

Howard School District No. 48-3

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

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

Howard School District No. 48-3

School District Officials

June 30, 2023

Board Members

Julie Schwader ----- President

Stacy Kampshoff-----Vice President

Sara Miller ----- Member

Danny Connor----- Member

Kyle Karstens ----- Member

Wyatt Walter----- Member

Randy Hofer ----- Member

James Kayl -----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, 2023, 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 January 31, 2024.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2023-001 that we consider to be significant deficiencies.

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 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*.

Howard School District No. 48-3 Response to Findings

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

Purpose of this Report

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



Huron, South Dakota
January 31, 2024

Howard School District No. 48-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2023

Prior Audit Findings

The prior audit report contained no written audit comments.

Current Audit Findings

Finding 2023-001

Material Weakness

Internal Control Over Year-end Closing Procedures Including Preparation of the Financial Statements

Criteria: Howard School District 48-3 requested the external auditors to assist in the preparation of the financial statements, and related footnotes for the year ended June 30, 2023. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Condition: The School District's internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements, footnotes, and the schedule of federal awards.

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

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

View of Management: Management agrees with the finding



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, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard School District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 January 31, 2024 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 black ink that reads "ELO Prof LLC". The signature is written in a cursive, somewhat stylized font.

Huron, South Dakota
January 31, 2024

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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 \$5,774,776 generated from taxes and other revenues of the governmental and business-type programs were \$644,255 more than the \$5,130,521 in governmental and business-type program expenditures.

Total revenues were up 2.9% mainly due to charges for services and unrestricted investment earnings.

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, 2023

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 reminder 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

	Fund Statements			
	Government Wide 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, 2023

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, FAST program, and Summer Acceleration) 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, 2023

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, 2023

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 Change 2022-2023
	2022	2023	2022	2023	2022	2023	
Current and Other Assets	\$ 7,882,608	\$ 7,099,708	\$ 127,980	\$ 136,473	\$ 8,010,588	\$ 7,236,181	-9.67%
Capital Assets (Net of Depreciation)	9,291,445	9,381,177	28,653	60,680	9,320,098	9,441,857	1.31%
Total Assets	<u>17,174,053</u>	<u>16,480,885</u>	<u>156,633</u>	<u>197,153</u>	<u>17,330,686</u>	<u>16,678,038</u>	-3.77%
Pension and OPEB Related Deferred Outflows	1,140,621	1,028,930	--	--	1,140,621	1,028,930	-9.79%
Total Deferred Outflows of Resources	<u>1,140,621</u>	<u>1,028,930</u>	<u>--</u>	<u>--</u>	<u>1,140,621</u>	<u>1,028,930</u>	-9.79%
Long-Term Liabilities Outstanding	4,685,055	4,367,336	--	--	4,685,055	4,367,336	-6.78%
Other Liabilities	273,568	320,412	9,044	32,374	282,612	352,786	24.83%
Total Liabilities	<u>4,958,623</u>	<u>4,687,748</u>	<u>9,044</u>	<u>32,374</u>	<u>4,967,667</u>	<u>4,720,122</u>	-4.98%
Taxes Levied for Future Period	1,412,333	1,387,746	--	--	1,412,333	1,387,746	-1.74%
Pension and OPEB Related Deferred Inflows	2,125,475	1,001,717	--	--	2,125,475	1,001,717	-52.87%
Total Deferred Inflows of Resources	<u>3,537,808</u>	<u>2,389,463</u>	<u>--</u>	<u>--</u>	<u>3,537,808</u>	<u>2,389,463</u>	-32.46%
Net Position							
Net Investment in Capital Assets	5,001,252	5,414,426	28,653	60,680	5,029,905	5,475,106	8.85%
Restricted	4,176,203	3,939,880	--	--	4,176,203	3,939,880	-5.66%
Unrestricted	640,788	1,078,298	118,936	104,099	759,724	1,182,397	55.64%
Total Net Position	<u>9,818,243</u>	<u>10,432,604</u>	<u>147,589</u>	<u>164,779</u>	<u>9,965,832</u>	<u>10,597,383</u>	6.34%
Beginning 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%
Increase (Decrease) in Net Position	<u>\$ 388,210</u>	<u>\$ 614,361</u>	<u>\$ 54,023</u>	<u>\$ 17,190</u>	<u>\$ 442,233</u>	<u>\$ 631,551</u>	

The District's combined net position of approximately \$10.6 million is approximately \$626 thousand or 6.28% more than on June 30, 2022.

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, 2023

Changes in Net Position

The District's revenues totaled \$5,774,776. (See Table A-2.) This was an approximately 2.9% increase. Approximately 67.8% of the District's revenue comes from property and other taxes, with another 13.7% from state aid. (See Table A-2.)

Table A-2
Howard School District No. 48-3
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 3,913,494	67.93%
State sources	790,099	13.71%
Operating grants & contributions	758,201	13.16%
Charges for services	194,952	3.38%
Unrestricted investment earnings	51,480	0.89%
Capital grants & contributions	28,481	0.49%
Other revenues	25,365	0.44%
	<u>\$ 5,762,072</u>	<u>100.00%</u>
Total Revenue	<u>\$ 5,762,072</u>	<u>100.00%</u>

Total costs of all programs and service decreased by approximately .4%. The District's expenses totaled \$5,149,000. (See Table A-3.) 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 2022-2023

Instruction	\$ 2,535,254	49.41%
Support services	1,839,171	35.85%
Cocurricular activities	359,147	7.00%
Interest on long-term debt	137,017	2.67%
Food service	248,816	4.85%
Drivers education	11,116	0.22%
	<u>\$ 5,130,521</u>	<u>100.00%</u>
Total Expenditures	<u>\$ 5,130,521</u>	<u>100.00%</u>

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2023

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Revenues							
Program Revenues:							
Charges for services	\$ 47,117	\$ 54,720	\$ 59,302	\$ 140,232	\$ 106,419	\$ 194,952	83.19%
Operating grants and contributions	498,885	650,891	244,537	107,310	743,422	758,201	1.99%
Capital grants and contributions	--	--	--	28,481	--	28,481	100.00%
General Revenues:							
Taxes	4,029,188	3,913,494	--	--	4,029,188	3,913,494	-2.87%
Revenue state sources	681,277	790,099	--	--	681,277	790,099	15.97%
Unrestricted investment earnings	19,645	51,475	154	5	19,799	51,480	160.01%
Other general revenues	30,176	25,151	1,820	214	31,996	25,365	-20.72%
Total Revenues	<u>5,306,288</u>	<u>5,485,830</u>	<u>305,813</u>	<u>276,242</u>	<u>5,612,101</u>	<u>5,762,072</u>	2.67%
Expenses							
Instruction	2,577,372	2,535,254	--	--	2,577,372	2,535,254	-1.63%
Support services	1,813,538	1,839,171	--	--	1,813,538	1,839,171	1.41%
Community services	175	--	--	--	175	--	-100.00%
Interest on long-term debt	178,609	137,017	--	--	178,609	137,017	-23.29%
Cocurricular activities	348,384	359,147	--	--	348,384	359,147	3.09%
Food service	--	--	241,382	248,816	241,382	248,816	3.08%
Other enterprise activity	--	--	10,408	11,116	10,408	11,116	6.80%
Total Expenses	<u>4,918,078</u>	<u>4,870,589</u>	<u>251,790</u>	<u>259,932</u>	<u>5,169,868</u>	<u>5,130,521</u>	-0.76%
Excess (Deficiency) Before Transfers	<u>388,210</u>	<u>615,241</u>	<u>54,023</u>	<u>16,310</u>	<u>442,233</u>	<u>631,551</u>	42.81%
Transfers	--	(880)	--	880	--	--	0.00%
Increase (Decrease) in Net Position	388,210	614,361	54,023	17,190	442,233	631,551	42.81%
Beginning 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%
Ending Net Position	<u>\$ 9,818,243</u>	<u>\$ 10,432,604</u>	<u>\$ 147,589</u>	<u>\$ 164,779</u>	<u>\$ 9,965,832</u>	<u>\$ 10,597,383</u>	6.34%

Governmental Activities

Revenues for the School's governmental activities increased primarily due to increases in operating grants and contributions, state revenue, and unrestricted investment earnings.

Business-Type Activities

Net position of the School's business-type activities increased approximately \$30,000, mainly due to an increase in charges for services.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School's Funds

Overall, the governmental funds have increased approximately \$626,000 in fund balance over last year. This is up from 2022 by approximately \$184,000, mainly due to an increase in charges for services and a decrease in instruction expenses.

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 2023, the School had invested \$9,441,857 (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 \$624,495.

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

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022-2023	2022-2023
Land	\$ 19,965	\$ 19,965	\$ --	\$ --	\$ --	0.00%
Construction in progress	--	128,166	--	--	128,166	0.00%
Buildings	8,234,990	8,335,184	--	--	100,194	1.20%
Improvements other than buildings	268,679	204,468	--	--	(64,211)	-31.40%
Machinery and equipment	767,811	693,394	28,653	60,680	(42,390)	-6.11%
Total Capital Assets (Net)	\$ 9,291,445	\$ 9,381,177	\$ 28,653	\$ 60,680	\$ 121,759	1.30%

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2023

Long-Term Debt

At year-end, the School had \$4,367,336 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
	2022	2023	2022-2023	2022-2023
QSCB Bond	\$ 1,295,000	\$ 1,295,000	\$ --	0.00%
QZAB Bond	133,336	100,003	(33,333)	-25.00%
GOB -2015	1,150,000	1,020,000	(130,000)	-11.30%
Unamortized premium	18,949	16,580	(2,369)	-12.50%
Energy loan	106,408	88,668	(17,740)	-16.67%
OPEB	337,000	355,179	18,179	5.39%
Compensated absences	44,362	31,906	(12,456)	-28.08%
GOB - 2021	1,600,000	1,460,000	(140,000)	100.00%
Total Outstanding Debt and Obligations	<u>\$ 4,685,055</u>	<u>\$ 4,367,336</u>	<u>\$ (317,719)</u>	-6.78%

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 \$98,312 or 2%. The fund balance for the General Fund, increased by \$472,897 or 36%. This included a \$720,000 transfer from the Capital Outlay Fund permitted by statute. The \$720,000 transfer represents 44% of the Capital Outlay tax revenue for FY23. Statute allows up to 45% to be transferred. The remaining transfer amounts represent interest earned. The fund balance for the Capital Outlay Fund decreased by \$243,705 or 13%. The fund balance for the special education fund decreased by \$217,214 or 21%.

The School's enrollment for the last three years has been as follows:

Year	ADM	Percent (Decrease) in ADM
2023	351	0.86%
2022	348	2.65%
2021	339	-5.31%

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2023

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, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 2,451,434	\$ 134,143	\$ 2,585,577
Investments	2,209,810	--	2,209,810
Taxes receivable	1,399,549	--	1,399,549
Inventories	1,401	2,330	3,731
Other assets	984,086	--	984,086
Restricted assets:			
Cash and cash equivalents	43,168	--	43,168
Net pension asset	10,260	--	10,260
Capital assets:			
Land and construction in progress	148,131	--	148,131
Other capital assets, net of depreciation	9,233,046	60,680	9,293,726
Total Assets	<u>16,480,885</u>	<u>197,153</u>	<u>16,678,038</u>
Deferred Outflows of Resources			
Pension related deferred outflows	1,009,325	--	1,009,325
OPEB related deferred outflows	19,605	--	19,605
Total Deferred Outflows of Resources	<u>1,028,930</u>	<u>--</u>	<u>1,028,930</u>
Liabilities:			
Accounts payable	61,453	--	61,453
Other current liabilities	258,959	2,055	261,014
Unearned revenue	--	30,319	30,319
Noncurrent liabilities:			
Due within one year	334,574	--	334,574
Due in more than one year	4,032,762	--	4,032,762
Total Liabilities	<u>4,687,748</u>	<u>32,374</u>	<u>4,720,122</u>
Deferred Inflows of Resources			
Taxes levied for future period	1,387,746	--	1,387,746
Pension related deferred inflows	596,850	--	596,850
OPEB related deferred inflows	404,867	--	404,867
Total Deferred Inflows of Resources	<u>2,389,463</u>	<u>--</u>	<u>2,389,463</u>
Net Position:			
Net Investment in Capital Assets	5,414,426	60,680	5,475,106
Restricted for:			
Capital Outlay	1,618,349	--	1,618,349
Special Education	819,628	--	819,628
Debt Service	1,079,168	--	1,079,168
SDRS Pension Purposes	422,735	--	422,735
Unrestricted	1,078,298	104,099	1,182,397
Total Net Position	<u>\$ 10,432,604</u>	<u>\$ 164,779</u>	<u>\$ 10,597,383</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, 2023

Functions/ Programs	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Position Primary Government		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
Instruction	\$ 2,535,254	\$ --	\$ 645,977	\$ --	\$ (1,889,277)	\$ --	\$ (1,889,277)	
Support services	1,839,171	23,965	--	--	(1,815,206)	--	(1,815,206)	
Interest on long-term debt *	137,017	--	--	--	(137,017)	--	(137,017)	
Cocurricular activities	359,147	30,755	4,914	--	(323,478)	--	(323,478)	
Total Governmental Activities	<u>4,870,589</u>	<u>54,720</u>	<u>650,891</u>	<u>--</u>	<u>(4,164,978)</u>	<u>--</u>	<u>(4,164,978)</u>	
Business-Type Activities:								
Food service	248,816	120,072	107,310	28,481	--	7,047	7,047	
FAST program	--	4,160	--	--	--	4,160	4,160	
Summer acceleration	--	8,500	--	--	--	8,500	8,500	
Drivers education	11,116	7,500	--	--	--	(3,616)	(3,616)	
Total Business-Type Activities	<u>259,932</u>	<u>140,232</u>	<u>107,310</u>	<u>28,481</u>	<u>--</u>	<u>16,091</u>	<u>16,091</u>	
Total Primary Government	<u>\$ 5,130,521</u>	<u>\$ 194,952</u>	<u>\$ 758,201</u>	<u>\$ 28,481</u>	<u>(4,164,978)</u>	<u>16,091</u>	<u>(4,148,887)</u>	
General Revenues:								
Taxes:								
					Property taxes	3,499,801	--	3,499,801
					Utility taxes	413,693	--	413,693
Revenue from State Sources:								
					State aid	790,099	--	790,099
					Unrestricted investment earnings	51,475	5	51,480
					Other general revenues	25,151	214	25,365
					Transfers	(880)	880	--
					Total General Revenues	<u>4,779,339</u>	<u>1,099</u>	<u>4,780,438</u>
					Change in Net Position	614,361	17,190	631,551
					Net Position - Beginning of Year	<u>9,818,243</u>	<u>147,589</u>	<u>9,965,832</u>
					Net Position - End of Year	<u>\$ 10,432,604</u>	<u>\$ 164,779</u>	<u>\$ 10,597,383</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, 2023

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ (762,290)	\$ 1,418,701	\$ 759,023	\$ 1,036,000	\$ 2,451,434
Investments	2,209,810	--	--	--	2,209,810
Accounts receivable	158	16,058	--	--	16,216
Taxes receivable--current	608,244	649,393	130,109	--	1,387,746
Taxes receivable--delinquent	6,917	3,968	918	--	11,803
Due from other governments	621,278	237,802	106,790	--	965,870
Inventory of supplies	1,401	--	--	--	1,401
Advance from other fund	2,000	--	--	--	2,000
Restricted cash and cash equivalents	--	--	--	43,168	43,168
Total Assets	<u>\$ 2,687,518</u>	<u>\$ 2,325,922</u>	<u>\$ 996,840</u>	<u>\$ 1,079,168</u>	<u>\$ 7,089,448</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ --	\$ 54,212	\$ 7,241	\$ --	\$ 61,453
Contracts payable	171,198	--	29,427	--	200,625
Payroll deductions and withholding and employer matching payable	48,817	--	9,517	--	58,334
Total Liabilities	<u>220,015</u>	<u>54,212</u>	<u>46,185</u>	<u>--</u>	<u>320,412</u>
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	608,244	649,393	130,109	--	1,387,746
Unavailable Revenue-Property Taxes	6,917	3,968	918	--	11,803
Unavailable Revenue-Utility Taxes	50,028	--	--	--	50,028
Total Deferred Inflows of Resources	<u>665,189</u>	<u>653,361</u>	<u>131,027</u>	<u>--</u>	<u>1,449,577</u>
Fund Balances:					
Nonspendable:					
Inventory	1,401	--	--	--	1,401
Advance	2,000	--	--	--	2,000
Restricted:					
Capital outlay	--	1,618,349	--	--	1,618,349
Special education	--	--	819,628	--	819,628
Bond redemption	--	--	--	1,079,168	1,079,168
Assigned to:					
Next year's budget	250,000	--	--	--	250,000
Unassigned	1,548,913	--	--	--	1,548,913
Total Fund Balances	<u>1,802,314</u>	<u>1,618,349</u>	<u>819,628</u>	<u>1,079,168</u>	<u>5,319,459</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,687,518</u>	<u>\$ 2,325,922</u>	<u>\$ 996,840</u>	<u>\$ 1,079,168</u>	<u>\$ 7,089,448</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, 2023

Total Fund Balances - Governmental Funds \$ 5,319,459

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. 10,260

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 9,381,177

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 1,009,325

OPEB related deferred outflows are components of OPEB liability and therefore are not reported in the funds. 19,605

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. (4,367,336)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (596,850)

OPEB related deferred inflows are components of OPEB liability and therefore are not reported in the funds. (404,867)

Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds. 61,831

Net Position-Government Funds \$ 10,432,604

Howard School District No. 48-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2023

	<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	\$ 1,523,251	\$ 1,609,562	\$ 315,085	\$ --	\$ 3,447,898
Prior years' ad valorem taxes	50,979	23,830	6,991	--	81,800
Tax deed revenue	44	15	2	--	61
Utility taxes	413,693	--	--	--	413,693
Penalties and interest on taxes	18,256	7,432	2,629	--	28,317
Revenue from Local Governmental Units					
Other Than School Districts:					
Revenue in lieu of taxes	1,787	--	--	--	1,787
Earnings on Investments and Deposits	42,634	53	5,272	3,516	51,475
Cocurricular Activities:					
Admissions	29,322	--	--	--	29,322
Other student activity income	1,433	--	--	--	1,433
Other Revenue from Local Sources:					
Rentals	1,880	--	--	--	1,880
Refund of prior years' expenditures	414	4,500	--	--	4,914
Charges for services	4,805	--	19,160	--	23,965
Other	4,114	--	--	--	4,114
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	15,232	--	--	--	15,232
Revenue in lieu of taxes	2,138	--	--	--	2,138
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	790,099	--	--	--	790,099
Other State Revenue	68	--	--	--	68
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	220,786	211,695	126,669	--	559,150
Other Federal Revenue	--	86,759	--	--	86,759
Total Revenues	<u>\$ 3,120,935</u>	<u>\$ 1,943,846</u>	<u>\$ 475,808</u>	<u>\$ 3,516</u>	<u>\$ 5,544,105</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, 2023 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	\$ 731,883	\$ 39,650	\$ --	\$ --	\$ 771,533
Middle school	219,420	1,444	--	--	220,864
High school	656,869	69,227	--	--	726,096
Special Programs:					
Programs for special education	--	--	510,457	--	510,457
Educationally deprived	83,766	--	--	--	83,766
Support Services:					
Students:					
Guidance	37,475	--	--	--	37,475
Psychological	--	--	12,114	--	12,114
Speech pathology	--	--	81,449	--	81,449
Student therapy services	--	--	26,325	--	26,325
Instructional Staff:					
Educational media	155,857	14,148	--	--	170,005
General Administration:					
Board of education	39,977	--	--	--	39,977
Executive administration	85,987	--	--	--	85,987
School Administration:					
Office of the principal	342,699	--	--	--	342,699
Other	335	--	--	--	335
Business:					
Fiscal services	108,000	12,185	--	--	120,185
Operation and maintenance of plant	459,368	154,196	--	--	613,564
Student transportation	194,363	--	--	--	194,363
Food services	--	38,816	--	--	38,816
Central:					
Staff	779	--	--	--	779
Special Education:					
Administrative costs	--	--	41,893	--	41,893
Transportation costs	--	--	2,305	--	2,305
Debt Services:	--	460,459	--	--	460,459
Cocurricular Activities:					
Transportation	12,523	--	--	--	12,523
Combined activities	237,857	9,629	--	--	247,486
Capital Outlay	--	584,979	--	--	584,979
Total Expenditures	<u>3,367,158</u>	<u>1,384,733</u>	<u>674,543</u>	<u>--</u>	<u>5,426,434</u>
Excess of Revenues Over (Under) Expenditures	<u>(246,223)</u>	<u>559,113</u>	<u>(198,735)</u>	<u>3,516</u>	<u>117,671</u>
Other Financing Sources (Uses):					
Transfers in	720,000	--	--	82,818	802,818
Transfers out	<u>(880)</u>	<u>(802,818)</u>	<u>--</u>	<u>--</u>	<u>(803,698)</u>
Total Other Financing Sources (Uses)	<u>719,120</u>	<u>(802,818)</u>	<u>--</u>	<u>82,818</u>	<u>(880)</u>
Net Change in Fund Balances	472,897	(243,705)	(198,735)	86,334	116,791
Fund Balance - Beginning 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>
Fund Balance - End of Year	<u>\$ 1,802,314</u>	<u>\$ 1,618,349</u>	<u>\$ 819,628</u>	<u>\$ 1,079,168</u>	<u>\$ 5,319,459</u>

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, 2023

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 84,970	\$ 49,173	\$ 134,143
Inventory of stores purchased for resale	2,106	--	2,106
Inventory of donated foods	224	--	224
Total Current Assets	<u>87,300</u>	<u>49,173</u>	<u>136,473</u>
Capital Assets:			
Machinery and equipment	100,149	--	100,149
Accumulated depreciation	(39,469)	--	(39,469)
Total Noncurrent Assets	<u>60,680</u>	<u>--</u>	<u>60,680</u>
Total Assets	<u>\$ 147,980</u>	<u>\$ 49,173</u>	<u>\$ 197,153</u>
Liabilities:			
Current Liabilities:			
Payroll deductions and withholdings and employer matching payable	\$ 2,055	\$ --	\$ 2,055
Unearned revenue	30,319	--	30,319
Total Current Liabilities	<u>\$ 32,374</u>	<u>\$ --</u>	<u>\$ 32,374</u>
Net Position:			
Invested in capital assets	60,680	--	60,680
Unrestricted	54,926	49,173	104,099
Total Net Position	<u>\$ 115,606</u>	<u>\$ 49,173</u>	<u>\$ 164,779</u>

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, 2023

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Operating Revenue:			
Sales:			
To students	\$ 119,273	\$ --	\$ 119,273
Other charges for goods and services	799	20,160	20,959
Total Operating Revenue	120,072	20,160	140,232
Operating Expense:			
Food Service:			
Salaries	95,194	5,525	100,719
Employee benefits	18,344	515	18,859
Purchased services	7,053	--	7,053
Supplies	5,087	5,076	10,163
Cost of sales - purchased food	92,581	--	92,581
Cost of sales - donated food	23,067	--	23,067
Depreciation - local funds	7,490	--	7,490
Total Operating Expenses	248,816	11,116	259,932
Operating Income (Loss)	(128,744)	9,044	(119,700)
Nonoperating Revenues:			
Investment Earnings	3	2	5
Other Local Revenue	214	--	214
State Sources:			
Cash reimbursements	508	--	508
Federal Sources:			
Cash reimbursements	73,254	--	73,254
Donated food	22,958	--	22,958
Grants-in-Aid:			
Restricted grants-in-aid received from federal government through the state	10,590	--	10,590
Total Nonoperating Revenue	107,527	2	107,529
Other Financing Sources:			
Transfers in	880	--	880
Total Other Financing Sources	880	--	880
Income (Loss) before Contributions	(20,337)	9,046	(11,291)
Capital Contributions:	28,481	--	28,481
Change in Net Position	8,144	9,046	17,190
Net Position - Beginning of Year	107,462	40,127	147,589
Net Position - End of Year	\$ 115,606	\$ 49,173	\$ 164,779

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, 2023

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 147,695	\$ 20,160	\$ 167,855
Payments to suppliers	(103,784)	(5,665)	(109,449)
Payments to employees	(114,559)	(6,040)	(120,599)
Net Cash Provided (Used) by Operating Activities:	<u>(70,648)</u>	<u>8,455</u>	<u>(62,193)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers received	880	--	880
Other local revenue	214	--	214
Cash reimbursements - state	508	--	508
Cash reimbursements - federal	83,844	--	83,844
Net Cash Provided from Noncapital Financing Activities	<u>85,446</u>	<u>--</u>	<u>85,446</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(39,518)	--	(39,518)
Capital Contributions	28,481	--	28,481
Net Cash (Used) by Capital and Related Financing Activities	<u>(11,037)</u>	<u>--</u>	<u>(11,037)</u>
Cash Flows from Investing Activities:			
Cash received for interest	3	2	5
Net Cash Provided by Investing Activities	<u>3</u>	<u>2</u>	<u>5</u>
Net Increase in Cash and Cash Equivalents	3,764	8,457	12,221
Cash and Cash Equivalents, Beginning of Year	81,205	40,716	121,921
Cash and Cash Equivalents, End of Year	<u>\$ 84,969</u>	<u>\$ 49,173</u>	<u>\$ 134,142</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (128,744)	\$ 9,044	\$ (119,700)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	7,490	--	7,490
Noncash cost of sales - commodities	22,958	--	22,958
Change in Assets:			
Accounts receivable	2,683	--	2,683
Inventories	1,046	--	1,046
Change in Liabilities:			
Accounts and other payables	(1,021)	(589)	(1,610)
Unearned revenue	24,940	--	24,940
Net Cash Provided (Used) by Operating Activities	<u>\$ (70,648)</u>	<u>\$ 8,455</u>	<u>\$ (62,193)</u>
Noncash, Investing Capital, and Financing Activities:			
Value of Commodities Received	<u>\$ 22,958</u>	<u>\$ --</u>	<u>\$ 22,958</u>

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, 2023

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 133,558	\$ 85,737
Total Assets	\$ 133,558	\$ 85,737
Liabilities:		
Due to other fund	\$ --	\$ 2,000
Net Position:		
Restricted for:		
Scholarships	133,558	--
Individuals, organizations, and other governments	--	81,737
Total Net Position	\$ 133,558	\$ 83,737

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, 2023

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Contributions and Donations	\$ 48,662	\$ --
Collections for student activities	--	191,825
	48,662	191,825
Total Additions	48,662	191,825
Deductions:		
Trust deductions for scholarships	40,547	--
Payments for student activities	--	198,458
	40,547	198,458
Total Deductions	40,547	198,458
 Change in Net Position	 8,115	 (6,633)
Net Position - Beginning	125,443	88,370
Net Position - Ending	\$ 133,558	\$ 81,737

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, 2023

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, 2023

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% 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, 2023

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, 2023

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, 2023

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:

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

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

Government-Wide Financial Statements

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

The total June 30, 2023 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, 2023 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/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	-- *	--
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/SBITA'S	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, 2023

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, 2023 consist primarily of compensated absences, refunding certificates, OPEB, energy loan, 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. Leases:

The School District is not currently a lessee for any noncancellable leases. At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

The School District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

h. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

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

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

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

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

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

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

i. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary 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.

j. 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.

k. 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.

l. 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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

m. 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.

n. 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.

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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The non-spendable fund balance is comprised of inventory and an advance.

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.

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, 2023, the School District did not have any investments. The investments reported in the financial statements consist only of certificates of deposit.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

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

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, 2023, the School District’s investment in the SD FIT pool was unrated. The fair value was \$7,292.

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.

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>\$ 43,168</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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

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, 2023

7. Changes in Capital Assets:

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

Governmental Activities:

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Capital assets, not being depreciated:				
Land	\$ 19,965	\$ --	\$ --	\$ 19,965
Construction in progress	--	128,166	--	128,166
Total, not being depreciated	<u>19,965</u>	<u>128,166</u>	<u>--</u>	<u>148,131</u>
Capital assets, being depreciated:				
Buildings	11,913,723	426,800	--	12,340,523
Improvements other than buildings	862,043	--	--	862,043
Machinery and equipment	1,724,528	30,013	--	1,754,541
Total, being depreciated	<u>14,500,294</u>	<u>456,813</u>	<u>--</u>	<u>14,957,107</u>
Less accumulated depreciation for:				
Buildings	3,678,733	326,606	--	4,005,339
Improvements	593,364	64,211	--	657,575
Machinery and equipment	956,717	104,430	--	1,061,147
Total accumulated depreciation	<u>5,228,814</u>	<u>495,247</u>	<u>--</u>	<u>5,724,061</u>
Total capital assets, being depreciated, net	<u>9,271,480</u>	<u>(38,434)</u>	<u>--</u>	<u>9,233,046</u>
Governmental activity capital assets, net	<u>\$ 9,291,445</u>	<u>\$ 89,732</u>	<u>\$ --</u>	<u>\$ 9,381,177</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 317,723
Support services	73,934
Cocurricular activities	103,590
Total depreciation expense - governmental activities	<u>\$ 495,247</u>

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

7. Changes in Capital Assets: (Continued)

Business-type Activities:

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 82,042	\$ 39,517	\$ (21,410)	\$ 100,149
Total, being depreciated	<u>82,042</u>	<u>39,517</u>	<u>(21,410)</u>	<u>100,149</u>
Less accumulated depreciation for:				
Machinery and equipment	53,389	7,490	(21,410)	39,469
Total accumulated depreciation	<u>53,389</u>	<u>7,490</u>	<u>(21,410)</u>	<u>39,469</u>
Total capital assets, being depreciated, net	<u>28,653</u>	<u>32,027</u>	<u>--</u>	<u>60,680</u>
Business-type activity capital assets, net	<u>\$ 28,653</u>	<u>\$ 32,027</u>	<u>\$ --</u>	<u>\$ 60,680</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food service \$ 7,490

8. Long-Term Liabilities:

A summary of changes in long-term debt follows:

	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
QSCB Bond	\$ 1,295,000	\$ --	\$ --	\$ 1,295,000	\$ --
QZAB Bond	133,336	--	33,333	100,003	33,334
General obligation bonds - Series 2015	1,150,000	--	130,000	1,020,000	130,000
Plus: Unamortized Premium	18,949	--	2,369	16,580	--
Energy loan	106,408	--	17,740	88,668	17,740
OPEB	337,000	18,179	--	355,179	--
Compensated absences	44,362	1,044	13,500	31,906	13,500
Refunding certificates - Series 2021	1,600,000	--	140,000	1,460,000	140,000
Total Governmental Activities	<u>\$ 4,685,055</u>	<u>\$ 19,223</u>	<u>\$ 336,942</u>	<u>\$ 4,367,336</u>	<u>\$ 334,574</u>

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

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, 2023 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.	100,003
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.	1,020,000
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.	88,668
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.	355,179
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.	31,906
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.	1,460,000

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

8. Long-Term Liabilities: (Continued)

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:

Year Ending June 30,	Qualified School Construction		Qualified Zone Academy Bonds		General Obligation Bonds	
	Bonds		Principal	Interest	Principal	Interest
	Principal	Interest				
2024	\$ --	\$ 75,758	\$ 33,334	\$ 4,167	\$ 270,000	\$ 51,286
2025	--	75,758	33,334	2,500	275,000	46,426
2026	1,295,000	75,758	33,335	833	280,000	40,276
2027	--	--	--	--	290,000	33,976
2028	--	--	--	--	295,000	27,450
2029-2033	--	--	--	--	1,070,000	55,350
Totals	<u>\$ 1,295,000</u>	<u>\$ 227,274</u>	<u>\$ 100,003</u>	<u>\$ 7,500</u>	<u>\$ 2,480,000</u>	<u>\$ 254,764</u>

Year Ending June 30,	Other Loans		Total	
	Principal	Interest	Principal	Interest
	2024	\$ 17,740	\$ --	\$ 321,074
2025	17,740	--	326,074	124,684
2026	17,740	--	1,626,075	116,867
2027	17,740	--	307,740	33,976
2028	17,708	--	312,708	27,450
2029-2033	--	--	1,070,000	55,350
Totals	<u>\$ 88,668</u>	<u>\$ --</u>	<u>\$ 3,963,671</u>	<u>\$ 489,538</u>

9. Restricted Net Position:

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

Fund	Restricted By	Amount
Capital Outlay	law	\$ 1,618,349
Special Education	law	819,628
Bond Redemption Fund	debt covenants	1,079,168
SDRS Pension Purposes	law	422,735
		<u>\$ 3,939,880</u>

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

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, 2023 were as follows:

\$82,818 Transfer from Capital Outlay for sinking fund requirements to bond redemption fund.

\$720,000 Transfer from Capital Outlay to cover the expenditures in the general fund for insurance, utilities, and fuel.

\$880 Transfer to Food Service for operations.

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 hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor'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.

b. Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60% joint survivor benefit when the member dies.

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from .5 percent to 0.0 percent.

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

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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

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:

Year Ended	
June 30,	Amount
2023	\$ 153,357
2022	155,545
2021	155,371

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate 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, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 15,325,990
Less proportionate share of net pension restricted for pension benefits	<u>15,336,250</u>
Proportionate share of net pension (asset)	<u><u>\$ (10,260)</u></u>

At June 30, 2023, the School District reported a liability asset) of (\$10,260) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability asset used to calculate the net pension liability (asset) was based on a projection of the School’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District’s proportion was .10856700%, which is a decrease of .0061730% from its proportion measured as of June 30, 2021.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized reduction of pension expense of \$42,692. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 195,312	\$ 666
Changes in assumption	652,111	571,488
Net difference between projected and actual earnings on pension plan investments	--	24,589
Changes in proportion and difference between District contributions and proportionate share of contributions	8,545	107
District contributions subsequent to the measurement date	153,357	--
Total	<u>\$ 1,009,325</u>	<u>\$ 596,850</u>

\$153,357 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 70,011
2025	144,919
2026	(160,047)
2027	204,235
Total	<u>\$ 259,118</u>

e. Actuarial Assumptions:

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

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

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

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

Active and Terminated vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-210, 108% of rates above age 65

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

Public Safety Retirees: PubS-210, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-210 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

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

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

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5%. 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).

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)	\$ 2,130,449	\$ (10,260)	\$ (1,759,785)

h. Pension Plan Fiduciary Net Position:

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2023

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	4%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	8%
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.

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.

June 30, 2023

Total Assets	\$	119,561
Total Liabilities	\$	57,836
Total net position	\$	61,725

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, 2023, 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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

14. Risk Management: (Continued)

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2023, 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.

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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

15. Post-Employment Healthcare Plan: (Continued)

Changes in Liability:

For the year ended June 30, 2023, the balance of the OPEB liability was \$355,179. Total OPEB liability was determined as of the measurement date, which is June 30, 2023. The changes in the total OPEB liability for 2023 were as follows:

	2022-2023
Beginning of year balances	\$ 337,000
Charges for the year:	
Service cost	54,143
Interest on total OPEB liability	8,418
Effect on assumption changes or inputs	(41,554)
Benefit payments	(2,828)
End of year balances	\$ 355,179

For the year ended June 30, 2023, the District recognized OPEB reduction of expense of \$7,604. OPEB expense was determined as follows:

	2022-2023
Service Cost	\$ 54,143
Interest on total OPEB liability	8,418
Recognition of Deferred Inflos/Outflows of Resources:	
Recognition of Economic/Demographic gains or losses	(19,636)
Recognition of assumption changes	(50,529)
OPEB Expense	\$ (7,604)

As of June 30, 2023, 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	\$ (123,341)	\$ --
Changes in Assumptions	(281,526)	19,605
End of year balances	\$ (404,867)	\$ 19,605

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

15. Post-Employment Healthcare Plan: (Continued)

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	
2024	\$ (70,165)
2025	(67,302)
2026	(64,537)
2027	(63,874)
2028	(55,246)
Thereafter	(64,138)
Total	<u>\$ (385,262)</u>

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, 2023 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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

15. Post-Employment Healthcare Plan: (Continued)

- 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%

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%

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2023

15. Post-Employment Healthcare Plan: (Continued)

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:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 384,890	\$ 355,179	\$ 327,636

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.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 310,185	\$ 355,179	\$ 408,409

16. Implementation of New Standards:

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

17. Subsequent Events:

Management has evaluated subsequent events through the date of the independent auditor's report which is the date the financial statements were available to be issued.

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,519,443	\$ 1,519,443	\$ 1,523,251	\$ 3,808
Prior years' ad valorem taxes	3,000	3,000	50,979	47,979
Tax deed revenue	50	50	44	(6)
Utility taxes	55,000	55,000	413,693	358,693
Penalties and interest on taxes	4,000	4,000	18,256	14,256
Revenue from Local Governmental Units				
Other Than School Districts:				
Revenue in lieu of taxes	--	--	1,787	1,787
Earnings on Investments and Deposits	5,000	5,000	42,634	37,634
Cocurricular Activities:				
Admissions	24,000	24,000	29,322	5,322
Other student activity income	2,500	2,500	1,433	(1,067)
Other Revenue from Local Sources:				
Rentals	2,000	2,000	1,880	(120)
Refund of prior year's expenditures	--	--	414	414
Charges for services	4,500	4,500	4,805	305
Other	2,000	2,000	4,114	2,114
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	14,000	14,000	15,232	1,232
Revenue in lieu of taxes	1,500	1,500	2,138	638
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	753,244	753,244	790,099	36,855
Other State Revenue	--	--	68	68
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	170,425	170,425	220,786	50,361
Total Revenues	<u>\$ 2,560,662</u>	<u>\$ 2,560,662</u>	<u>\$ 3,120,935</u>	<u>\$ 560,273</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, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 888,735	\$ 888,735	\$ 731,883	\$ 156,852
Middle school	233,150	233,150	219,420	13,730
High school	684,020	684,020	656,869	27,151
Special Programs:				
Educationally deprived	99,270	99,270	83,766	15,504
Support Services:				
Students:				
Guidance	46,550	46,550	37,475	9,075
Health	1,800	1,800	--	1,800
Instructional Staff:				
Improvement of instruction	6,650	6,650	--	6,650
Educational media	164,485	164,485	155,857	8,628
General Administration:				
Board of education	64,775	64,775	39,977	24,798
Executive administration	93,530	93,530	85,987	7,543
School Administration:				
Office of the principal	356,225	356,225	342,699	13,526
Other	600	600	335	265
Business:				
Fiscal services	113,780	113,780	108,000	5,780
Operation and maintenance of plant	608,150	608,150	459,368	148,782
Student transportation	242,650	242,650	194,363	48,287
Central:				
Staff	1,000	1,000	779	221
Community Services:				
Other	350	350	--	350
Nonprogrammed Charges:				
Payments to State - Unemployment	3,500	3,500	--	3,500
Cocurricular Activities:				
Transportation	14,575	14,575	12,523	2,052
Combined activities	245,100	245,100	237,857	7,243
Total Expenditures	<u>3,868,895</u>	<u>3,868,895</u>	<u>3,367,158</u>	<u>501,737</u>
Excess of Revenue Over (Under) Expenditures	<u>(1,308,233)</u>	<u>(1,308,233)</u>	<u>(246,223)</u>	<u>1,062,010</u>
Other Financing Sources (Uses):				
Transfers in	720,000	720,000	720,000	--
Transfers out	--	--	(880)	(880)
Other	558,233	558,233	--	(558,233)
Total Other Financing Sources	<u>1,278,233</u>	<u>1,278,233</u>	<u>719,120</u>	<u>(559,113)</u>
Net Change in Fund Balances	(30,000)	(30,000)	472,897	502,897
Fund Balance - Beginning of Year	<u>1,329,417</u>	<u>1,329,417</u>	<u>1,329,417</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,299,417</u>	<u>\$ 1,299,417</u>	<u>\$ 1,802,314</u>	<u>\$ 502,897</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, 2023

	<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	\$ 1,600,000	\$ 1,600,000	\$ 1,609,562	\$ 9,562
Prior years' ad valorem taxes	1,000	1,000	23,830	22,830
Tax deed revenue	--	--	15	15
Penalties and interest on taxes	1,500	1,500	7,432	5,932
Earnings on Investments and Deposits	4,500	4,500	53	(4,447)
Other Revenue from Local Sources				
Contributions and donations	--	--	4,500	4,500
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	346,000	346,000	211,695	(134,305)
Other Federal Revenue	75,000	75,000	86,759	11,759
Total Revenues	<u>2,028,000</u>	<u>2,028,000</u>	<u>1,943,846</u>	<u>(84,154)</u>
Expenditures				
Instruction:				
Regular Programs:				
Elementary	37,750	37,750	39,650	(1,900)
Middle/Junior high	9,700	9,700	1,444	8,256
High school	76,800	76,800	74,290	2,510
Support Services:				
Instructional Staff:				
Educational media	17,800	17,800	14,148	3,652
School Administration:				
Office of the Principal	--	--	--	--
Business:				
Fiscal services	14,700	14,700	12,185	2,515
Operation and maintenance of plant	1,458,000	1,458,000	734,112	723,888
Student transportation	100,000	100,000	--	100,000
Food Services	54,000	54,000	38,816	15,184
Debt Services	596,053	596,053	460,459	135,594
Cocurricular Activities:				
Combined activities	19,000	19,000	9,629	9,371
Total Expenditures	<u>2,383,803</u>	<u>2,383,803</u>	<u>1,384,733</u>	<u>999,070</u>
Excess of Revenue Over (Under) Expenditures	<u>(355,803)</u>	<u>(355,803)</u>	<u>559,113</u>	<u>914,916</u>
Other Financing Sources (Uses):				
Transfers out	(806,335)	(806,335)	(802,818)	3,517
Other	--	--	--	--
Total Other Financing Sources (Uses)	<u>(806,335)</u>	<u>(806,335)</u>	<u>(802,818)</u>	<u>3,517</u>
Net Change in Fund Balances	(1,162,138)	(1,162,138)	(243,705)	918,433
Fund Balance - Beginning of Year	<u>1,862,054</u>	<u>1,862,054</u>	<u>1,862,054</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 699,916</u>	<u>\$ 699,916</u>	<u>\$ 1,618,349</u>	<u>\$ 918,433</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, 2023

	<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	\$ 1,001,056	\$ 1,001,056	\$ 315,085	\$ (685,971)
Prior years' ad valorem taxes	--	--	6,991	6,991
Tax deed revenue	--	--	2	2
Penalties and interest on taxes	--	--	2,629	2,629
Earnings on Investments and Deposits	--	--	5,272	5,272
Other Revenue from Local Sources:				
Charges for services	5,700	5,700	19,160	13,460
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	106,979	106,979	126,669	19,690
Total Revenues	<u>1,113,735</u>	<u>1,113,735</u>	<u>475,808</u>	<u>(637,927)</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	833,520	833,520	510,457	323,063
Support Services:				
Students:				
Psychological	35,000	35,000	12,114	22,886
Speech pathology	83,640	83,640	81,449	2,191
Student therapy services	64,000	64,000	26,325	37,675
Special Education:				
Administrative costs	35,000	35,000	41,893	(6,893)
Transportation costs	52,575	52,575	2,305	50,270
Other	10,000	10,000	--	10,000
Total Expenditures	<u>1,113,735</u>	<u>1,113,735</u>	<u>674,543</u>	<u>439,192</u>
Excess of Revenue Over Expenditures	--	--	(198,735)	(198,735)
Net Change in Fund Balances	--	--	(198,735)	(198,735)
Fund Balance - Beginning of Year	<u>1,018,363</u>	<u>1,018,363</u>	<u>1,018,363</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,018,363</u>	<u>\$ 1,018,363</u>	<u>\$ 819,628</u>	<u>\$ (198,735)</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, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except 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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1085670%	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)	\$ (10,260)	\$ (873,933)	\$ (4,983)	\$ (12,143)	\$ (2,682)	\$ (10,814)	\$ 385,820	\$ (487,773)	\$ (844,455)
District's covered-employee payroll	\$ 2,592,417	\$ 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	0.40%	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)	101.10%	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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 153,357	\$ 155,545	\$ 155,371	\$ 151,092	\$ 146,179	\$ 143,451	\$ 145,262	\$ 130,312	\$ 126,015
Contributions in relation to the contractually required contribution	<u>(153,357)</u>	<u>(155,545)</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>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,555,698	\$ 2,592,417	\$ 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%	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, 2023

Changes from Prior Valuation

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

The changes to economic assumptions included increasing the price inflation to 2.5% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.5% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

Howard School District No. 48-3
Notes to Required Supplementary Information
For the Year Ended June 30, 2023 (Continued)

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

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

Actuarial Method Changes

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

Howard School District No. 48-3
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 54,143	\$ 65,655	\$ 57,027	\$ 72,554	\$ 72,668	\$ 78,077
Interest on total OPEB liability	8,418	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	(41,554)	(149,599)	29,922	(221,413)	(13,893)	(32,345)
Benefit payments	(2,828)	(18,474)	(11,330)	(35,994)	(20,499)	(38,449)
	<u>18,179</u>	<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>\$ 337,000</u>	<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>\$ 355,179</u>	<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	N/A
Total OPEB liability as a Percentage of Covered-employee Payroll	N/A	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.