28%
Beginning Net Position	<u>9,159,861</u>	<u>9,430,033</u>	<u>71,408</u>	<u>93,566</u>	<u>9,231,269</u>	<u>9,523,599</u>	3.17%
Ending Net Position	<u>\$ 9,430,033</u>	<u>\$ 9,818,243</u>	<u>\$ 93,566</u>	<u>\$ 147,589</u>	<u>\$ 9,523,599</u>	<u>\$ 9,965,832</u>	4.64%

Governmental Activities

Revenues for the School's governmental activities decreased primarily due to decreases in ad valorem taxes.

Business-Type Activities

Net position of the School's business-type activities increased approximately \$22,000, mainly due to an increase in operating grants and contributions.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School's Funds

Overall, the governmental funds have increased approximately \$172,000 in fund balance over last year. This is down from 2021 by approximately \$205,000, mainly due to a decrease in property taxes.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Capital Asset Administration

By the end of 2021, the School had invested \$9,320,098 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) Total capital outlay expenditures were \$218,029.

Table A-5
Howard School District - Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2021	2022	2021	2022	2021-2022	2021-2022
Land	\$ 19,965	\$ 19,965	\$ --	\$ --	\$ --	0.00%
Buildings	8,532,470	8,234,990	--	--	(297,480)	-3.61%
Improvements other than buildings	334,886	268,679	--	--	(66,207)	-24.64%
Machinery and equipment	709,699	767,811	31,994	28,653	54,771	7.13%
Total Capital Assets (Net)	<u>\$ 9,597,020</u>	<u>\$ 9,291,445</u>	<u>\$ 31,994</u>	<u>\$ 28,653</u>	<u>\$ (308,916)</u>	-3.32%

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

At year-end, the School had \$4,685,055 in long-term obligations. This balance includes Bonds payable, energy loan, OPEB liability and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
Howard School District - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2021	2022	2021-2022	2021-2022
QSCB Bond	\$ 1,295,000	\$ 1,295,000	\$ --	0.00%
QZAB Bond	166,669	133,336	(33,333)	-20.00%
GOB - 2015	1,280,000	1,150,000	(130,000)	-10.16%
Unamortized premium	21,318	18,949	(2,369)	-11.11%
GOB - 2011	110,000	--	(110,000)	-100.00%
Energy loan	124,148	106,408	(17,740)	-14.29%
CO - 2018	1,700,000	--	(1,700,000)	-100.00%
OPEB	566,237	337,000	(229,237)	-40.48%
Compensated absences	45,657	44,362	(1,295)	-2.84%
GOB - 2021	--	1,600,000	1,600,000	100.00%
Total Outstanding Debt and Obligations	<u>\$ 5,309,029</u>	<u>\$ 4,685,055</u>	<u>\$ (623,974)</u>	-11.75%

The School is liable for the accrued sick leave payable to the various employees who have five consecutive years or more of employment at the School District.

Economic Factors and Next Year's Budgets and Rates

Based on fund balances for governmental activities, the District's economic position increased by \$157,642 or 3%. The fund balance for the General Fund, increased by \$295,333 or 29%. This included a \$757,250 transfer from the Capital Outlay Fund permitted by statute. The \$757,250 transfer represents 45% of the Capital Outlay tax revenue for FY22. Statute allows up to 45% to be transferred. The remaining transfer amounts represent interest earned. The fund balance for the Capital Outlay Fund increased by \$31,238 or 2%. The fund balance for the special education fund decreased by \$255,263 or 20%.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
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The School's enrollment for the last three years has been as follows:

<u>Year</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2022	348	2.65%
2021	339	-5.31%
2020	358	0.00%

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Howard School District's Business Office, 500 N. Section Line St., Howard, SD 57349.

Howard School District No. 48-3
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 1,867,382	\$ 121,921	\$ 1,989,303
Investments	1,846,660	--	1,846,660
Taxes receivable	1,478,374	--	1,478,374
Inventories	1,353	3,376	4,729
Other assets	826,391	2,683	829,074
Restricted assets:			
Cash and cash equivalents	988,515	--	988,515
Net pension asset	873,933	--	873,933
Capital assets:			
Land	19,965	--	19,965
Other capital assets, net of depreciation	9,271,480	28,653	9,300,133
Total Assets	<u>17,174,053</u>	<u>156,633</u>	<u>17,330,686</u>
Deferred Outflows of Resources			
Pension related deferred outflows	1,117,577	--	1,117,577
OPEB related deferred outflows	23,044	--	23,044
Total Deferred Outflows of Resources	<u>1,140,621</u>	<u>--</u>	<u>1,140,621</u>
Liabilities:			
Accounts payable	18,840	589	19,429
Other current liabilities	254,728	3,076	257,804
Unearned revenue	--	5,379	5,379
Noncurrent liabilities:			
Due within one year	334,574	--	334,574
Due in more than one year	4,350,481	--	4,350,481
Total Liabilities	<u>4,958,623</u>	<u>9,044</u>	<u>4,967,667</u>
Deferred Inflows of Resources			
Taxes levied for future period	1,412,333	--	1,412,333
Pension related deferred inflows	1,688,558	--	1,688,558
OPEB related deferred inflows	436,917	--	436,917
Total Deferred Inflows of Resources	<u>3,537,808</u>	<u>--</u>	<u>3,537,808</u>
Net Position:			
Net Investment in Capital Assets	5,001,252	28,653	5,029,905
Restricted for:			
Capital Outlay	1,862,054	--	1,862,054
Special Education	1,018,363	--	1,018,363
Debt Service	992,834	--	992,834
SDRS Pension Purposes	302,952	--	302,952
Unrestricted	640,788	118,936	759,724
Total Net Position	<u>\$ 9,818,243</u>	<u>\$ 147,589</u>	<u>\$ 9,965,832</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Activities – Government-Wide
For the Year Ended June 30, 2022

Functions/ Programs	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$ 2,577,372	\$ --	\$ 494,956	\$ --	\$ (2,082,416)	\$ --	\$ (2,082,416)
Support services	1,813,538	13,354	--	--	(1,800,184)	--	(1,800,184)
Community services	175	--	--	--	(175)	--	(175)
Interest on long-term debt *	178,609	--	--	--	(178,609)	--	(178,609)
Cocurricular activities	348,384	33,763	3,929	--	(310,692)	--	(310,692)
Total Governmental Activities	4,918,078	47,117	498,885	--	(4,372,076)	--	(4,372,076)
Business-Type Activities:							
Food service	241,382	47,945	244,537	--	--	51,100	51,100
FAST program	4,045	6,227	--	--	--	2,182	2,182
Drivers education	6,363	5,130	--	--	--	(1,233)	(1,233)
Total Business-Type Activities	251,790	59,302	244,537	--	--	52,049	52,049
Total Primary Government	\$ 5,169,868	\$ 106,419	\$ 743,422	\$ --	(4,372,076)	52,049	(4,320,027)
General Revenues:							
Taxes:							
					3,581,840	--	3,581,840
					447,348	--	447,348
Revenue from State Sources:							
					681,277	--	681,277
					19,645	154	19,799
					30,176	1,820	31,996
					<u>4,760,286</u>	<u>1,974</u>	<u>4,762,260</u>
					388,210	54,023	442,233
					<u>9,430,033</u>	<u>93,566</u>	<u>9,523,599</u>
					<u>\$ 9,818,243</u>	<u>\$ 147,589</u>	<u>\$ 9,965,832</u>

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

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ (553,647)	\$ 1,393,710	\$ 1,023,000	\$ 4,319	\$ 1,867,382
Investments	1,546,660	300,000	--	--	1,846,660
Taxes receivable--current	611,384	673,522	127,427	--	1,412,333
Taxes receivable--delinquent	43,176	17,129	5,736	--	66,041
Due from other governments	493,060	174,369	104,624	--	772,053
Inventory of supplies	1,353	--	--	--	1,353
Deposits	52,338	--	--	--	52,338
Advance from other fund	2,000	--	--	--	2,000
Restricted cash and cash equivalents	--	--	--	988,515	988,515
Total Assets	<u>2,196,324</u>	<u>2,558,730</u>	<u>1,260,787</u>	<u>992,834</u>	<u>7,008,675</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	6,400	6,025	6,415	--	18,840
Contracts payable	143,523	--	28,581	--	172,104
Payroll deductions and withholding and employer matching payable	8,359	--	74,265	--	82,624
Total Liabilities	<u>158,282</u>	<u>6,025</u>	<u>109,261</u>	<u>--</u>	<u>273,568</u>
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	611,384	673,522	127,427	--	1,412,333
Unavailable Revenue-Property Taxes	43,176	17,129	5,736	--	66,041
Unavailable Revenue-Utility Taxes	54,065	--	--	--	54,065
Total Deferred Inflows of Resources	<u>708,625</u>	<u>690,651</u>	<u>133,163</u>	<u>--</u>	<u>1,532,439</u>
Fund Balances:					
Nonspendable:					
Inventory	1,353	--	--	--	1,353
Deposits (Health Insurance)	52,338	--	--	--	52,338
Advance	2,000	--	--	--	2,000
Restricted:					
Capital outlay	--	1,862,054	--	--	1,862,054
Special education	--	--	1,018,363	--	1,018,363
Bond redemption	--	--	--	992,834	992,834
Assigned to:					
Next year's budget	250,000	--	--	--	250,000
Unassigned	1,023,726	--	--	--	1,023,726
Total Fund Balances	<u>1,329,417</u>	<u>1,862,054</u>	<u>1,018,363</u>	<u>992,834</u>	<u>5,202,668</u>
Total Liabilities and Fund Balances	<u>\$ 2,196,324</u>	<u>\$ 2,558,730</u>	<u>\$ 1,260,787</u>	<u>\$ 992,834</u>	<u>\$ 7,008,675</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds
June 30, 2022

Total Fund Balances - Governmental Funds	\$ 5,202,668
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	873,933
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,291,445
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,117,577
OPEB related deferred outflows are components of OPEB liability and therefore are not reported in the funds.	23,044
Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(4,685,055)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(1,688,558)
OPEB related deferred inflows are components of OPEB liability and therefore are not reported in the funds.	(436,917)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	<u>120,106</u>
Net Position-Government Funds	<u><u>\$ 9,818,243</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,561,866	\$ 1,683,053	\$ 323,646	\$ --	\$ 3,568,565
Prior years' ad valorem taxes	14,545	6,022	1,908	--	22,475
Tax deed revenue	60	--	--	--	60
Utility taxes	447,348	--	--	--	447,348
Penalties and interest on taxes	6,542	3,772	1,004	--	11,318
Revenue from Local Governmental Units					
Other Than School Districts:					
Revenue in lieu of taxes	1,721	--	--	--	1,721
Earnings on Investments and Deposits	5,021	4,016	6,289	4,319	19,645
Cocurricular Activities:					
Admissions	30,285	--	--	--	30,285
Other student activity income	3,478	--	--	--	3,478
Other Revenue from Local Sources:					
Rentals	2,903	--	--	--	2,903
Refund of prior years' expenditures	3,929	--	--	--	3,929
Charges for services	4,512	--	8,842	--	13,354
Other	4,106	--	--	--	4,106
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	19,828	--	--	--	19,828
Revenue in lieu of taxes	1,618	--	--	--	1,618
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	681,224	--	--	--	681,224
Restricted grants-in-aid	53	--	--	--	53
Other State Revenue	250	--	--	--	250
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	108,351	163,823	104,624	--	376,798
Other Federal Revenue	--	117,908	--	--	117,908
Total Revenues	<u>\$ 2,897,640</u>	<u>\$ 1,978,594</u>	<u>\$ 446,313</u>	<u>\$ 4,319</u>	<u>\$ 5,326,866</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2022 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	\$ 765,466	\$ 85,562	\$ --	\$ --	\$ 851,028
Middle school	211,101	10,596	--	--	221,697
High school	617,106	100,511	--	--	717,617
Special Programs:					
Programs for special education	--	--	539,282	--	539,282
Educationally deprived	91,501	--	--	--	91,501
Support Services:					
Students:					
Health	1,341	--	--	--	1,341
Psychological	--	--	25,688	--	25,688
Speech pathology	--	--	77,089	--	77,089
Student therapy services	--	--	25,429	--	25,429
Instructional Staff:					
Improvement of instruction	486	--	--	--	486
Educational media	152,423	13,843	--	--	166,266
General Administration:					
Board of education	49,555	--	--	--	49,555
Executive administration	72,367	--	--	--	72,367
School Administration:					
Office of the principal	327,010	8,301	--	--	335,311
Other	404	--	--	--	404
Business:					
Fiscal services	109,384	10,178	--	--	119,562
Operation and maintenance of plant	530,050	61,653	--	--	591,703
Student transportation	206,469	--	--	--	206,469
Food services	--	--	--	--	--
Central:					
Staff	519	--	--	--	519
Special Education:					
Administrative costs	--	--	25,961	--	25,961
Transportation costs	--	--	1,838	--	1,838
Debt Services:					
Other	--	2,307,051	--	--	2,307,051
Community Services:					
Other	175	--	--	--	175

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2022 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures:					
Cocurricular Activities:					
Transportation	\$ 11,627	\$ --	\$ --	\$ --	\$ 11,627
Combined activities	222,279	9,730	--	--	232,009
Capital outlay		218,029	--	--	218,029
Total Expenditures	<u>3,369,263</u>	<u>2,825,454</u>	<u>695,287</u>	<u>--</u>	<u>6,890,004</u>
Excess of Revenues Over (Under) Expenditures	<u>(471,623)</u>	<u>(846,860)</u>	<u>(248,974)</u>	<u>4,319</u>	<u>(1,563,138)</u>
Other Financing Sources (Uses):					
Transfers in	767,554	--	--	82,015	849,569
Transfers out	--	(843,280)	(6,289)	--	(849,569)
General long-term debt issued	--	1,735,000	--	--	1,735,000
Total Other Financing Sources (Uses)	<u>767,554</u>	<u>891,720</u>	<u>(6,289)</u>	<u>82,015</u>	<u>1,735,000</u>
Net Change in Fund Balances	295,931	44,860	(255,263)	86,334	171,862
Fund Balance - Beginning of Year	<u>1,033,486</u>	<u>1,817,194</u>	<u>1,273,626</u>	<u>906,500</u>	<u>5,030,806</u>
Fund Balance - End of Year	<u>\$ 1,329,417</u>	<u>\$ 1,862,054</u>	<u>\$ 1,018,363</u>	<u>\$ 992,834</u>	<u>\$ 5,202,668</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
For The Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 171,862

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. (292,305)

In the statement of activities, net gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (+gains, -losses, -proceeds=amount) (13,270)

Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of net position. 2,128,442

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. (1,735,000)

In both the government-wide and fund financials 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". (20,578)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early. 230,532

Changes in the pension and OPEB related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (81,473)

Change in Net Position of Governmental Activities \$ 388,210

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Balance Sheet – Proprietary Funds

June 30, 2022

	Enterprise Funds		
	Food Service		
	Fund	Other Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 81,205	\$ 40,716	\$ 121,921
Accounts receivable	2,683	--	2,683
Inventory of stores purchased for resale	3,044	--	3,044
Inventory of donated foods	332	--	332
Total Current Assets	87,264	40,716	127,980
Capital Assets:			
Machinery and equipment	82,042	--	82,042
Accumulated depreciation	(53,389)	--	(53,389)
Total Noncurrent Assets	28,653	--	28,653
Total Assets	\$ 115,917	\$ 40,716	\$ 156,633
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ --	\$ 589	\$ 589
Payroll deductions and withholdings and employer matching payable	3,076	--	3,076
Unearned revenue	5,379	--	5,379
Total Current Liabilities	8,455	589	9,044
Net Position:			
Invested in capital assets	28,653	--	28,653
Unrestricted	78,809	40,127	118,936
Total Net Position	107,462	40,127	147,589
Total Liabilities and Net Position	\$ 115,917	\$ 40,716	\$ 156,633

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service		
	Fund	Other Fund	Total
Operating Revenue:			
Sales:			
To students	\$ 12,217	\$ --	\$ 12,217
To adults	--	--	--
Ala carte	31,728	--	31,728
Other charges for goods and services	4,000	11,357	15,357
Total Operating Revenue	47,945	11,357	59,302
Operating Expense:			
Food Service:			
Salaries	91,811	7,351	99,162
Employee benefits	18,546	679	19,225
Purchased services	4,189	--	4,189
Supplies	10,851	2,378	13,229
Cost of sales - purchased food	92,953	--	92,953
Cost of sales - donated food	19,503	--	19,503
Other	188	--	188
Depreciation - local funds	3,341	--	3,341
Total Operating Expenses	241,382	10,408	251,790
Operating Income (Loss)	(193,437)	949	(192,488)
Nonoperating Revenues:			
Investment Earnings	84	70	154
Other Local Revenue	255	1,565	1,820
State Sources:			
Cash reimbursements	619	--	619
Federal Sources:			
Cash reimbursements	224,665	--	224,665
Donated food	19,253	--	19,253
Total Nonoperating Revenue	244,876	1,635	246,511
Change in Net Position	51,439	2,584	54,023
Net Position - Beginning of Year	56,023	37,543	93,566
Net Position - End of Year	\$ 107,462	\$ 40,127	\$ 147,589

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2022

	Enterprise Funds		
	Food Service		
	Fund	Other Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 41,135	\$ 11,357	\$ 52,492
Payments to suppliers	(108,860)	(2,142)	(111,002)
Payments to employees	(111,610)	(8,030)	(119,640)
Net Cash Provided (Used) by Operating Activities:	(179,335)	1,185	(178,150)
Cash Flows from Noncapital Financing Activities:			
Other Local Revenue	255	1,565	1,820
Cash reimbursements - state	619	--	619
Cash reimbursements - federal	224,665	--	224,665
Net Cash Provided from Noncapital Financing Activities	225,539	1,565	227,104
Cash Flows from Investing Activities:			
Cash received for interest	84	70	154
Net Cash Provided by Investing Activities	84	70	154
Net Increase in Cash and Cash Equivalents	46,288	2,820	49,108
Cash and Cash Equivalents, Beginning of Year	34,917	37,896	72,813
Cash and Cash Equivalents, End of Year	\$ 81,205	\$ 40,716	\$ 121,921
Reconciliation of Operating Loss to			
Net Cash (Used) by Operating Activities			
Operating (Loss)	\$ (193,437)	\$ 949	\$ (192,488)
Adjustments to Reconcile Operating (Loss) to			
Net Cash (Used) by Operating Activities:			
Depreciation expense	3,341	--	3,341
Noncash cost of sales - commodities	19,253	--	19,253
Change in Assets and Liabilities:			
Accounts receivable	(996)	--	(996)
Inventories	(429)	--	(429)
Accounts and other payables	(1,253)	236	(1,017)
Unearned revenue	(5,814)	--	(5,814)
Net Cash Provided (Used) by Operating Activities	\$ (179,335)	\$ 1,185	\$ (178,150)
Noncash, Investing Capital, and Financing Activities:			
Value of Commodities Received	\$ 19,253	\$ --	\$ 19,253

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Fiduciary Net Position
June 30, 2022

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 125,443	\$ 92,370
Total Assets	\$ 125,443	\$ 92,370
Liabilities:		
Due to other fund	\$ --	\$ 2,000
Total Liabilities	--	2,000
Net Position:		
Restricted for:		
Scholarships	125,443	--
Individuals, organizations, and other governments	--	88,370
Total Liabilities and Net Position	\$ 125,443	\$ 90,370

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Contributions and Donations	\$ 47,667	\$ --
Collections for student activities	--	182,019
Total Additions	47,667	182,019
Deductions:		
Trust deductions for scholarships	54,264	--
Payments for student activities	--	162,947
Total Deductions	54,264	162,947
Change in Net Position	(6,597)	19,072
Net Position - Beginning of Year	132,040	69,298
Net Position - End of Year	\$ 125,443	\$ 88,370

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

a. Financial Reporting Entity:

The reporting entity of Howard School District No. 48-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Debt Service Fund Types – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Bond Redemption Fund: The QZAB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Other Enterprise Fund: A fund used to record financial transactions related to drivers' education and the FAST program. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – 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 two private-purpose trust funds: Selix Scholarship Trust Fund and Diamond Davison Scholarship Trust Fund and their purpose is scholarships.

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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Howard School District No. 48-3, the length of that cycle is sixty days.

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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (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 and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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, if any.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as non-spendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Capital Assets:

Government-Wide Financial Statements:

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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2022 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ --	-- *	--
Land improvements	15,000	straight-line	20 years
Buildings	50,000	straight-line	50 years
Machinery and equipment	5,000	straight-line	4-20 years
Intangible lease assets	45,000	straight-line	4-50 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.

f. 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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term liabilities at June 30, 2022 consist primarily of compensated absences, net pension liability, general obligation bonds, QSCB, and QZAB.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment 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 it is in the government-wide statements.

g. Program Revenues:

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

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

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. The enterprise funds have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between no spendable, 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 for scholarships and for individuals, organizations, and other governments.

k. 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.

l. Fund Balance Classification Policies and Procedures:

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

Non spendable – 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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by School Board.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The non-spendable fund balance is comprised of inventory.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents 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 purpose of each major special revenue fund and revenue source is listed below:

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

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

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

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

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

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

As of June 30, 2022, the School District did not have any investments. The investments reported in the financial statements consist only of 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. As of June 30, 2022, the School District's investment in the SD FIT pool was unrated. The fair value was \$7,331.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis, since the School District has ready access to the cash that is reported as cash and cash equivalents.

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 South Dakota Public Investment Trust (SDFIT).

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund. United States generally accepted accounting principles, 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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

3. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount</u>	<u>Purpose</u>
<u>\$ 988,515</u>	For debt service, by debt covenants

4. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School Districts expects all receivables to be collected in one year.

5. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a no spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. Property Tax:

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

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets:

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

Governmental Activities:

	<u>Balance</u> <u>7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2022</u>
Capital assets, not being depreciated:				
Land	\$ 19,965	\$ --	\$ --	\$ 19,965
Total, not being depreciated	<u>19,965</u>	<u>--</u>	<u>--</u>	<u>19,965</u>
Capital assets, being depreciated:				
Buildings	11,894,822	18,901	--	11,913,723
Improvements other than buildings	862,043	--	--	862,043
Machinery and equipment	<u>1,828,616</u>	<u>199,128</u>	<u>(303,216)</u>	<u>1,724,528</u>
Total, being depreciated	<u>14,585,481</u>	<u>218,029</u>	<u>(303,216)</u>	<u>14,500,294</u>
Less accumulated depreciation for:				
Buildings	3,362,352	316,381	--	3,678,733
Improvements	527,157	66,207	--	593,364
Machinery and equipment	<u>1,118,917</u>	<u>127,746</u>	<u>(289,946)</u>	<u>956,717</u>
Total accumulated depreciation	<u>5,008,426</u>	<u>510,334</u>	<u>(289,946)</u>	<u>5,228,814</u>
Total capital assets, being depreciated, net	<u>9,577,055</u>	<u>(292,305)</u>	<u>(13,270)</u>	<u>9,271,480</u>
Governmental activity capital assets, net	<u>\$ 9,597,020</u>	<u>\$ (292,305)</u>	<u>\$ (13,270)</u>	<u>\$ 9,291,445</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 318,107
Support services	89,923
Cocurricular activities	<u>102,304</u>
Total depreciation expense - governmental activities	<u>\$ 510,334</u>

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets: (Continued)

Business-type Activities:

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 82,042	\$ --	\$ --	\$ 82,042
Total, being depreciated	<u>82,042</u>	<u>--</u>	<u>--</u>	<u>82,042</u>
Less accumulated depreciation for:				
Machinery and equipment	50,048	3,341		53,389
Total accumulated depreciation	<u>50,048</u>	<u>3,341</u>	<u>--</u>	<u>53,389</u>
Total capital assets, being depreciated, net	<u>31,994</u>	<u>(3,341)</u>	<u>--</u>	<u>28,653</u>
Business-type activity capital assets, net	<u>\$ 31,994</u>	<u>\$ (3,341)</u>	<u>\$ --</u>	<u>\$ 28,653</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food service	<u>\$ 3,341</u>
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8. Long-Term Liabilities:

A summary of changes in long-term debt follows:

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
QSCB Bond	\$ 1,295,000	\$ --	\$ --	\$ 1,295,000	\$ --
QZAB Bond	166,669	--	33,333	133,336	33,334
General obligation bonds - Series 2015	1,280,000	--	130,000	1,150,000	130,000
Plus: Unamortized Premium	21,318	--	2,369	18,949	--
General obligation bonds - Series 2011	110,000	--	110,000	--	--
Energy loan	124,148	--	17,740	106,408	17,740
CO Series 2018	1,700,000	--	1,700,000	--	--
OPEB	566,237	79,417	308,654	337,000	--
Compensated absences	45,657		1,295	44,362	13,500
Refunding certificates - Series 2021	--	1,735,000	135,000	1,600,000	140,000
Total Governmental Activities	<u>\$ 5,309,029</u>	<u>\$ 1,814,417</u>	<u>\$ 2,438,391</u>	<u>\$ 4,685,055</u>	<u>\$ 334,574</u>

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2022

8. Long-Term Liabilities: (Continued)

Compensated absences for governmental activities have been liquidated from the General and Special Education Fund.

Debt payable at June 30, 2022 is comprised of the following:

Qualified school construction bonds	QSCB for high school metal roof, maturity date January 15, 2026, interest rate 5.85%, annual deposits of \$86,333 are required to be made to the Debt Service fund.	\$ 1,295,000
Qualified Zone Academy bonds	QZAB bond for elementary metal roof, maturity date September 12, 2025, unstated interest rate 5%, due in annual installments of \$33,333 from Capital Outlay fund.	133,336
General obligation bonds	The School District issued \$2,010,000 of general obligation certificates, Series 2015. The bonds are payable July 1, 2016 through July 1, 2030 with fixed interest rates from .40% to 3.00% that vary depending on the term of maturity. The Capital Outlay fund makes this payment.	1,150,000
State Energy Loan	The School District received a loan for \$177,368. The loan is 0% interest, and \$17,740 payments. Annual payments are due by July 31st. The Capital Outlay fund makes this payment. There are fund remaining to be spent from loan.	106,408
Other post-employment benefits	The School District provides medical coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board.	337,000
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum. Classified staff are entitled to reimbursement of unused sick leave up to 60 days at \$30 a day or a \$1,800 maximum.	44,362
General obligation bonds - Series 2021	The School District issued \$1,600,000 of general obligation refunding certificates, Series 2021. The bonds are payable January 1, 2022 through July 1, 2033 with a fixed interest rate at 1.5%. Semiannual payments are due January 1st and July 1st. The Capital Outlay fund makes this payment.	\$ 1,600,000

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

8. Long-Term Liabilities: (Continued)

During fiscal year 2022 the School District issued \$1,735,000 in Capital Outlay Certificates with an average interest rate of 1.5%

<u>Year Issued</u>	<u>Project</u>	<u>Average Interest</u>	<u>Unpaid Principal at Time of Refunding</u>
2018	High School Addition	3.15	\$ 1,700,000

The School District refunded the debt to reduce its total debt service payments over the next 12 years by \$162,103 and to obtain an economic gain of \$143,773.

The annual requirements to maturity for long-term debt June 30, 2022:

<u>Year Ending June 30,</u>	<u>Qualified School Construction Bonds</u>		<u>Qualified Zone Academy Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ --	\$ 75,758	\$ 33,334	\$ 5,833	\$ 270,000	\$ 32,116
2024	--	75,758	33,334	4,167	270,000	29,386
2025	--	75,758	33,334	2,500	275,000	26,550
2026	1,295,000	75,758	33,334	833	280,000	22,500
2027	--	--	--	--	1,035,000	18,300
2028-2032	--	--	--	--	620,000	28,200
2033-2036	--	--	--	--	--	--
Totals	<u>\$1,295,000</u>	<u>\$ 303,032</u>	<u>\$ 133,336</u>	<u>\$ 13,333</u>	<u>\$2,750,000</u>	<u>\$ 157,052</u>

<u>Year Ending June 30,</u>	<u>Other Loans</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 17,740	\$ --	\$ 321,074	\$ 113,707
2024	17,740	--	321,074	109,311
2025	17,740	--	326,074	104,808
2026	17,740	--	1,626,074	99,091
2027	17,740	--	1,052,740	18,300
2028-2032	17,708	--	637,708	28,200
2033-2036	--	--	--	--
Totals	<u>\$ 106,408</u>	<u>\$ --</u>	<u>\$4,284,744</u>	<u>\$ 473,417</u>

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

9. Restricted Net Position:

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	law	\$ 1,862,054
Special Education	law	1,018,363
Bond Redemption Fund	debt covenants	992,834
SDRS Pension Purposes	law	302,952
		<u>\$ 4,176,203</u>

10. Assigned Fund Balance for Cash Flow:

As authorized by SDCL 13-11-2, the School Board has determined that year-end minimum \$250,000 is necessary to protect the School District's cash liquidity for July 1 through mid-November of the subsequent fiscal year. This amount is reported as Assigned Fund Balance in the affected fund.

11. Interfund Transfers:

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

\$10,304 Transfers of investment and deposit earnings to the General Fund are reported. SDCL 4-5-9 and 13-16-18 give the School Board the authority to designate whether all such earnings should be retained by any individual funds or credited to the General Fund.

\$82,015 Transfer from Capital Outlay for sinking fund requirements to bond redemption fund.

\$757,250 Transfer from Capital Outlay to cover the expenditures in the general fund for insurance, utilities, and fuel.

12. Pension Plan:

a. Plan Information:

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

12. Pension Plan: (Continued)

b. Benefits Provided:

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

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

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

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

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

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

12. Pension Plan: (Continued)

c. 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 are:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 78,452
2021	\$ 155,371
2020	\$ 151,092

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

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

Proportionate share of pension liability	\$ 15,823,747
Less proportionate share of net pension restricted for pension benefits	<u>16,697,680</u>
Proportionate share of net pension (asset)	<u>\$ (873,933)</u>

At June 30, 2022, the School District reported a liability (asset) of (\$873,933) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability asset used to calculate the net pension liability (asset) was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .11411600%, which is a decrease of -.0006240% from its proportion measured as of June 30, 2020.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

12. Pension Plan: (Continued)

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$143,373. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 31,377	\$ 2,291
Changes in assumption	1,005,014	437,653
Net difference between projected and actual earnings on pension plan investments	--	1,248,431
Changes in proportion and difference between District contributions and proportionate share of contributions	2,734	183
District contributions subsequent to the measurement date	<u>78,452</u>	<u>--</u>
Total	<u>\$ 1,117,577</u>	<u>\$ 1,688,558</u>

\$78,452 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended June 30,</u>	
2023	\$ (158,166)
2024	(109,401)
2025	(30,656)
2026	<u>(351,210)</u>
Total	<u>\$ (649,433)</u>

e. Actuarial Assumptions:

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

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

12. Pension Plan: (Continued)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2001 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (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%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

12. Pension Plan: (Continued)

g. Sensitivity of Asset to Changes in the Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,415,115	\$ (873,933)	\$ 2,732,108

h. Pension Plan Fiduciary Net Position:

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

13. Joint Ventures:

The School District participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services and fiscal management services to the member school districts.

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

Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	5%
Colman-Egan School District No. 50-6	5%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	7%
Howard School District No. 48-3	8%
Madison Central School District No. 39-2	15%
Tri-Valley School District No. 49-6	15%

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

13. Joint Ventures: (Continued)

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

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

	<u>June 30, 2022</u>	
Total Assets	\$	109,573
Total Liabilities	\$	49,058
Total net position	\$	60,515

14. Risk Management:

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

Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past several 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, 2022, the School District had \$0 payments on claims filed for unemployment benefits.

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 for the past several years.

Workers' Compensation:

The School District purchases liability insurance for workers' compensation from a commercial carrier.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

15. Post-Employment Healthcare Plan:

Plan Description:

The Howard School District offers a single employer defined benefit healthcare plan. The plan provides medical coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. An employee with a combination of years of service with the school district and age totaling 60 or greater leaving the district may continue insurance coverage with the group health insurance plan until they reach the age 65. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected.

Funding Policy:

The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Changes in Liability:

For the year ended June 30, 2022, the balance of the OPEB liability was \$337,000. Total OPEB liability was determined as of the measurement date, which is June 30, 2022. The changes in the total OPEB liability for 2022 were as follows:

	<u>2021-2022</u>
Beginning of year balances	\$ 566,237
Charges for the year:	
Service cost	65,655
Interest on total OPEB liability	13,762
Effect on economic/demographic gains or losses	(140,581)
Effect on assumption changes or inputs	(149,599)
Benefit payments	<u>(18,474)</u>
End of year balances	<u>\$ 337,000</u>

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2022

15. Post-Employment Healthcare Plan: (Continued)

For the year ended June 30, 2022, the District recognized OPEB Expense of \$14,084. OPEB expense was determined as follows:

	2021-2022
Service Cost	\$ 65,655
Interest on total OPEB liability	13,762
Recognition of Deferred Inflos/Outflows of Resources:	
Recognition of Economic/Demographic gains or losses	(19,636)
Recognition of assumption changes	(45,697)
OPEB Expense	\$ 14,084

As of June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ (142,977)	\$ --
Changes in Assumptions	(293,940)	23,044
End of year balances	\$ (436,917)	\$ 23,044

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

	Year ended June 30
2023	\$ (65,333)
2024	(65,333)
2025	(62,470)
2026	(59,705)
2027	(59,042)
Thereafter	(101,990)
Total	\$ (413,873)

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2022

15. Post-Employment Healthcare Plan: (Continued)

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Active employees and retirees are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated based on the discount rate and actuarial assumptions below and projected forward to the measurement date.

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions:

- The discount rate used was 2.16% and was based up on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The retiree participation rate was assumed to be 75%. The retiree election of family coverage rate was assumed to be 25%.
- Mortality rates were based on 97% of the RP-2014 Mortality Table, White Collar table for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2021.
- Net Claims Cost in future years equal the starting claim cot adjusted for the assumed ongoing cost trends. Such trends are based on the health care cot trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

<u>Duration</u>	<u>Annual Medical Trend Rate</u>
1	5.70%
2	5.40%
3	5.10%
4	4.90%
5	4.80%
6	4.70%
7	4.60%
8	4.50%
9-16	4.40%
17-22	4.30%
23-44	4.20%
45-46	4.10%
47-48	4.00%
49-50	3.90%
51-52	3.80%
53+	3.70%

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2022

15. Post-Employment Healthcare Plan: (Continued)

Assumed annual salary, including inflation, for active members are as follows:

<u>Service</u>	<u>Percentage Increase</u>
0	6.50%
1	6.00%
2	5.55%
3	5.30%
4	5.15%
10	4.25%
15	3.76%
20	3.36%
25	3.05%
25+	3.00%

Sensitivity Analysis

The following represents the District's total OPEB liability, calculated using a discount rate that is one percent lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	1.16%	2.16%	3.16%
Total OPEB Liability	\$ 365,862	\$ 337,000	\$ 309,916

The following represents the District's total OPEB liability, calculated using healthcare the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trends analysis.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 291,909	\$ 337,000	\$ 390,316

**Required Supplementary Information
Other Than MD&A**

Howard School District No. 48-3
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	<u>Final Budget-</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,556,269	\$ 1,556,269	\$ 1,561,866	\$ 5,597
Prior years' ad valorem taxes	3,000	3,000	14,545	11,545
Tax deed revenue	--	--	60	60
Utility taxes	380,000	380,000	447,348	67,348
Penalties and interest on taxes	2,500	2,500	6,542	4,042
Revenue from Local Governmental Units				
Other Than School Districts:				
Revenue in lieu of taxes	--	--	1,721	1,721
Earnings on Investments and Deposits	5,000	5,000	5,021	21
Cocurricular Activities:				
Admissions	24,000	24,000	30,285	6,285
Other student activity income	1,700	1,700	3,478	1,778
Other Revenue from Local Sources:				
Rentals	1,800	1,800	2,903	1,103
Refund of prior year's expenditures	--	--	3,929	3,929
Charges for services	5,000	5,000	4,512	(488)
Other	2,000	2,000	4,106	2,106
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	12,000	12,000	19,828	7,828
Revenue in lieu of taxes	3,000	3,000	1,618	(1,382)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	651,971	651,971	681,224	29,253
Restricted grants-in-aid	--	--	53	53
Other State Revenue	--	--	250	250
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	404,213	404,213	108,351	(295,862)
Total Revenues	<u>\$ 3,052,453</u>	<u>\$ 3,052,453</u>	<u>\$ 2,897,640</u>	<u>\$ (154,813)</u>

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 889,620	\$ 889,620	\$ 765,466	\$ 124,154
Middle school	222,490	222,490	211,101	11,389
High school	646,505	646,505	617,106	29,399
Special Programs:				
Educationally deprived	98,100	98,100	91,501	6,599
Support Services:				
Students:				
Guidance	65,105	65,105	--	65,105
Health	1,800	1,800	1,341	459
Instructional Staff:				
Improvement of instruction	6,000	6,000	486	5,514
Educational media	167,060	167,060	152,423	14,637
General Administration:				
Board of education	72,840	72,840	49,555	23,285
Executive administration	79,550	79,550	72,367	7,183
School Administration:				
Office of the principal	335,600	335,600	327,010	8,590
Other	600	600	404	196
Business:				
Fiscal services	114,740	114,740	109,384	5,356
Operation and maintenance of plant	542,620	542,620	530,050	12,570
Student transportation	210,290	210,290	206,469	3,821
Central:				
Staff	1,000	1,000	519	481
Community Services:				
Other	350	350	175	175
Nonprogrammed Charges:				
Payments to State - Unemployment	3,500	3,500	--	3,500
Cocurricular Activities:				
Transportation	14,310	14,310	11,627	2,683
Combined activities	238,830	238,830	222,279	16,551
Contingencies	40,800	40,800	--	40,800
Total Expenditures	<u>3,751,710</u>	<u>3,751,710</u>	<u>3,369,263</u>	<u>382,447</u>
Excess of Revenue Over (Under) Expenditures	<u>(699,257)</u>	<u>(699,257)</u>	<u>(471,623)</u>	<u>227,634</u>
Other Financing Sources:				
Transfers in	464,869	464,869	767,554	302,685
Total Other Financing Sources	<u>464,869</u>	<u>464,869</u>	<u>767,554</u>	<u>302,685</u>
Net Change in Fund Balances	(234,388)	(234,388)	295,931	530,319
Fund Balance - Beginning of Year	<u>1,033,486</u>	<u>1,033,486</u>	<u>1,033,486</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 799,098</u>	<u>\$ 799,098</u>	<u>\$ 1,329,417</u>	<u>\$ 530,319</u>

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – Capital Outlay Fund
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget- Positive</u>
			<u>Basis</u>	<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,867,375	\$ 1,867,375	\$ 1,683,053	\$ (184,322)
Prior years' ad valorem taxes	1,000	1,000	6,022	5,022
Tax deed revenue	--	--	--	--
Penalties and interest on taxes	1,500	1,500	3,772	2,272
Earnings on Investments and Deposits	5,000	5,000	4,016	(984)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	173,975	183,125	163,823	(19,302)
Other Federal Revenue	112,784	112,784	117,908	5,124
Total Revenues	<u>2,161,634</u>	<u>2,170,784</u>	<u>1,978,594</u>	<u>(192,190)</u>
Expenditures				
Instruction:				
Regular Programs:				
Elementary	76,850	116,950	91,876	25,074
Middle/Junior high	4,000	9,200	10,596	(1,396)
High school	87,935	99,935	100,511	(576)
Support Services:				
Instructional Staff:				
Educational media	18,065	18,065	13,843	4,222
School Administration:				
Office of the Principal	8,000	8,350	8,301	49
Business:				
Fiscal services	10,200	10,200	10,178	22
Operation and maintenance of plant	581,900	581,900	121,463	460,437
Student transportation	155,000	160,100	151,905	8,195
Food Services	51,500	51,500	--	51,500
Debt Services	597,480	2,332,480	2,307,051	25,429
Cocurricular Activities:				
Combined activities	19,500	19,500	9,730	9,770
Total Expenditures	<u>1,610,430</u>	<u>3,408,180</u>	<u>2,825,454</u>	<u>582,726</u>
Excess of Revenue Over (Under) Expenditures	<u>551,204</u>	<u>(1,237,396)</u>	<u>(846,860)</u>	<u>390,536</u>
Other Financing Sources:				
Transfers out	(551,204)	(551,204)	(843,280)	(292,076)
Proceeds from long term debt	--	1,735,000	1,735,000	--
Total Other Financing Sources (Uses)	<u>(551,204)</u>	<u>1,183,796</u>	<u>891,720</u>	<u>(292,076)</u>
Net Change in Fund Balances	--	(53,600)	44,860	98,460
Fund Balance - Beginning of Year	<u>1,817,194</u>	<u>1,817,194</u>	<u>1,817,194</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,817,194</u>	<u>\$ 1,763,594</u>	<u>\$ 1,862,054</u>	<u>\$ 98,460</u>

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – Special Education Fund
 For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 483,995	\$ 483,995	\$ 323,646	\$ (160,349)
Prior years' ad valorem taxes	--	--	1,908	1,908
Penalties and interest on taxes	--	--	1,004	1,004
Earnings on Investments and Deposits	--	--	6,289	6,289
Other Revenue from Local Sources:				
Charges for services	5,700	5,700	8,842	3,142
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	103,472	103,472	104,624	1,152
Total Revenues	<u>593,167</u>	<u>593,167</u>	<u>446,313</u>	<u>(146,854)</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	637,870	637,870	539,282	98,588
Support Services:				
Students:				
Psychological	35,000	35,000	25,688	9,312
Speech pathology	79,635	79,635	77,089	2,546
Student therapy services	33,000	33,000	25,429	7,571
Special Education:				
Administrative costs	35,000	35,000	25,961	9,039
Transportation costs	29,340	29,340	1,838	27,502
Other	3,000	3,000	--	3,000
Total Expenditures	<u>852,845</u>	<u>852,845</u>	<u>695,287</u>	<u>157,558</u>
Excess of Revenue Over Expenditures	<u>(259,678)</u>	<u>(259,678)</u>	<u>(248,974)</u>	<u>10,704</u>
Other Financing Uses:				
Transfers out	--	--	(6,289)	(6,289)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(6,289)</u>	<u>(6,289)</u>
Net Change in Fund Balances	(259,678)	(259,678)	(255,263)	4,415
Fund Balance - Beginning of Year	<u>1,273,626</u>	<u>1,273,626</u>	<u>1,273,626</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,013,948</u>	<u>\$ 1,013,948</u>	<u>\$ 1,018,363</u>	<u>\$ 4,415</u>

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

Howard School District No. 48-3
Notes to Required Supplementary Information other than MD&A
June 30, 2022

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information 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.

Howard School District No. 48-3
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System
June 30, 2022

	<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)	0.1141160%	0.1147400%	0.1145855%	0.1150053%	0.1191574%	0.1142187%	0.1150060%	0.1172107%
District's proportionate share of net pension liability (asset)	\$ (873,933)	\$ (4,983)	\$ (12,143)	\$ (2,682)	\$ (10,814)	\$ 385,820	\$ (487,773)	\$ (844,455)
District's covered-employee payroll	\$ 2,589,500	\$ 2,518,187	\$ 2,436,311	\$ 2,393,331	\$ 2,421,038	\$ 2,171,866	\$ 2,100,249	\$ 2,049,700
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%	0.45%	-17.76%	23.22%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is June 30 of the previous fiscal year.

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Howard School District No. 48-3
Schedule of the School District Contributions to Pension
South Dakota Retirement System
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 78,452	\$ 155,371	\$ 151,092	\$ 146,179	\$ 143,451	\$ 145,262	\$ 130,312	\$ 126,015
Contributions in relation to the contractually required contribution	<u>(78,452)</u>	<u>(155,371)</u>	<u>(151,092)</u>	<u>(146,179)</u>	<u>(143,451)</u>	<u>(145,262)</u>	<u>(130,312)</u>	<u>(126,015)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,307,530	\$ 2,589,500	\$ 2,518,187	\$ 2,436,311	\$ 2,393,331	\$ 2,421,033	\$ 2,171,867	\$ 2,100,250
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Howard School District No. 48-3
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

Howard School District No. 48-3
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 65,655	\$ 57,027	\$ 72,554	\$ 72,668	\$ 78,077
Interest on total OPEB liability	13,762	18,329	27,589	23,585	17,956
Effect on economic/demographic gains or losses	(140,581)	--	(28,610)	--	--
Effect on assumption changes or inputs	(149,599)	29,922	(221,413)	(13,893)	(32,345)
Benefit payments	(18,474)	(11,330)	(35,994)	(20,499)	(38,449)
	<u>(229,237)</u>	<u>93,948</u>	<u>(185,874)</u>	<u>61,861</u>	<u>25,239</u>
Beginning of year balances	<u>\$ 566,237</u>	<u>\$ 472,289</u>	<u>\$ 658,163</u>	<u>\$ 596,302</u>	<u>\$ 571,063</u>
End of year balances	<u>\$ 337,000</u>	<u>\$ 566,237</u>	<u>\$ 472,289</u>	<u>\$ 658,163</u>	<u>\$ 596,302</u>
District's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

* GASB Statement No. 75 requires ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the School District will present information for those years which information is available.