

Irene-Wakonda School District No. 13-3

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

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

Irene-Wakonda School District No. 13-3

School District Officials

June 30, 2022

Board Members

Mike Logue ----- Board President

Brian Spurrell-----Vice President

Mark Logue ----- Member

Carla Marshall----- Member

Amanda Healy ----- Member

Dave Hutchison-----Superintendent

Pam Rudd -----Business Manager

Irene-Wakonda School District No. 13-3

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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
Irene-Wakonda School District No. 13-3
Turner 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 the Irene-Wakonda School District No. 13-3, South Dakota, as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated July 28, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Handwritten signature in cursive script that reads "CIO of Elk Point LLC".

Elk Point, South Dakota
July 28, 2023

Irene-Wakonda School District No. 13-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2022

Prior Audit Findings

There are no prior other audit findings to report.

Current Audit Findings

There are no current audit findings to report.



Independent Auditor's Report

School Board
Irene-Wakonda School District No. 13-3
Turner County, 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 the Irene-Wakonda School District No. 13-3, Turner County, South Dakota, as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise Irene-Wakonda 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 the Irene-Wakonda School District No. 13-3 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the 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*, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 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 Changes in Total OPEB Liability, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of School District Contributions 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 July 28, 2023, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

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

Elk Point, South Dakota
July 28, 2023

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Irene-Wakonda School District 13-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the School's net position increased by \$746,294 compared to the \$436,643 net position increase in the prior year.

Overview of the Financial Statements

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- 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 two proprietary funds operated by the school is the School's Food Service Operation and the Driver's Ed Fund.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating student – 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.

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The 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 Irene-Wakonda School's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation.	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 Net Position • Statement of Changes in 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

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – 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, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The School charges a fee to students to help cover the costs of providing hot lunch services to all students. The School also charges a fee to the students to help cover some of the cost of the driving portion of Drivers Ed.

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.

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and Driver’s Ed (types of proprietary fund) 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. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Irene-Wakonda School District 13-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 5,372,979	\$ 6,345,218	\$ 62,719	\$ 109,873	\$ 5,435,698	\$ 6,455,091	18.75%
Capital Assets (Net of Depreciation)	10,529,920	10,358,495	24,453	19,972	10,554,373	10,378,467	-1.67%
Total Assets	15,902,899	16,703,713	87,172	129,845	15,990,071	16,833,558	5.28%
OPEB Related Deferred Outflows	41,162	37,461	--	--	41,162	37,461	-8.99%
Pension Related Deferred Outflows	591,623	907,067	--	--	591,623	907,067	53.32%
Total Deferred Outflows or Resources	632,785	944,528	--	--	632,785	944,528	44.33%
Long-Term Liabilities Outstanding	395,713	181,813	--	--	395,713	181,813	-54.05%
Other Liabilities	528,046	382,878	15,875	23,769	543,921	406,647	-25.24%
Total Liabilities	923,759	564,691	15,875	23,769	939,634	588,460	-37.37%
Taxes Levied for Future Period	1,327,711	1,204,475	--	--	1,327,711	1,204,475	-9.28%
OPEB Related Deferred Inflows	151,874	246,378	--	--	151,874	246,378	62.23%
Pension Related Deferred Inflows	481,549	1,272,817	--	--	481,549	1,272,817	164.32%
Total Deferred Inflows of Resources	1,961,134	2,723,670	--	--	1,961,134	2,723,670	38.88%
Net Investment in Capital Assets	10,444,920	10,311,335	24,453	19,972	10,469,373	10,331,307	-1.32%
Restricted	2,207,040	3,190,439	--	--	2,207,040	3,190,439	44.56%
Unrestricted	998,832	858,106	46,842	86,104	1,045,674	944,210	-9.70%
Total Net Position	13,650,792	14,359,880	71,295	106,076	13,722,087	14,465,956	5.42%
Beginning Net Position	13,206,833	13,650,792	78,610	71,295	13,285,443	13,722,087	3.29%
Increase (Decrease) in Net Position	\$ 443,959	\$ 709,088	\$ (7,315)	\$ 34,781	\$ 436,644	\$ 743,869	-70.36%
Percentage of Increase (Decrease) in Net Position	3.36%	5.19%	-9.31%	48.78%	3.29%	5.42%	

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 other post-employment benefits payable, compensation payable, direct borrowings, and bonds payable.. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The Irene-Wakonda School District's total revenues (excluding transfers) in FY22 were \$5,340,941. Approximately 60% of the School's revenue comes from property and other taxes, with approximately 22% coming from state aid. (See Table A-2).

Table A-2
Irene-Wakonda School District 13-3
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 3,197,673	59.86%
State Sources	1,180,212	22.10%
Operating Grants & Contributions	617,285	11.56%
Charges For Services	86,377	1.62%
Other General Revenues	252,981	4.74%
Unrestricted Investment Earnings	<u>6,413</u>	<u>0.12%</u>
Total Revenue	<u>\$ 5,340,941</u>	<u>100.00%</u>

The Irene-Wakonda School District expenses totaled \$4,597,074 (See Table A-4). The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food service and nonprogrammed charges. (See Table A-3).

Table A-3
Irene-Wakonda School District 13-3
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 2,510,394	54.61%
Support Services	1,576,007	34.28%
Interest - on Long-Term Debt	9,910	0.22%
Cocurricular Activities	257,999	5.61%
Food Service	242,352	5.27%
Nonprogrammed Charges	<u>412</u>	<u>0.01%</u>
Total Expenditures	<u>\$ 4,597,074</u>	<u>100.00%</u>

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental and Business-Type Activities

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

Table A-4

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Revenues							
Program Revenues							
Charge for Services	\$ 71,235	\$ 37,133	\$ 41,103	\$ 49,244	\$ 112,338	\$ 86,377	-23.11%
Operating Grants/ Contributions	285,835	389,464	167,366	227,821	453,201	617,285	36.21%
General Revenues							
Taxes	3,317,093	3,197,673	--	--	3,317,093	3,197,673	-3.60%
Revenue State Sources	1,109,889	1,180,212	--	--	1,109,889	1,180,212	6.34%
Other							
Other general revenues	71,963	252,981	--	--	71,963	252,981	251.54%
Unrestricted Investment Earnings	8,478	6,347	33	66	8,511	6,413	-24.65%
	<u>4,864,493</u>	<u>5,063,810</u>	<u>208,502</u>	<u>277,131</u>	<u>5,072,995</u>	<u>5,340,941</u>	<u>5.28%</u>
Expenses							
Instruction	2,521,256	2,510,394	--	--	2,521,256	2,510,394	-0.43%
Support Services	1,647,858	1,576,007	--	--	1,647,858	1,576,007	-4.36%
Non-programmed Charges	--	412	--	--	--	412	100.00%
Interest on long-term debt	2,850	9,910	--	--	2,850	9,910	247.72%
Co-curricular Activities	248,570	257,999	--	--	248,570	257,999	3.79%
Food Service	--	--	214,342	242,352	214,342	242,352	13.07%
Drivers Education	--	--	1,476	--	1,476	--	-100.00%
	<u>4,420,534</u>	<u>4,354,722</u>	<u>215,818</u>	<u>242,352</u>	<u>4,636,352</u>	<u>4,597,074</u>	<u>-0.85%</u>
Increase (Decrease) in Net Position	443,959	709,088	(7,316)	34,779	436,643	743,867	70.36%
Beginning Adjusted Net Position	<u>13,206,833</u>	<u>13,650,792</u>	<u>78,611</u>	<u>71,295</u>	<u>13,285,444</u>	<u>13,722,087</u>	<u>3.29%</u>
Ending Net Position	<u>\$ 13,650,792</u>	<u>\$ 14,359,880</u>	<u>\$ 71,295</u>	<u>\$ 106,074</u>	<u>\$ 13,722,087</u>	<u>\$ 14,465,954</u>	<u>5.42%</u>

Governmental Activities

Revenues for the School's governmental activities increased approximately 4.1% while expenses for governmental activities decreased by approximately 1.5%.

Business-Type Activities

Revenues for the School's business-type activities increased by approximately 32.9% while expenses increased by 12.3%. The increase in revenues is due to a larger increase in operating grants and contributions.

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School's Funds

The General Fund had a decrease of \$138,858 in its fund balance for fiscal year 2022. The ending fund balance for the General Fund was \$1,194,094. The Capital Outlay Fund Balance increased by \$652,642 with an ending balance of \$1,367,099. The Special Education Fund balance increased by \$99,728 with an ending balance of \$1,520,241.

Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this District.
- Grants that became available or changed in amount.

Capital Asset Administration

By the end of FY22, the School had invested \$10,378,467 (net of depreciation) in a broad range of capital assets, including, land, buildings, improvements, library books, and various machinery and equipment. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$175,906.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 33,024	\$ 33,024	\$ --	\$ --	\$ --	0.00%
Construction in progress	3,464,812	--	--	--	(3,464,812)	-100.00%
Buildings	6,007,943	9,372,136	--	--	3,364,193	56.00%
Improvements Other than Buildings	557,718	494,285	--	--	(63,433)	-11.37%
Library Books	22,582	20,857	--	--	(1,725)	-7.64%
Machinery & Equipment	443,841	438,193	24,453	19,972	(10,129)	-2.16%
Total Capital Assets	\$ 10,529,920	\$ 10,358,495	\$ 24,453	\$ 19,972	\$ (175,906)	-1.67%

Major capital outlay purchases in FY22 included new parking lot, new playground expansion, a new pickup, new digital sign, new cabinets for the music room in Irene, back lit sign, bell town sign in Wakonda, library books, and finished the gym/fine arts building.

Irene-Wakonda School District No. 13-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

At year-end, the School had \$181,813 in general long-term obligations. This balance includes Direct Borrowings, accrued compensation payable and other post-employment benefits payable. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>		
OPEB Payable	\$ 233,706	\$ 118,520	\$ (115,186)	-49.29%
Bonds Payable	85,000	--	(85,000)	-100.00%
Compensation Payable	12,769	16,133	3,364	26.35%
Direct Borrowing	64,239	47,160	(17,079)	-26.59%
Total Outstanding Debt	<u>\$ 395,714</u>	<u>\$ 181,813</u>	<u>\$ (213,901)</u>	<u>-54.05%</u>

The school is liable for the accrued vacation leave payable to the 12-month employees (the business manager, superintendent, and full-time custodians).

Economic Factors and Next Year’s Budgets And Rates

The School’s current economic position is strong. One of the primary sources of revenue to the School is calculated on our number of students based on the state aid fall enrollment count divided by the target student/certified staff FTE ratio. That number, plus our overhead costs is our need for the 2021-22 school year. That will be provided to the school in taxes and state aid. We will base our next year’s budgets on the tax valuation and state aid.

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, creditors, and students’ families with a general overview of the Irene-Wakonda 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 Pam Rudd, Business Manager, Irene-Wakonda School District 13-3, 130 East State Street, PO Box 5, Irene, South Dakota 57037.

Irene-Wakonda School District No. 13-3
Statement of Net Position – Government-Wide
June 30, 2022

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 3,903,980	\$ 98,298	\$ 4,002,278
Investments-certificates of deposit	250,000	--	250,000
Accounts receivable	--	927	927
Taxes receivable	1,223,089	--	1,223,089
Inventories	27,703	10,648	38,351
Other assets	282,629	--	282,629
Net pension asset	657,817	--	657,817
Capital assets:			
Land and construction in progress	33,024	--	33,024
Other capital assets, net of depreciation	<u>10,325,471</u>	<u>19,972</u>	<u>10,345,443</u>
Total Assets	<u>16,703,713</u>	<u>129,845</u>	<u>16,833,558</u>
Deferred Outflows of Resources:			
OPEB-related deferred outflows	37,461	--	37,461
Pension-related deferred outflows	<u>907,067</u>	<u>--</u>	<u>907,067</u>
Total Deferred Outflows of Resources	<u>944,528</u>	<u>--</u>	<u>944,528</u>
Liabilities:			
Unearned revenue	--	14,061	14,061
Other current liabilities	382,878	9,708	392,586
Long-Term Liabilities:			
Due within one year	29,200	--	29,200
Due in more than one year	<u>152,613</u>	<u>--</u>	<u>152,613</u>
Total Liabilities	<u>564,691</u>	<u>23,769</u>	<u>588,460</u>
Deferred Inflows of Resources:			
Taxes levied for future periods	1,204,475	--	1,204,475
OPEB related deferred inflows	246,378	--	246,378
Pension related deferred inflows	<u>1,272,817</u>	<u>--</u>	<u>1,272,817</u>
Total Deferred Inflows of Resources	<u>2,723,670</u>	<u>--</u>	<u>2,723,670</u>
Net Position:			
Net investment in capital assets	10,311,335	19,972	10,331,307
Restricted for:			
Capital outlay	1,375,491	--	1,375,491
Special education	1,522,881	--	1,522,881
SDRS pension purposes	292,067	--	292,067
Unrestricted	<u>858,106</u>	<u>86,104</u>	<u>944,210</u>
Total Net Position	<u>\$ 14,359,880</u>	<u>\$ 106,076</u>	<u>\$ 14,465,956</u>

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

Irene-Wakonda School District No. 13-3
Statement of Activities – Government-Wide
June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 2,510,394	\$ --	\$ 389,464	\$ (2,120,930)	\$ --	\$ (2,120,930)
Support services	1,576,007	--	--	(1,576,007)	--	(1,576,007)
Nonprogrammed charges	412	--	--	(412)	--	(412)
Interest on long-term debt	9,910	--	--	(9,910)	--	(9,910)
Cocurricular activities	257,999	37,133	--	(220,866)	--	(220,866)
Total Governmental Activities	4,354,722	37,133	389,464	(3,928,125)	--	(3,928,125)
Business-Type Activities:						
Food service	242,352	49,244	227,821	--	34,713	34,713
Total Business Type Activities	242,352	49,244	227,821	--	34,713	34,713
Total Primary Government	\$ 4,597,074	\$ 86,377	\$ 617,285	(3,928,125)	34,713	(3,893,412)
General Revenues:						
Taxes:						
				3,114,835	--	3,114,835
				82,838	--	82,838
Revenue from State Sources:						
				1,180,212	--	1,180,212
				6,347	66	6,413
				252,981	--	252,981
				4,637,213	66	4,637,279
				709,088	34,779	743,867
				13,650,792	71,297	13,722,089
				\$ 14,359,880	\$ 106,076	\$ 14,465,956

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

Irene-Wakonda School District No. 13-3

Balance Sheet – Governmental Funds

June 30, 2022

	General	Capital Outlay	Special Education	Capital Projects	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 1,299,509	\$ 1,029,738	\$ 1,574,733	\$ --	\$ 3,903,980
Investments-certificates of deposit	50,000	200,000	--	--	250,000
Taxes receivable - current	470,359	417,272	316,844	--	1,204,475
Taxes receivable - delinquent	7,582	8,392	2,640	--	18,614
Due from other governments	125,834	156,795	--	--	282,629
Inventories-Materials and Supplies	27,703	--	--	--	27,703
Total Assets	<u>\$ 1,980,987</u>	<u>\$ 1,812,197</u>	<u>\$ 1,894,217</u>	<u>\$ --</u>	<u>\$ 5,687,401</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 19,202	\$ 19,434	\$ 1,356	\$ --	\$ 39,992
Contracts payable	199,429	--	31,335	--	230,764
Payroll deductions and withholding and employer matching payable	90,321	--	21,801	--	112,122
Total Liabilities	<u>308,952</u>	<u>19,434</u>	<u>54,492</u>	<u>--</u>	<u>382,878</u>
Deferred Inflows of Resources:					
Taxes levied for future period	470,359	417,272	316,844	--	1,204,475
Delinquent taxes not available	7,582	8,392	2,640	--	18,614
Total Deferred Inflows of Resources	<u>477,941</u>	<u>425,664</u>	<u>319,484</u>	<u>--</u>	<u>1,223,089</u>
Fund Balances:					
Nonspendable-inventories and deposits	27,703	--	--	--	27,703
Restricted:					
For capital outlay	--	1,367,099	--	--	1,367,099
For special education	--	--	1,520,241	--	1,520,241
For student activities	38,790	--	--	--	38,790
Assigned	321,360	--	--	--	321,360
Unassigned	806,241	--	--	--	806,241
Total Fund Balances	<u>1,194,094</u>	<u>1,367,099</u>	<u>1,520,241</u>	<u>--</u>	<u>4,081,434</u>
Total Liabilities and Fund Balances	<u>\$ 1,980,987</u>	<u>\$ 1,812,197</u>	<u>\$ 1,894,217</u>	<u>\$ --</u>	<u>\$ 5,687,401</u>

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

Irene-Wakonda School District No. 13-3

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

Total Fund Balances - Governmental Funds		\$ 4,081,434
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		10,358,495
Pension and OPEB related deferred outflows are components of liabilities and therefore are not reported in the funds.		944,528
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Compensation Payable	(16,133)	
Other Postemployment Benefits Payable	(118,520)	
Direct Borrowing Notes	<u>(47,160)</u>	(181,813)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:		
Delinquent Property Taxes Receivable		18,614
Proportionate Share of Net Pension Asset		657,817
Pension and OPEB related deferred inflows are components of liabilities (assets) and therefore are not reported in the funds.		<u>(1,519,195)</u>
Net Position - Governmental Activities		<u>\$ 14,359,880</u>

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

Irene-Wakonda School District No. 13-3

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

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,205,242	\$ 1,096,169	\$ 794,083	\$ --	\$ 3,095,494
Prior years' ad valorem taxes	14,676	13,353	6,926	--	34,955
Utility taxes	82,838	--	--	--	82,838
Penalties and interest on taxes	4,361	3,941	2,191	--	10,493
Earnings on Investments and Deposits	3,694	927	1,726	--	6,347
Cocurricular Activities:					
Admissions	14,813	--	--	--	14,813
Other student activity income	22,320	--	--	--	22,320
Other Revenue from Local Sources					
Charges for services	3,549	--	27,083	--	30,632
Other	16,631	3,588	--	--	20,219
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	32,111	--	--	--	32,111
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,180,212	--	--	--	1,180,212
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	--	116,480	--	--	116,480
Restricted grants-in-aid received from federal government through the state	109,922	163,062	--	--	272,984
Total Revenues	<u>\$ 2,690,369</u>	<u>\$ 1,397,520</u>	<u>\$ 832,009</u>	<u>\$ --</u>	<u>\$ 4,919,898</u>

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

Irene-Wakonda School District No. 13-3

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

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	\$ 661,687	\$ 79,919	\$ --	\$ --	\$ 741,606
Middle/junior high	190,599	2,201	--	--	192,800
High school	611,908	46,605	--	--	658,513
Preschool	73,498	--	--	--	73,498
Special Programs:					
Programs for special education	--	--	653,570	--	653,570
Educationally deprived	69,047	--	--	--	69,047
Support Services:					
Students:					
Guidance	71,288	--	--	--	71,288
Health	7,692	--	--	--	7,692
Psychological services	--	--	19,071	--	19,071
Student pathology	--	--	19,756	--	19,756
Student therapy services	--	--	39,819	--	39,819
Instructional Staff:					
Educational media	147,281	8,622	--	--	155,903
General Administration:					
Board of education	26,816	--	65	--	26,881
Executive administration	129,133	1,550	--	--	130,683
School Administration:					
Office of the principal	179,981	--	--	--	179,981
Other	316	--	--	--	316
Business:					
Fiscal services	81,496	5,000	--	--	86,496
Facilities acquisition and construction	--	18,219	--	--	18,219
Operation and maintenance of plant	517,417	--	--	--	517,417
Student transportation	200,266	8,545	--	--	208,811
Food Services	12,897	--	--	--	12,897
Internal Services	6,511	--	--	--	6,511
Other	--	1,557	--	--	1,557
Nonprogrammed Charges:					
Other	412	--	--	--	412
Debt Services:					
Other	--	111,989	--	--	111,989
Cocurricular Activities:					
Male activities	56,926	--	--	--	56,926
Female activities	55,478	--	--	--	55,478
Combined activities	58,578	9,042	--	--	67,620
Capital Outlay	--	122,553	--	--	122,553
Total Expenditures	3,159,227	415,802	732,281	--	4,307,310
Other Financing Sources (Uses):					
Transfer in	330,000	924	--	--	330,924
Transfer out	--	(330,000)	--	(924)	(330,924)
Total Other Financing Sources (Uses)	330,000	(329,076)	--	(924)	--
Net Change in Fund Balances	(138,858)	652,642	99,728	(924)	612,588
Fund Balance, Beginning of Year	1,332,952	714,457	1,420,513	924	3,468,846
Fund Balance, Ending of Year	\$ 1,194,094	\$ 1,367,099	\$ 1,520,241	\$ --	\$ 4,081,434

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

Irene-Wakonda School District No. 13-3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 612,588
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		122,553
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.		(293,978)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position		
Direct Borrowing Note	17,079	
GO Bonds Payable	<u>85,000</u>	102,079
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		(26,107)
Governmental funds do not reflect the change in compensated absences and OPEB liabilities but the Statement of Activities reflects the change in these accruals through expenses.		13,617
components of pension liability (asset) and are not reflected in the governmental funds.		<u>178,336</u>
Change in net position of governmental activities		<u>\$ 709,088</u>

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

Irene-Wakonda School District No. 13-3
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Drivers Education Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 98,296	\$ 2	\$ 98,298
Accounts receivable, net	927	--	927
Inventory - stores for resale	9,035	--	9,035
Inventory of donated food	1,613	--	1,613
Total Current Assets	<u>109,871</u>	<u>2</u>	<u>109,873</u>
Noncurrent Assets:			
Machinery and equipment - local funds	130,588	--	130,588
Less accumulated depreciation	<u>(110,616)</u>	<u>--</u>	<u>(110,616)</u>
Total Noncurrent Assets	<u>19,972</u>	<u>--</u>	<u>19,972</u>
Total Assets	<u>\$ 129,843</u>	<u>\$ 2</u>	<u>\$ 129,845</u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 5,530	\$ --	\$ 5,530
Accrued payroll expenses	4,178	--	4,178
Unearned revenue	<u>14,061</u>	<u>--</u>	<u>14,061</u>
Total Current Liabilities	<u>23,769</u>	<u>--</u>	<u>23,769</u>
Net Position:			
Net investment in capital assets	19,972	--	19,972
Unrestricted net position	<u>86,102</u>	<u>2</u>	<u>86,104</u>
Total Net Position	<u>\$ 106,074</u>	<u>\$ 2</u>	<u>\$ 106,076</u>

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

Irene-Wakonda School District No. 13-3

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

	Enterprise Funds		
	Food Service Fund	Drivers Education Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 42,619	\$ --	\$ 42,619
Adult	6,625	--	6,625
Total Operating Revenue	<u>49,244</u>	<u>--</u>	<u>49,244</u>
Operating Expenses:			
Food Service:			
Salaries	82,622	--	82,622
Employee benefits	31,284	--	31,284
Supplies	26	--	26
Cost of sales - purchased	116,276	--	116,276
Cost of sales - donated	7,663	--	7,663
Depreciation	4,481	--	4,481
Total Operating Expenses	<u>242,352</u>	<u>--</u>	<u>242,352</u>
Operating Income(Loss)	(193,108)	--	(193,108)
Nonoperating Revenues/Expenses:			
Investment Income	65	1	66
State grants	541	--	541
Federal grants	219,617	--	219,617
Donated food	7,663	--	7,663
Total Nonoperating Revenue/ (Expenses)	<u>227,886</u>	<u>1</u>	<u>227,887</u>
Change in Net Position	34,778	1	34,779
Net Position - Beginning of Year	<u>71,296</u>	<u>1</u>	<u>71,297</u>
Net Position - Ending of Year	<u>\$ 106,074</u>	<u>\$ 2</u>	<u>\$ 106,076</u>

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

Irene-Wakonda School District No. 13-3
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Food Service Fund	Drivers Education Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 56,868	\$ --	\$ 56,868
Cash payments to suppliers	(120,203)	--	(120,203)
Cash payments to employees	(113,441)	--	(113,441)
Net Cash (Used) by Operating Activities	<u>(176,776)</u>	<u>--</u>	<u>(176,776)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	541	--	541
Cash reimbursements - federal	225,697	--	225,697
Net Cash Provided by Noncapital Financing Activities	<u>226,238</u>	<u>--</u>	<u>226,238</u>
Cash Flows from Investing Activities:			
Investment earnings	65	1	66
Net Cash Provided by Investing Activities	<u>65</u>	<u>1</u>	<u>66</u>
Net Change in Cash and Cash Equivalents	49,527	1	49,528
Cash and Cash Equivalents, Beginning of Year	48,769	1	48,770
Cash and Cash Equivalents, End of Year	<u>\$ 98,296</u>	<u>\$ 2</u>	<u>\$ 98,298</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (193,108)	\$ --	\$ (193,108)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	4,481	--	4,481
Value of commodities used	7,663	--	7,663
Change in Assets and Liabilities:			
Accounts receivable	(197)	--	(197)
Inventory	(3,509)	--	(3,509)
Accounts payable	(392)	--	(392)
Deferred revenue	7,821	--	7,821
Contracts Payable	183	--	183
Accrued wages and payroll expenses	282	--	282
Net cash (used) by operating activities:	<u>\$ (176,776)</u>	<u>\$ --</u>	<u>\$ (176,776)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 7,663</u>	<u>\$ --</u>	<u>\$ 7,663</u>

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

Irene-Wakonda School District No. 13-3
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 74,634	\$ 54,821
Total Assets	\$ 74,634	\$ 54,821
Liabilities:		
Accounts payable	\$ --	\$ 1,992
Total Liabilities	--	1,992
Net Position:		
Scholarships	74,634	--
Individuals, organizations, and other governments	--	52,829
Total Net Position	\$ 74,634	\$ 52,829

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

Irene-Wakonda School District No. 13-3
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 4,600	\$ --
Investment income	794	--
Collections for student activities	--	185,480
	5,394	185,480
Total Additions	5,394	185,480
Deductions:		
Scholarships	4,252	--
Payments for student activities	--	194,972
	4,252	194,972
Total Deductions	4,252	194,972
Change in Net Position	1,142	(9,492)
Net Position - Beginning	73,492	62,321
Net Position - Ending	\$ 74,634	\$ 52,829

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Irene-Wakonda School District No. 13-3, 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.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The 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 revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Capital Projects Fund – Capital Projects Funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

The Capital Project Fund (Gymnasium/Fine Arts Building) is the only capital projects fund maintained by the School District. This is a major fund that is being closed during fiscal year 2022.

Proprietary Funds:

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

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

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

Other Enterprise Fund – A fund used to record financial transactions related to providing drivers education. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

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

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary 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 for the Irene-Wakonda School District is 60 days. The revenues which are accrued at June 30, 2022 are amounts due from other governments for grants and utility taxes.

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than two percent for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities are all valued at the original cost.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	NA	NA
Buildings	\$ 25,000	Straight-line	10-50 years
Improvements	25,000	Straight-line	50 years
Equipment (governmental)	5,000	Straight-line	2-20 years
Equipment (proprietary)	500	Straight-line	12 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.

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, other post-employment benefits payable, accrued compensation payable, and direct borrowing notes.

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

h. 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.

i. Deferred Inflows and Deferred Outflows of Resources:

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund 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.
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 is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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:

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

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

The School District does not have a formal minimum fund balance policy.

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

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

o. Pensions:

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

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

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.

Concentrations of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. The School District does not have any investments with an external investment pool as of June 30, 2022.

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

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

3. Receivables and Payables:

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

4. Inventory:

Inventory held for consumption is stated at cost.

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

5. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources levied for future period in both the fund financial statements and government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets:

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

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 33,024	\$ --	\$ --	\$ 33,024
Construction in progress	3,464,812	35,000	3,499,812	--
Total capital assets not being depreciated	<u>3,497,836</u>	<u>35,000</u>	<u>3,499,812</u>	<u>33,024</u>
Capital assets being depreciated:				
Buildings	8,207,102	3,499,812	--	11,706,914
Improvements	1,130,786	--	--	1,130,786
Library Books	212,328	3,583	1,826	214,085
Equipment	1,549,847	83,970	--	1,633,817
Total capital assets being depreciated	<u>11,100,063</u>	<u>3,587,365</u>	<u>1,826</u>	<u>14,685,602</u>
Less accumulated depreciation for:				
Buildings	2,199,159	135,619	--	2,334,778
Improvements	573,068	63,433	--	636,501
Library Books	189,746	5,308	1,826	193,228
Equipment	1,106,006	89,618	--	1,195,624
Total accumulated depreciation	<u>4,067,979</u>	<u>293,978</u>	<u>1,826</u>	<u>4,360,131</u>
Total capital assets being depreciated, net	<u>7,032,084</u>	<u>3,293,387</u>	<u>--</u>	<u>10,325,471</u>
Net Capital Assets	<u>\$ 10,529,920</u>	<u>\$ 3,328,387</u>	<u>\$ 3,499,812</u>	<u>\$ 10,358,495</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 121,359
Support services	94,644
Co-curricular activities	<u>77,975</u>
Total Depreciation Expense	<u>\$ 293,978</u>

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets: (Continued)

	<u>6/30/2021</u>				<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>		<u>Balance</u>
Business-Type Activities:					
Capital assets, being depreciated:					
Equipment	\$ 130,588	\$ --	\$ --		\$ 130,588
Less accumulated depreciation for:					
Less: Accumulated Depreciation	<u>106,135</u>	<u>4,481</u>	<u>--</u>		<u>110,616</u>
Total capital assets being depreciated, net	<u>\$ 24,453</u>	<u>\$ (4,481)</u>	<u>\$ --</u>		<u>\$ 19,972</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 4,481</u>

7. Long-Term Liabilities:

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

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 85,000	\$ --	\$ 85,000	\$ --	\$ --
Other Liabilities:					
OPEB Payable	233,706	31,881	147,067	118,520	--
Compensation Payable	12,769	21,190	17,826	16,133	16,133
Direct Borrowing Note	<u>64,239</u>	<u>--</u>	<u>17,079</u>	<u>47,160</u>	<u>13,067</u>
Total Long-Term Liabilities	<u>\$ 395,714</u>	<u>\$ 53,071</u>	<u>\$ 266,972</u>	<u>\$ 181,813</u>	<u>\$ 29,200</u>

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

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

Irene-Wakonda School District No 13-3 Direct Borrowing Note	Direct Borrowing Note dated July, 2016, for the purchase of copiers, annual payments with interest at 3.5%, with final maturity in July 2023. Payments are made from the Capital Outlay Fund.	\$ 6,352
Irene-Wakonda School District No 13-3 Direct Borrowing Note	Direct Borrowing Note dated July 15, 2020, for the purchase of a bus, annual payments with interest at 4%, with final maturity in July 2025. Payments are made from the Capital Outlay Fund.	\$ 40,808
Compensated Absences –		
	Payable from the fund to which payroll expenditures are charged.	\$ 16,133
OPEB –		
	Obligations to individuals who are retired or will retire from the School District and will receive post-employment benefits. Payments are made from the General Fund.	\$ 118,520

The annual debt service requirements to maturity for all debt outstanding, other than postemployment benefits, and compensated benefits, as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 13,066	\$ 1,632
2024	7,387	1,356
2025	7,477	1,068
2026	19,230	770
Totals	<u>\$ 47,160</u>	<u>\$ 4,826</u>

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

8. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 1,375,491
Special Education	Law	1,522,881
SDRS Pension Purposes	Law	<u>292,067</u>
Total		<u>\$ 3,190,439</u>

9. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the General Fund to cover expenses per legislation for expenses.	\$ 330,000
Transfer from the Capital Project Fund to the Capital Outlay Fund to close out capital projects.	\$ 924

10. Pension Plan:

Plan Information:

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

Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit.

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 125,273
2021	\$ 116,955
2020	\$ 110,845

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

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

Proportionate share of pension benefits	\$ 11,910,657
Less proportionate share of net pension restricted for pension benefits	<u>12,568,474</u>
Proportionate share of net pension (asset)	<u>\$ (657,817)</u>

At June 30, 2022, the School District reported an asset of (\$657,817) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.08589600%, which is an increase of 0.0017196% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District reduction of pension expense of \$(178,337) At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 23,617	\$ 1,725
Changes in assumption	756,483	329,425
Net difference between projected and actual earnings on pension plan investments	--	939,704
Changes in proportion and difference between district contributions and proportionate share of contributions	1,694	1,963
District contributions subsequent to the measurement date	<u>125,273</u>	<u>--</u>
Total	<u>\$ 907,067</u>	<u>\$ 1,272,817</u>

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

\$125,273 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

	Year Ended
	June 30,
	<u> </u>
2023	\$ (121,379)
2024	(82,448)
2025	(22,841)
2026	(264,355)
Total	<u>\$ (491,023)</u>

Actuarial Assumptions:

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

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

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should 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.

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

10. 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, 2021 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	<u>\$ 1,065,168</u>	<u>\$ (657,817)</u>	<u>\$ (2,056,479)</u>

Pension Plan Fiduciary Net Position:

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

11. Other Post Employment Benefits – Healthcare Plan:

Plan Description: Irene-Wakonda School District has a pooled defined benefit medical plan administered by either DakotaCare or Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Irene-Wakonda School District, P.O. Box 5, Irene, SD 57037, or by calling the school at 605-263-3311.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2022, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	0
Active employees	50
	<u>50</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS) as provided in the June 30, 2020 Actuarial Valuation Report. See Note 10 – Pension Note.

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 233,706
Service Cost	23,235
Interest	5,574
Effect on economic/demographic gains or losses	3,072
Effect on assumptions, changes or inputs	(137,575)
Benefit payments	<u>(9,492)</u>
End of Year Balances	<u>\$ 118,520</u>

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 2.16%.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 126,809	\$ 118,520	\$ 110,594

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

11. Other Post Employment Benefits – Healthcare Plan: (Continued)

For the year ended June 30, 2022, the School District recognized OPEB expense of \$7,490. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ 24,412
Changes in assumptions	<u>(246,378)</u>	<u>13,050</u>
	<u>\$ (246,378)</u>	<u>\$ 37,462</u>

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

<u>Year Ended June 30,</u>	
2023	\$ (36,299)
2024	(36,299)
2025	(36,098)
2026	(34,009)
2027	(33,182)
Thereafter	<u>(33,029)</u>
Total	<u>\$ (208,916)</u>

12. Joint Ventures:

The School District participates in the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts.

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

<u>District</u>	<u>%</u>
Alcester-Hudson	10.15%
Beresford	21.73%
Canton	26.56%
Elk Point-Jefferson	21.21%
Irene-Wakonda	8.83%
Viborg-Hurley	11.52%

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

Irene-Wakonda School District No. 13-3

Notes to the Financial Statements

June 30, 2022

12. Joint Ventures: (Continued)

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

Separate financial statements for this joint venture are available from the Southeast Area Cooperative.

At June 30, 2022, this joint venture had:

	<u>June 30, 2022</u>
Total Assets	\$ 1,579,455
Total Deferred Outflows	\$ 556,206
Total Liabilities	\$ 222,767
Total Deferred Inflows	\$ 782,228
Total net position	\$ 1,130,666

13. Risk Management:

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

Liability Insurance:

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

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has an Assigned Fund Balance in the General Fund in the amount of \$26,399 for the payment of future unemployment benefits.

During the year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

14. Significant Contingencies – Litigation:

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

Required Supplementary Information

Irene-Wakonda School District No. 13-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,160,945	\$ 1,160,945	\$ 1,205,242	\$ 44,297
Prior years' ad valorem taxes	20,000	20,000	14,676	(5,324)
Utility taxes	80,000	80,000	82,838	2,838
Penalties and interest on taxes	8,000	8,000	4,361	(3,639)
Earnings on Investments and Deposits	5,500	5,500	3,694	(1,806)
Cocurricular Activities:				
Admissions	17,500	17,500	14,813	(2,687)
Other student activity income	24,200	24,200	22,320	(1,880)
Other Revenue from Local Sources:				
Charges for services	4,000	4,000	3,549	(451)
Other	10,000	10,000	16,631	6,631
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	35,000	35,000	32,111	(2,889)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,137,166	1,137,166	1,180,212	43,046
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	77,294	77,294	109,922	32,628
Other Federal Sources	2,500	2,500	--	(2,500)
Total Revenues	\$ 2,582,105	\$ 2,582,105	\$ 2,690,369	\$ 108,264

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

Irene-Wakonda School District No. 13-3

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 630,903	\$ 630,903	\$ 661,687	\$ (30,784)
Middle/junior high	163,667	193,791	190,599	3,192
High school	609,274	609,274	611,908	(2,634)
Preschool services	74,439	74,439	73,498	941
Special Programs:				
Educationally deprived	76,761	76,761	69,047	7,714
Support Services:				
Students:				
Guidance	78,133	78,133	71,288	6,845
Health	8,812	8,812	7,692	1,120
Instructional Staff:				
Improvement of instruction	1,200	1,200	--	1,200
Educational media	173,428	173,428	147,281	26,147
General Administration:				
Board of education	31,816	31,816	26,816	5,000
Executive administration	127,287	127,287	129,133	(1,846)
School Administration:				
Office of the principal	182,488	182,488	179,981	2,507
Other	2,200	2,200	316	1,884
Business:				
Fiscal services	81,496	81,496	81,496	--
Operation and maintenance of plant	546,714	546,714	517,417	29,297
Student transportation	200,316	200,316	200,266	50
Food service	23,275	23,275	12,897	10,378
Internal service	11,515	11,515	6,511	5,004
Nonprogrammed Charges:				
Other	1,200	1,200	412	788
Cocurricular Activities:				
Male activities	58,666	58,666	56,926	1,740
Female activities	55,880	55,880	55,478	402
Combined activities	65,821	65,821	58,578	7,243
Contingencies	--	1,563	--	1,563
Total Expenditures	<u>3,205,291</u>	<u>3,236,978</u>	<u>3,159,227</u>	<u>77,751</u>
Excess of Revenues Over Expenditures	<u>(623,186)</u>	<u>(654,873)</u>	<u>(468,858)</u>	<u>186,015</u>
Other Financing Sources:				
Operating transfers in	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>	<u>--</u>
Total Other Financing Sources:	<u>330,000</u>	<u>330,000</u>	<u>330,000</u>	<u>--</u>
Net Change in Fund Balances	(293,186)	(324,873)	(138,858)	186,015
Fund Balance, Beginning of Year	<u>1,332,952</u>	<u>1,332,952</u>	<u>1,332,952</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,039,766</u>	<u>\$ 1,008,079</u>	<u>\$ 1,194,094</u>	<u>\$ 186,015</u>

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

Irene-Wakonda School District No. 13-3

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,011,707	\$ 1,011,707	\$ 1,096,169	\$ 84,462
Prior years' ad valorem taxes	10,000	10,000	13,353	3,353
Penalties and interest on taxes	4,000	4,000	3,941	(59)
Earnings on Investments and Deposits	5,000	5,000	927	(4,073)
Other Revenue from Local Sources:				
Other	10,000	10,000	3,588	(6,412)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	116,480	116,480	116,480	--
Restricted grants-in-aid received from federal government through the state	2,800	2,800	163,062	160,262
Total Revenues	<u>1,159,987</u>	<u>1,159,987</u>	<u>1,397,520</u>	<u>237,533</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	112,487	112,487	79,919	32,568
Middle/junior high	21,500	21,500	2,201	19,299
High school	199,000	199,000	46,605	152,395
Support Services:				
Instructional Staff				
Educational media	25,000	25,000	12,205	12,795
General Administration:				
Executive administration	1,500	1,500	1,550	(50)
Business:				
Fiscal services	5,000	5,000	5,000	--
Facilities acquisition and construction	455,000	455,000	18,219	436,781
Operation and maintenance of plant	98,274	98,274	72,067	26,207
Student transportation	59,500	59,500	27,045	32,455
Food Service	23,000	23,000	1,557	21,443
Debt Services:	86,265	86,265	111,989	(25,724)
Cocurricular Activities:				
Combined activities	37,337	37,337	37,445	(108)
Total Expenditures	<u>1,123,863</u>	<u>1,123,863</u>	<u>415,802</u>	<u>708,061</u>
Excess of Revenue Over (Under) Expenditures	<u>36,124</u>	<u>36,124</u>	<u>981,718</u>	<u>945,594</u>
Other Financing Sources (Uses):				
Transfers in	--	--	924	924
Transfers out	(330,000)	(330,000)	(330,000)	--
Total Other Financing Sources (Uses)	<u>(330,000)</u>	<u>(330,000)</u>	<u>(329,076)</u>	<u>924</u>
Net Change in Fund Balances	(293,876)	(293,876)	652,642	946,518
Fund Balance, Beginning of Year	<u>714,457</u>	<u>714,457</u>	<u>714,457</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 420,581</u>	<u>\$ 420,581</u>	<u>\$ 1,367,099</u>	<u>\$ 946,518</u>

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

Irene-Wakonda School District No. 13-3
 Required Supplementary Information – Budgetary Comparison
 Schedule – Special Education Fund – Budgetary Basis
 June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 700,500	\$ 700,500	\$ 794,083	\$ 93,583
Prior years' ad valorem taxes	5,000	5,000	6,926	1,926
Penalties and interest on taxes	1,200	1,200	2,191	991
Earnings on investments	--	--	1,726	1,726
Other Revenue from Local Sources:				
Charges for services	--	--	27,083	27,083
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	96,000	96,000	--	(96,000)
Total Revenues	<u>802,700</u>	<u>802,700</u>	<u>832,009</u>	<u>29,309</u>
Expenditures				
Instructional Services:				
Programs for special education	875,441	875,441	653,570	221,871
Support Services:				
Students:				
Psychological services	57,400	57,400	19,071	38,329
Student pathology	41,500	41,500	19,756	21,744
Student therapy services	60,000	60,000	39,819	20,181
Board of education	216	216	65	151
Special Education:				
Administrative costs	40,400	40,400	--	40,400
Total Expenditures	<u>1,074,957</u>	<u>1,074,957</u>	<u>732,281</u>	<u>342,676</u>
Net Change in Fund Balance	(272,257)	(272,257)	99,728	371,985
Fund Balance, Beginning of Year	<u>1,420,513</u>	<u>1,420,513</u>	<u>1,420,513</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,148,256</u>	<u>\$ 1,148,256</u>	<u>\$ 1,520,241</u>	<u>\$ 371,985</u>

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

Irene-Wakonda School District No. 13-3
Notes to the Required Supplementary Information
June 30, 2022

1. Budgets and Budgetary Accounting:

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

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

2. GAAP/Budgetary Accounting Basis Differences:

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

Irene-Wakonda School District No. 13-3
Schedule of Changes in Total OPEB Liability
June 30, 2022

TOTAL OPEB LIABILITY

Service Cost	\$ 23,235
Interest on Total OPEB Liability	5,574
Effect of economic/demographic (gains) or losses	3,072
Effect of assumption changes or inputs	(137,575)
Benefit payments	<u>(9,492)</u>
Net change in total OPEB liability	(115,186)
Total OPEB liability, beginning	<u>233,706</u>
Total OPEB liability, ending	<u><u>\$ 118,520</u></u>

Irene-Wakonda School District No. 13-3

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

	<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 proportionate share of the net pension liability (asset)	0.0858960%	0.0841764%	0.0854368%	0.0842415%	0.0848085%	0.0835998%	0.0863834%	0.0898522%
District's proportionate share of net pension liability (asset)	\$ (657,816)	\$ (3,656)	\$ (9,054)	\$ (1,965)	\$ (7,696)	\$ 282,392	\$ (366,377)	\$ (647,348)
District's covered-employee payroll	\$ 1,949,329	\$ 1,847,416	\$ 1,816,561	\$ 1,751,298	\$ 1,723,120	\$ 1,581,769	\$ 1,577,111	\$ 1,564,513
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-33.75%	-0.20%	-0.50%	-0.11%	-0.45%	17.85%	-23.23%	-41.38%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Irene-Wakonda School District No. 13-3
Schedule of the School District Contributions South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 125,273	\$ 116,955	\$ 110,845	\$ 108,994	\$ 105,078	\$ 103,388	\$ 94,906	\$ 94,627	\$ 94,276
Contributions in relation to the contractually-required contribution	<u>125,273</u>	<u>116,955</u>	<u>110,845</u>	<u>108,994</u>	<u>105,078</u>	<u>103,388</u>	<u>94,906</u>	<u>94,627</u>	<u>94,276</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	\$ 2,087,878	\$ 1,949,329	\$ 1,847,416	\$ 1,816,561	\$ 1,751,298	\$ 1,723,120	\$ 1,581,769	\$ 1,577,111	\$ 1,564,513
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.03%

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

Irene-Wakonda School District No. 13-3

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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