

Madison Central School District No. 39-2

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

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

Madison Central School District No. 39-2

School District Officials

June 30, 2022

Board Members

Tom Farrell ----- Board President

Lori Schultz -----Vice President

Angi Kappenman ----- Member

Steve Nelson ----- Member

Robert Honomichl ----- Member

Keith Bundy ----- Member

Rich Avery ----- Member

Joel Jorgenson -----Superintendent

Mitchell Brooks -----Business Manager

Madison Central School District No. 39-2

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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
Madison Central School District No. 39-2
Lake 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 Madison Central School District No. 39-2, Lake 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 the School District’s basic financial statements and have issued our report thereon dated March 17, 2023, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 Fiduciary Activities and the long-term financial obligations and commitments related to other postemployment benefits was not recorded.

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, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompany Schedule of Prior and Current Audit Findings and Questioned Costs as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison Central 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*.

School District's Response to Findings

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

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 Madison Central 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.



Elk Point, South Dakota
March 17, 2023



Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

School Board
Madison Central School District No. 39-2
Lake County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Madison Central School District No. 39-2’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Madison Central School District’s major federal programs for the year ended June 30, 2022. Madison Central School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Madison Central School District No. 39-2 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grants agreements applicable to School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk is not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Management of Madison Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.



Elk Point, South Dakota
March 17, 2023

Madison Central School District No. 39-2

*Office of the Business Manager
Phone: (605)256-7710*

*800 NE 9th Street
Madison, SD 57042*

Corrective Action Plan (Unaudited)

Madison Central School District No. 39-2 respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

ELO Prof. LLC
PO Box 426
Elk Point, SD 57025

Significant deficiency resulting from the lack of segregation of duties.

Initial Fiscal Year Finding Occurred: 2013

Finding Summary: A significant deficiency in internal controls was reported due to a lack of proper segregation of duties resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Responsible Individual: Mitchell Brooks, Business Manager

Corrective Action Plan: At this time, it is not cost efficient for Madison Central School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the school district to decrease the likelihood that financial data is adversely affected.

Anticipated Completion Date: Ongoing



Independent Auditor's Report

School Board
Madison Central School District No. 39-2
Lake County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison Central School District No. 39-2, Lake 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 the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified Opinions" section of our report, 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 Madison Central School District No. 39-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

The School District has elected not to record the long-term financial obligations and commitments related to other postemployment benefits (OPEB) in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America require OPEB costs to be recognized and reported in a systematic, accrual-basis measurement over a period that approximates employees' years of service, which would most likely increase long-term liabilities and expenditures and decrease net position in the governmental activities Statement of Net Position. Accounting principles generally accepted in the United States of America also require information to be provided about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan. The amount by which this departure would affect the liabilities, net position and expenditures of the governmental activities is not reasonably determinable.

The School District did not adopt Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses/expenditures of the governmental activities, the general governmental fund, and the aggregate remaining fund information is not reasonably determinable.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of School District Contributions listed in the table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Madison Central School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
March 17, 2023

Madison Central School District No. 39-2
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Madison Central School District 39-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the School's revenues generated from business-type programs were \$194,991 more than the \$647,980 business-type program expenditures.
- The South Dakota Retirement System (SDRS) pension asset from last year (2020-21) saw a decrease of 0.0070690% for this year (2021-22).
- The School paid \$930,855 toward the principal balance of our debt in this year. After these payments, we have \$8,588,872 of debt remaining.

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:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation and Drivers Education.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – 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.

Madison Central School District No. 39-2
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 remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Madison Central 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 and the fiduciary component units)	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 Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Madison Central School District No. 39-2
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 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 Food Service Fund and the Other Enterprise Fund (Driver's Education) are the only business-type activities of the School.

Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

Madison Central School District No. 39-2
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 Drivers Education 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 and a statement of changes in net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

Madison Central School District No. 39-2
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
 Madison School District 39-2
 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	\$ 12,418,517	\$ 15,536,131	\$ 360,062	\$ 592,893	\$ 12,778,579	\$ 16,129,024	26.22%
Capital Assets (Net of Depreciation)	26,276,027	25,484,229	230,290	204,421	26,506,317	25,688,650	-3.08%
Total Assets	38,694,544	41,020,360	590,352	797,314	39,284,896	41,817,674	6.45%
Pension Related Deferred Outflows	2,005,253	2,960,383	--	--	2,005,253	2,960,383	47.63%
Total Deferred Outflows or Resources	2,005,253	2,960,383	--	--	2,005,253	2,960,383	47.63%
Current Liabilities	1,038,138	1,293,911	39,747	51,718	1,077,885	1,345,629	24.84%
Long-Term Debt Outstanding	9,537,345	8,677,614	--	--	9,537,345	8,677,614	-9.01%
Total Liabilities	10,575,483	9,971,525	39,747	51,718	10,615,230	10,023,243	-5.58%
Taxes Levied for Future Period	3,559,602	3,707,302	--	--	3,559,602	3,707,302	4.15%
Pension Related Deferred Inflows	1,639,751	4,149,640	--	--	1,639,751	4,149,640	153.07%
Total Deferred Inflows of Resources	5,199,353	7,856,942	--	--	5,199,353	7,856,942	51.11%
Net Investment in Capital Assets	16,756,301	16,818,776	230,290	204,421	16,986,591	17,023,197	0.22%
Restricted	5,483,167	6,980,326	--	--	5,483,167	6,980,326	27.30%
Unrestricted	2,685,493	2,353,174	320,315	541,175	3,005,808	2,894,349	-3.71%
Total Net Assets	24,924,961	26,152,276	550,605	745,596	25,475,566	26,897,872	5.58%
Beginning Net Position	23,906,200	24,924,961	505,358	550,605	24,411,558	25,475,566	4.36%
Prior Period Adjustments	217,000	--	--	--	217,000	--	0.00%
Adjusted Beginning Net Position	24,123,200	24,924,961	505,358	550,605	24,628,558	25,475,566	3.44%
Increase (Decrease) in Net Position	\$ 801,761	\$ 1,227,315	\$ 45,247	\$ 194,991	\$ 847,008	\$ 1,422,306	-67.92%
Percentage of Increase (Decrease) in Net Position	3.35%	4.92%	8.95%	35.41%	3.47%	5.58%	

The School's combined net position of approximately \$26.8 million is approximately \$1.4 million or 5.58% larger than on June 30, 2021. The increase in the School's financial position was primarily in its governmental activities due in part to additional general revenues in taxes and federal sourced income.

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 bonds payable, capital outlay certificates, notes, capital lease purchase payables, and compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Madison Central School District No. 39-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The Madison Central School District's total revenues (excluding transfers) in FY22 were \$16,125,394. More than 54% of the School's revenue comes from property and other taxes, with approximately 20% coming from state aid. (See Table A-2).

Table A-2
Madison School District 39-2
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 8,746,163	54.24%
State Sources	3,268,940	20.27%
Operating Grants & Contributions	1,971,548	12.23%
Charges For Services	714,424	4.43%
Other General Revenues	1,415,807	8.78%
Unrestricted Investment Earnings	8,512	0.05%
Total Revenue	\$ 16,125,394	100.00%

Total expenditures of all programs and services increased by approximately 2%. The Madison Central School District expenses totaled \$14,703,088 (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, nonprogrammed charges, food services, and driver's education. (See Table A-3).

Table A-3
Madison School District 39-2
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 7,668,352	52.16%
Support Services	5,677,914	38.62%
Interest - on Long-Term Debt	175,349	1.19%
Community Services	9,479	0.06%
Cocurricular Activities	524,014	3.56%
Food Service	630,550	4.29%
Drivers Education	17,430	0.12%
Total Expenditures	\$ 14,703,088	100.00%

Madison Central School District No. 39-2
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

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 116,553	\$ 649,981	\$ 63,963	\$ 64,443	\$ 180,516	\$ 714,424	295.77%
Operating Grants/Contributions	1,451,395	1,193,020	516,507	778,528	1,967,902	1,971,548	0.19%
Capital Grants/Contributions	34,228	--	--	--	34,228	--	-100.00%
General Revenues							
Taxes	8,476,120	8,746,163	--	--	8,476,120	8,746,163	3.19%
Revenue State Sources	3,400,338	3,268,940	--	--	3,400,338	3,268,940	-3.86%
Other							
Other general revenues	1,249,793	1,415,807	--	--	1,249,793	1,415,807	13.28%
Unrestricted Investment Earnings	9,450	8,512	258	--	9,708	8,512	-12.32%
	<u>14,737,877</u>	<u>15,282,423</u>	<u>580,728</u>	<u>842,971</u>	<u>15,318,605</u>	<u>16,125,394</u>	<u>5.27%</u>
Expenses							
Instruction	7,618,997	7,668,352	--	--	7,618,997	7,668,352	0.65%
Support Services	5,581,081	5,677,914	--	--	5,581,081	5,677,914	1.74%
Community Services	9,909	9,479	--	--	9,909	9,479	-4.34%
Non-programmed Charges	1,308	--	--	--	1,308	--	-100.00%
Interest on long-term debt	231,353	175,349	--	--	231,353	175,349	-24.21%
Co-curricular Activities	493,468	524,014	--	--	493,468	524,014	6.19%
Food Service	--	--	532,888	630,550	532,888	630,550	18.33%
Drivers Education	--	--	2,593	17,430	2,593	17,430	572.19%
	<u>13,936,116</u>	<u>14,055,108</u>	<u>535,481</u>	<u>647,980</u>	<u>14,471,597</u>	<u>14,703,088</u>	<u>1.60%</u>
Increase (Decrease) in							
Net Assets	801,761	1,227,315	45,247	194,991	847,008	1,422,306	67.92%
Prior Period Adjustments	217,000	--	--	--	217,000	--	-100.00%
Beginning Adjusted							
Net Position	<u>24,123,200</u>	<u>24,924,961</u>	<u>505,358</u>	<u>550,605</u>	<u>24,628,558</u>	<u>25,475,566</u>	<u>3.44%</u>
Ending Net Position	<u>\$ 24,924,961</u>	<u>\$ 26,152,276</u>	<u>\$ 550,605</u>	<u>\$ 745,596</u>	<u>\$ 25,475,566</u>	<u>\$ 26,897,872</u>	<u>5.58%</u>

Madison Central School District No. 39-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental Activities

Revenues for the School's governmental activities increased approximately 3.6% while expenses for governmental activities increased by approximately 0.8%. The larger revenue increases occurred in charges for services and other general revenues.

Business-Type Activities

Expenditures of the School's business-type activities (Food Service Operation and Other Enterprise) increased by 21.1% while revenues increased by 45.1%.

Financial Analysis of the School's Funds

The General Fund decreased in fund balance from FY21 to FY22 by \$313,688 and the Capital Outlay fund balance increased by \$819,432 due to projects that the school completed in FY22. The Special Education Fund had an increase in fund balance of \$96,674, which was mostly caused by reduced Special Education state aid due to an excess fund balance. The Capital Projects Fund and Debt Services Funds were open in FY22 due to Elementary Addition and GO Bond.

General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.
- Changes made to reflect the hiring freeze implemented by the School Board.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns in the general fund.

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

Madison Central School District No. 39-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Capital Asset Administration

By the end of FY22, the School had invested \$25,484,229 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$817,667.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 877,449	\$ 877,449	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	18,045,127	17,597,325	--	--	(447,802)	-2.48%
Improvements	5,233,433	4,956,139	--	--	(277,294)	-5.30%
Machinery & Equipment	2,120,018	1,976,735	230,290	204,421	(169,152)	-7.20%
Intangible Lease Assets	--	76,581	--	--	76,581	100.00%
Total Capital Assets	\$ 26,276,027	\$ 25,484,229	\$ 230,290	\$ 204,421	\$ (817,667)	-3.08%

Major capital outlay purchases in FY22 included HS roof replacement, Portable Classroom, HS Soccer Fields, Cabinets, Ionization System, Scrubbers, Vacuum, HS Chiller/AHU Cooling, MS/HS Light Replacement and Elementary School Addition.

Long-Term Debt

At year-end, the School had \$8,677,614 in general long-term obligations. This balance includes General Obligation Bonds, Capital Outlay Certificates, and other long-term obligations. 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>		
General Obligation Bonds	\$ 4,215,000	\$ 3,870,000	\$ (345,000)	-8.19%
Capital Outlay Certificates	4,480,000	4,150,000	(330,000)	-7.37%
Notes Payable	824,727	568,872	(255,855)	-31.02%
Intangible Lease Liabilities	--	76,581	76,581	100.00%
Direct Borrowing Note	6,487	--	(6,487)	-100.00%
Accrued Compensated Absences - Governmental Funds	11,132	12,161	1,029	9.24%
Total Outstanding Debt	\$ 9,537,346	\$ 8,677,614	\$ (859,732)	-9.01%

Madison Central School District No. 39-2
Management Discussion and Analysis (MD&A)
June 30, 2022

The school is liable for the repayment of Qualified Zone Academy Bonds, General Obligation bonds, Capital Outlay Certificates, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District.

Economic Factors And Next Year's Budgets And Rates

The School's current economic position has shown little change. The School did experience an increase in total property valuation from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Madison Central School Business Office, 800 NE. 9th Street, Madison, SD 57042.

Madison Central School District No. 39-2
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 8,987,898	\$ 587,272	\$ 9,575,170
Taxes receivable	3,738,024	--	3,738,024
Inventories	14,249	5,621	19,870
Other assets	648,890	--	648,890
Net pension asset	2,147,070	--	2,147,070
Capital assets:			
Land and construction in progress	877,449	--	877,449
Other capital assets, net of depreciation	24,606,780	204,421	24,811,201
Total Assets	41,020,360	797,314	41,817,674
Deferred Outflows of Resources:			
Pension-related deferred outflows	2,960,383	--	2,960,383
Total Deferred Outflows of Resources	2,960,383	--	2,960,383
Liabilities:			
Accounts payable	271,944	116	272,060
Unearned revenue	--	51,602	51,602
Other current liabilities	1,021,967	--	1,021,967
Long-term liabilities:			
Due within one year	970,282	--	970,282
Due in more than one year	7,707,332	--	7,707,332
Total Liabilities	9,971,525	51,718	10,023,243
Deferred Inflows of Resources:			
Taxes levied for future periods	3,707,302	--	3,707,302
Pension related deferred inflows	4,149,640	--	4,149,640
Total Deferred Inflows of Resources	7,856,942	--	7,856,942
Net Position:			
Net investment in capital assets	16,818,776	204,421	17,023,197
Restricted for:			
Capital outlay	5,103,947	--	5,103,947
Special education	781,819	--	781,819
Debt service	136,747	--	136,747
SDRS pension purposes	957,813	--	957,813
Unrestricted	2,353,174	541,175	2,894,349
Total Net Position	\$ 26,152,276	\$ 745,596	\$ 26,897,872

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

Madison Central School District No. 39-2
Statement of Activities – Government-Wide
June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
Instruction	\$ 7,668,352	\$ --	\$ 1,193,020	\$ (6,475,332)	\$ --	\$ (6,475,332)
Support services	5,677,914	586,807	--	(5,091,107)	--	(5,091,107)
Community services	9,479	--	--	(9,479)	--	(9,479)
Interest on long-term debt	175,349	--	--	(175,349)	--	(175,349)
Cocurricular activities	524,014	63,174	--	(460,840)	--	(460,840)
Total Governmental Activities	<u>14,055,108</u>	<u>649,981</u>	<u>1,193,020</u>	<u>(12,212,107)</u>	<u>--</u>	<u>(12,212,107)</u>
Business-Type Activities:						
Food service	630,550	46,545	778,528	--	194,523	194,523
Driver's education	17,430	17,898	--	--	468	468
Total Business Type Activities	<u>647,980</u>	<u>64,443</u>	<u>778,528</u>	<u>--</u>	<u>194,991</u>	<u>194,991</u>
Total Primary Government	<u>\$ 14,703,088</u>	<u>\$ 714,424</u>	<u>\$ 1,971,548</u>	<u>(12,212,107)</u>	<u>194,991</u>	<u>(12,017,116)</u>
General Revenues:						
Taxes:						
				8,592,816	--	8,592,816
				153,347	--	153,347
Revenue from state sources:						
				3,236,148	--	3,236,148
				32,792	--	32,792
				8,512	--	8,512
				1,415,807	--	1,415,807
Total General Revenues and Transfers				<u>13,439,422</u>	<u>--</u>	<u>13,439,422</u>
				1,227,315	194,991	1,422,306
				<u>24,924,961</u>	<u>550,605</u>	<u>25,475,566</u>
				<u>\$ 26,152,276</u>	<u>\$ 745,596</u>	<u>\$ 26,897,872</u>

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

Madison Central School District No. 39-2

Balance Sheet – Governmental Funds

June 30, 2022

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,056,511	\$ 4,962,701	\$ 896,506	\$ 135,490	\$ 8,051,208
Taxes receivable - current	1,698,085	1,135,747	677,572	195,898	3,707,302
Taxes receivable - delinquent	26,219	--	3,246	1,257	30,722
Accounts receivable	3,089	--	--	--	3,089
Due from other governments	356,970	--	63,431	--	420,401
Inventory of supplies	14,249	--	--	--	14,249
Prepaid Expenses	--	225,400	--	--	225,400
Total Assets	\$ 4,155,123	\$ 6,323,848	\$ 1,640,755	\$ 332,645	\$ 12,452,371
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 146,446	\$ 84,154	\$ 36,322	\$ --	\$ 266,922
Contracts payable	631,095	--	116,985	--	748,080
Payroll deductions and withholding and employer matching payable	148,830	--	28,057	--	176,887
Total Liabilities	926,371	84,154	181,364	--	1,191,889
Deferred Inflows of Resources:					
Taxes levied for future period	1,698,085	1,135,747	677,572	195,898	3,707,302
Delinquent taxes not available	26,219	--	3,246	1,257	30,722
Total Deferred Inflows of Resources	1,724,304	1,135,747	680,818	197,155	3,738,024
Fund Balances:					
Nonspendable:					
Inventory	10,021	--	--	--	10,021
Restricted:					
For capital outlay	--	5,103,947	--	--	5,103,947
For special education	--	--	778,573	--	778,573
For debt service	--	--	--	135,490	135,490
Assigned	109,656	--	--	--	109,656
Unassigned	1,384,771	--	--	--	1,384,771
Total Fund Balances	1,504,448	5,103,947	778,573	135,490	7,522,458
Total Liabilities and Fund Balances	\$ 4,155,123	\$ 6,323,848	\$ 1,640,755	\$ 332,645	\$ 12,452,371

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

Madison Central School District No. 39-2

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

Total Fund Balances - Governmental Funds \$ 7,522,458

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. 25,484,229

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Intangible Lease Liability	(76,581)	
GO Bonds	(3,870,000)	
Notes Payable	(568,872)	
Capital Outlay Certificates	(4,150,000)	
Accrued Leave	<u>(12,161)</u>	(8,677,614)

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 30,722

Proportionate Share of Net Pension Asset 2,147,070

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (4,149,640)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 2,960,383

An internal service fund is used by the District's management to charge the costs of unemployment 834,668

Net Position - Governmental Activities \$ 26,152,276

Madison Central School District No. 39-2
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>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 3,880,310	\$ 2,645,527	\$ 1,546,872	\$ 451,937	\$ 8,524,646
Prior years' ad valorem taxes	34,559	18,956	10,428	3,220	67,163
Tax Deed Revenue	33	13	7	2	55
Utility taxes	153,347	--	--	--	153,347
Penalties and interest on taxes	8,319	5,331	2,890	896	17,436
Earnings on Investments and Deposits	8,512	--	--	--	8,512
Cocurricular Activities:					
Admissions	46,878	--	--	--	46,878
Other student activity income	16,296	--	--	--	16,296
Other Revenue from Local Sources:					
Rentals	25,251	45,000	--	--	70,251
Services provided other schools	31,200	--	--	--	31,200
Charges for services	16,395	--	26,658	--	43,053
Other	9,087	3,032	19,776	--	31,895
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	70,877	--	--	--	70,877
Revenue in lieu of taxes	15,661	7,534	1,738	1,000	25,933
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	3,236,148	--	--	--	3,236,148
Restricted grants-in-aid	22,188	--	--	--	22,188
Other state revenue	10,604	--	--	--	10,604
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received from federal government through intermediate sources	2,368	4,038	2,409	696	9,511
Restricted grants-in-aid received from federal government through the state	902,438	--	281,071	--	1,183,509
Total Revenues	<u>\$ 8,490,471</u>	<u>\$ 2,729,431</u>	<u>\$ 1,891,849</u>	<u>\$ 457,751</u>	<u>\$ 13,569,502</u>

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

Madison Central School District No. 39-2
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>Bond Redemption</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 1,982,485	\$ 319,621	\$ --	\$ --	\$ 2,302,106
Middle/junior high	1,152,045	155,308	--	--	1,307,353
High school	1,732,499	181,245	--	--	1,913,744
Other regular programs	16,095	--	--	--	16,095
Special Programs:					
Programs for special education	--	--	1,347,237	--	1,347,237
Educationally deprived	215,285	--	--	--	215,285
Support Services:					
Students:					
Guidance	211,267	--	--	--	211,267
Health	53,027	--	--	--	53,027
Psychological	--	--	52,249	--	52,249
Speech pathology	--	--	139,487	--	139,487
Student therapy services	--	--	69,074	--	69,074
Instructional Staff:					
Improvement of instruction	90,164	--	--	--	90,164
Educational media	269,996	39,214	--	--	309,210
General Administration:					
Board of education	49,066	--	--	--	49,066
Executive administration	238,372	--	--	--	238,372
School Administration:					
Office of the principal	588,505	--	--	--	588,505
Other	1,504	--	--	--	1,504

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

Madison Central School District No. 39-2

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

June 30, 2022 (Continued)

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Business:					
Fiscal services	207,737	--	--	--	207,737
Operation and maintenance of plant	1,107,785	285,074	--	--	1,392,859
Student transportation	378,794	42,260	--	--	421,054
Internal Services	18,960	26,575	--	--	45,535
Special Education:					
Administrative costs	--	--	126,971	--	126,971
Transportation costs	--	--	50,212	--	50,212
Other special education costs	--	--	9,945	--	9,945
Community Services:					
Nonpublic school	3,939	--	--	--	3,939
Other	5,540	--	--	--	5,540
Debt Services:	--	675,305	--	449,525	1,124,830
Cocurricular Activities:					
Male activities	95,087	--	--	--	95,087
Female activities	85,105	--	--	--	85,105
Transportation	35,681	--	--	--	35,681
Combined activities	241,011	16,809	--	--	257,820
Capital Outlay	24,210	168,688	--	--	192,898
Total Expenditures	<u>8,804,159</u>	<u>1,910,099</u>	<u>1,795,175</u>	<u>449,525</u>	<u>12,958,958</u>
Excess of Revenue Over (Under) Expenditures	(313,688)	819,332	96,674	8,226	610,544
Other Financing Sources (Uses):					
Sale of Surplus Property	--	100	--	--	100
Total Other Financing Sources (Uses)	<u>--</u>	<u>100</u>	<u>--</u>	<u>--</u>	<u>100</u>
Net Change in Fund Balances	(313,688)	819,432	96,674	8,226	610,644
Fund Balance, Beginning of Year	<u>1,818,136</u>	<u>4,284,515</u>	<u>681,899</u>	<u>127,264</u>	<u>6,911,814</u>
Fund Balance, End of Year	<u>\$ 1,504,448</u>	<u>\$ 5,103,947</u>	<u>\$ 778,573</u>	<u>\$ 135,490</u>	<u>\$ 7,522,458</u>

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

Madison Central School District No. 39-2

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		\$ 610,644
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.		192,898
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.		(1,072,704)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(712)
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		
GO Bond	345,000	
Notes Payable	255,855	
Intangible Lease Liability	12,139	
Direct Borrowing Note	6,487	
CO Certificate	<u>330,000</u>	949,481
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."		(16,484)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.		(1,029)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		579,829
Internal service funds are used by management to charge costs of certain activities such as self insurance to individual funds. The net revenue (expense) of the internal service funds is reported within the governmental activities.		<u>(14,608)</u>
Change in net position of governmental activities		<u>\$ 1,227,315</u>

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

Madison Central School District No. 39-2
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Other Enterprise Fund	Totals	
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 569,646	\$ 17,626	\$ 587,272	\$ 936,690
Inventory - Supplies	551	--	551	--
Inventory - stores for resale	5,070	--	5,070	--
Total Current Assets	575,267	17,626	592,893	936,690
Noncurrent Assets:				
Machinery and equipment - local funds	364,098	--	364,098	--
Less accumulated depreciation	(159,677)	--	(159,677)	--
Total Noncurrent Assets	204,421	--	204,421	--
Total Assets	\$ 779,688	\$ 17,626	\$ 797,314	\$ 936,690
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 18	\$ 98	\$ 116	\$ 5,022
Incurred But Not Reported Claims	--	--	--	97,000
Unearned revenue	51,602	--	51,602	--
Total Current Liabilities	51,620	98	51,718	102,022
Net Position:				
Net investment in capital assets	204,421	--	204,421	--
Unrestricted net position	523,647	17,528	541,175	834,668
Total Net Position	\$ 728,068	\$ 17,528	\$ 745,596	\$ 834,668

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

Madison Central School District No. 39-2

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

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Other Enterprise Fund	Totals	
Operating Revenue:				
Tuition and Fees:				
Driver's education fees	\$ --	\$ 17,898	\$ 17,898	\$ --
Food Sales:				
Student	1,938	--	1,938	--
Adult	7,999	--	7,999	--
A la Carte	36,608		36,608	
Self insurance premiums	--	--	--	1,170,708
Other	--	--	--	3,702
Total Operating Revenue	<u>46,545</u>	<u>17,898</u>	<u>64,443</u>	<u>1,174,410</u>
Operating Expenses:				
Food Service:				
Salaries	176,630	--	176,630	--
Employee benefits	48,145	--	48,145	--
Purchased services	20,842	--	20,842	--
Supplies	19,399	--	19,399	--
Cost of sales - purchased	274,974	--	274,974	--
Cost of sales - donated	64,691	--	64,691	--
Depreciation	25,869	--	25,869	--
Other Community Services:				
Salaries	--	12,449	12,449	
Supplies	--	98	98	
Other	--	4,883	4,883	
Self Insurance Costs	--	--	--	1,189,015
Total Operating Expenses	<u>630,550</u>	<u>17,430</u>	<u>647,980</u>	<u>1,189,015</u>
Operating Income(Loss)	(584,005)	468	(583,537)	(14,605)
Nonoperating Revenues:				
Local Sources:				
Cash reimbursements	8,646	--	8,646	--
State Sources:				
Cash reimbursements	1,694	--	1,694	--
Federal Sources:				
Cash reimbursements	703,497	--	703,497	--
Donated food	64,691	--	64,691	--
Total Nonoperating Revenue/ (Expenses)	<u>778,528</u>	<u>--</u>	<u>778,528</u>	<u>--</u>
Change in Net Position	194,523	468	194,991	(14,605)
Net Position - Beginning of Year	<u>533,545</u>	<u>17,060</u>	<u>550,605</u>	<u>849,273</u>
Net Position - End of Year	<u>\$ 728,068</u>	<u>\$ 17,528</u>	<u>\$ 745,596</u>	<u>\$ 834,668</u>

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

Madison Central School District No. 39-2
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Food Service Fund	Other Enterprise Fund	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 59,858	\$ 17,898	\$ 77,756	\$ --
Cash Receipts for Interfund Services Provided	--	--	--	1,174,410
Cash payments to suppliers	(318,027)	(4,883)	(322,910)	--
Cash payments to employees	(224,775)	(12,449)	(237,224)	--
Other Receipts and (Disbursements)	--	--	--	(1,146,196)
Net Cash (Used) by Operating Activities	<u>(482,944)</u>	<u>566</u>	<u>(482,378)</u>	<u>28,214</u>
Cash Flows from Noncapital Financing Activities:				
Other local revenue	8,646	--	8,646	--
Cash reimbursements - state	1,694	--	1,694	--
Cash reimbursements - federal	713,474	--	713,474	--
Net Cash Provided by Noncapital Financing Activities	<u>723,814</u>	<u>--</u>	<u>723,814</u>	<u>--</u>
Net Change in Cash and Cash Equivalents	240,870	566	241,436	28,214
Cash and Cash Equivalents, Beginning of Year	328,776	17,060	345,836	908,476
Cash and Cash Equivalents, End of Year	<u>\$ 569,646</u>	<u>\$ 17,626</u>	<u>\$ 587,272</u>	<u>\$ 936,690</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:				
Operating (Loss)	\$ (584,005)	\$ 468	\$ (583,537)	\$ (14,605)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:				
Depreciation expense	25,869	--	25,869	--
Value of commodities used	64,691	--	64,691	--
Change in Assets and Liabilities:				
Accounts receivable	4,248	--	4,248	--
Inventory	(5,621)	--	(5,621)	--
Deferred revenue	13,313	--	13,313	--
Accounts payable	(1,439)	98	(1,341)	42,819
Net cash (used) by operating activities:	<u>\$ (482,944)</u>	<u>\$ 566</u>	<u>\$ (482,378)</u>	<u>\$ 28,214</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	<u>\$ 64,691</u>	<u>\$ --</u>	<u>\$ 64,691</u>	<u>\$ --</u>

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

Madison Central School District No. 39-2

Statement of Net Position – Fiduciary Funds

June 30, 2022

	<u>Private -Purpose Trust Funds</u>	<u>Custodial Funds</u>
Assets		
Cash and cash equivalents	\$ 446,644	\$ 178,371
Beneficial Interest in Assets held by SDCF	651,772	--
Total Assets	<u>\$ 1,098,416</u>	<u>\$ 178,371</u>
Liabilities		
Amount Held for Others	\$ --	\$ 178,371
Total Liabilities	<u>\$ --</u>	<u>\$ 178,371</u>
Net Position		
Restricted for Scholarships:		
Non-Expendable	\$ 651,772	\$ --
Expendable	434,163	--
Restricted for Educational Enrichment:		
Expendable	12,481	--
Total Net Position	<u>\$ 1,098,416</u>	<u>\$ --</u>

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

Madison Central School District No. 39-2
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds
Additions:	
Contributions and donations	\$ 515,352
Total Additions	515,352
Deductions:	
Trust deductions for scholarships awarded	210,213
Total Deductions	210,213
Change in Net Position	305,139
Net Position - Beginning	793,277
Net Position - Ending	\$ 1,098,416

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

Madison Central School District No. 39-2

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. Reporting Entity:

The reporting entity of Madison Central School District No. 39-2, 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 District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organizations governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

The School District has included the Madison Central School Educational Foundation, Inc., as a blended component unit, as part of the private-purpose trust funds on the statement of fiduciary net position and statement of changes in fiduciary net position. The Madison Central School Educational Foundation is a non-profit corporation established to promote, enhance, and enable educational opportunities, in the Madison Central School District. The financial records are maintained by the Madison Central School District and may be obtained from them.

The School District participates in a cooperative service unit with several other School Districts. See detailed note entitled "Consortium Information" for specific disclosures. Consortia 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.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

b. Government-Wide and Fund Financial Statements:

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. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods 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.

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified 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 Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

The Bond Redemption Funds: A fund established by SDCL 13-16-13. There is one Bond Redemption Fund: The Bond Redemption Fund – a fund established by SDCL 13-16-13 to account for the proceeds on a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt for Capital Projects. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods 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.)

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

Drivers Education Fund: A fund used to record financial transactions related to driver's education. This fund is financed by user charges. This is a major fund.

Internal Service Funds – A fund used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds.

The Health Insurance Fund is the only Internal Service Fund maintained by the School District.

Fiduciary Funds:

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

Private Purpose Trust Funds – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The amounts accounted for in the District's private-purpose trust funds include amounts originating from donations for the purpose of paying scholarship monies to students, and the Madison Central School Education Foundation Inc. component unit activities.

Custodial Fund Types – 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 district maintains custodial funds for the following purposes: Student Class Funds, Student Club Funds, and Clearing Accounts.

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.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Madison Central School District 39-2, the length of that cycle is ten days. The revenues which are accrued at June 30, 2022 are due from other governments for grants and taxes.

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 doubling-up effect on internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund, so the expenses are reported only in the function to which they relate.

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 to date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately 2.42% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2022 balance of capital assets for business-type activities are valued at original cost.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	\$ 5,000	--	--
Buildings	5,000	Straight-line	50 years
Improvements	5,000	Straight-line	10-50 years
Machinery and Equipment	5,000	Straight-line	2-10 years
Food Service Machinery and Equipment	2,500	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.

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 consist of compensated absences, note payable, capital outlay certificates payable, general obligation bonds payable, and direct borrowing notes.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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. Leases:

Lessee:

The School District is a lessee for a noncancellable lease of copiers and printers. The School District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$88,720 or more.

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

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

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

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

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

i. Program Revenues:

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

j. Deferred Inflows and 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 applied to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

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

k. Proprietary Funds Revenue and 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.

l. 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.

m. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

n. Application of Net Position:

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

o. 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.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

p. Pensions:

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

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.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

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

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

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.

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2022, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

Concentrations of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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.

3. Receivables and Payable:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectibles has been established as the District believes all receivables are collectible.

4. Inventory:

Inventory held for consumption is stated at cost.

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

4. Inventory: (Continued)

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 assets.

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 revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$420,401 due from various county, school, state and federal governments.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets:

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

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
**Restatement due to GASB 87				
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 877,449	\$ --	\$ --	\$ 877,449
Total, not being depreciated/amortized	<u>877,449</u>	<u>--</u>	<u>--</u>	<u>877,449</u>
Capital assets being depreciated/amortized:				
Buildings	25,009,509	--	--	25,009,509
Improvements Other than Buildings	9,024,188	136,988	--	9,161,176
Machinery and Equipment	3,516,506	55,910	36,605	3,535,811
Intangible Asset **	--	88,720	--	88,720
Total, being depreciated/amortized	<u>37,550,203</u>	<u>281,618</u>	<u>36,605</u>	<u>37,795,216</u>
Less accumulated depreciation/amortized for:				
Buildings	6,964,382	447,802	--	7,412,184
Improvements Other than Buildings	3,790,755	414,282	--	4,205,037
Machinery and Equipment	1,396,488	198,481	35,893	1,559,076
Intangible Asset **	--	12,139	--	12,139
Total accumulated depreciation/amortization	<u>12,151,625</u>	<u>1,072,704</u>	<u>35,893</u>	<u>13,188,436</u>
Total capital assets, being depreciated/amortized	<u>25,398,578</u>	<u>(791,086)</u>	<u>712</u>	<u>24,606,780</u>
Net Capital Assets	<u>\$ 26,276,027</u>	<u>\$ (791,086)</u>	<u>\$ 712</u>	<u>\$ 25,484,229</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 566,532
Support services	443,712
Co-curricular activities	50,321
Amortization	<u>12,139</u>
Total Depreciation/amortization	
Expense -Governmental Activities	<u>\$ 1,072,704</u>

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets:

	<u>Balance 6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and Equipment	\$ 364,098	\$ --	\$ --	\$ 364,098
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>133,808</u>	<u>25,869</u>	<u>--</u>	<u>159,677</u>
Total capital assets being depreciated, net	<u>\$ 230,290</u>	<u>\$ (25,869)</u>	<u>\$ --</u>	<u>\$ 204,421</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 25,869</u>

8. 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 One Year</u>
**Restated-Implementation of GASB 87					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 4,215,000	\$ --	\$ 345,000	\$ 3,870,000	\$ 360,000
Capital Outlay Certificates	<u>4,480,000</u>	<u>--</u>	<u>330,000</u>	<u>4,150,000</u>	<u>340,000</u>
	8,695,000	--	675,000	8,020,000	700,000
Notes Payable	824,727	--	255,855	568,872	253,288
Other Liabilities:					
Compensated Absences	11,132	1,029	--	12,161	--
Right to Use asset:					
OSC Copier**	--	88,720	12,139	76,581	16,994
Direct Borrowing Note	6,487	--	6,487	--	--
Total Long-Term Liabilities	<u>\$ 9,537,346</u>	<u>\$ 89,749</u>	<u>\$ 949,481</u>	<u>\$ 8,677,614</u>	<u>\$ 970,282</u>

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

8. Long-Term Liabilities: (Continued)

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

Compensated Absences –

Vacation pay which is payable from the General Fund. \$ 12,161

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

Madison Central School District No 39-2 General Obligation Bonds, Series 2017	During August 2017, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$5,250,000. There is a varying interest rate from 1.05% to 3.10% assessed on these bonds. Final payment is August 2030. The Bond Redemption Fund makes payment on this debt.	\$ 3,870,000
Madison Central School District No 39-2 Capital Outlay Certificates Series 2012	During September 2012, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$6,035,000. There is a varying interest rate from 1.1 to 3.00% assessed on these certificates. Final payment is July 2032. The Capital Outlay Fund makes payments on this debt.	\$ 4,150,000
Madison Central School District No. 39-2, Intangible Lease	During 2022, the School District entered into an agreement to lease copiers and printers in the amount of \$88,720. There is an imputed interest rate of 1.50% assessed on this lease. The Capital Outlay Fund makes payments on this debt.	\$ 76,581
Madison Central School District No. 39-2, Energy Efficient School Note Payable	The School District received a \$2,254,000 3% SD Energy Efficiency loan in 2008. The maturity date is September 5, 2023. The Capital Outlay Fund makes payments on this debt.	\$ 450,800

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

8. Long-Term Liabilities: (Continued)

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

Madison Central School District No. 39-2, Van Hool Promissory Note	The School District received a \$64,250 promissory note with an interest rate of 3.75% in December, 2020. The maturity date is July, 2025. The Capital Outlay Fund makes payments on this debt.	\$ 51,615
Madison Central School District No. 39-2, Ford Promissory Note	The School District received a \$84,277 promissory note with an interest rate of 3.75% in June, 2021. The maturity date is July, 2025. The Capital Outlay Fund makes payments on this debt.	\$ 66,457

The annual requirements to amortize the General Obligation Bonds, Capital Outlay Certificates and capital lease/purchase agreements outstanding at June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 360,000	\$ 96,815	\$ 340,000	\$ 111,895	\$ 253,289	\$ 4,489
2024	375,000	89,465	380,000	103,905	254,349	3,429
2025	390,000	81,718	390,000	94,595	30,043	2,335
2026	410,000	73,108	400,000	84,650	31,192	1,186
2027	425,000	63,395	410,000	74,250	--	--
2028-2032	1,910,000	120,593	2,230,000	195,500	--	--
Totals	<u>\$ 3,870,000</u>	<u>\$ 525,094</u>	<u>\$ 4,150,000</u>	<u>\$ 664,795</u>	<u>\$ 568,873</u>	<u>\$ 11,439</u>

Year Ending June 30,	Intangible Lease		Totals	
	Principal	Interest	Principal	Interest
2023	\$ 16,994	\$ 2,134	\$ 970,283	\$ 215,333
2024	17,529	1,599	1,026,878	198,398
2025	18,080	1,048	828,123	179,696
2026	16,919	484	858,111	159,428
2027	7,060	73	842,060	137,718
2028-2032	--	--	4,140,000	316,093
Totals	<u>\$ 76,582</u>	<u>\$ 5,338</u>	<u>\$ 8,665,455</u>	<u>\$ 1,206,666</u>

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

9. 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	\$ 5,103,947
Special Education	Law	781,819
Debt Service	Debt Covenant	136,747
SDRS Pension Purposes	Law	957,813
Total		<u>\$ 6,980,326</u>

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

SDRS has 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. 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.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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 Adjustments.

c. 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. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. 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	\$ 405,935
2021	381,713
2020	378,513

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

d. 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 liability	\$ 38,875,617
Less proportionate share of net pension restricted for pension	41,022,687
Proportionate share of net pension (asset)	<u>\$ (2,147,070)</u>

At June 30, 2022, the School District reported an (asset) of (\$2,147,070) 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 0.28035900%, which is a decrease of -0.0070690% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$(579,829). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 77,085	\$ 5,629
Changes in assumption	2,469,109	1,075,222
Net difference between projected and actual earnings on pension plan investments	--	3,067,133
Changes in proportion and difference between district contributions and proportionate share of contributions	8,254	1,656
District contributions subsequent to the measurement date	405,935	--
Total	<u>\$ 2,960,383</u>	<u>\$ 4,149,640</u>

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

\$405,935 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,	
2023	\$ (390,914)
2024	(266,401)
2025	(75,016)
2026	(862,860)
Total	<u>\$ (1,595,191)</u>

e. Actuarial Assumptions:

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

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

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.50%. 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).

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 3,476,641</u>	<u>\$ (2,147,070)</u>	<u>\$ (6,712,214)</u>

h. Pension Plan Fiduciary Net Position:

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

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

11. Joint Ventures:

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

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

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

The co-op's governing board is composed of one representative from each member School District, who is a school board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the Net Position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2022, the joint venture has total assets of \$186,011, total deferred outflows of resources of \$107,001, total liabilities of \$49,058, total deferred inflows of resources of \$148,162, and net position of \$95,792.

12. Risk Management:

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

Employee Health Insurance:

The School District has elected to be self-insured and retain risk for liabilities for all claims up to \$50,000 per individual per year for employee medical costs. The School District established a Medical Self-Insurance Fund (an internal service fund) to account for and finance its health risk of loss. The school handles the risk of loss through "premiums" collected from the employees and the school through the purchase of commercial reinsurance to cover losses on excess of \$50,000 per individual per year. The coverage provides three options for deductibles of \$500 per person up to \$1,000 maximum per family, \$1,250 per person up to \$2,500 maximum per family or \$2,500 per person up to \$5,000 maximum per family. The plan allows a maximum lifetime health benefit of \$1,000,000 per person. Part of the medical package also includes a \$10,000 term life insurance policy, which includes accidental death and disability for the employee only.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

12. Risk Management: (Continued)

Wellmark Blue Cross Blue Shield has been hired as the third party to administer the self-insurance plan.

The General and Special Education Funds participate in the program and make payments to the Medical Self-Insured Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for losses. That reserve was \$834,668, at June 30, 2022, and is reported as unrestricted Net Position of the Medical Self-Insurance Internal Service Fund.

The liability of \$97,000 reported in the fund at June 30, 2022, is based on the requirements of Government Accounting Standards Board Statements No. 10, which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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 Assigned Fund Balances in the amount of \$43,530 for the payment of future unemployment benefits.

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

13. Early Retirement Plan:

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to teachers who are at least age 52 but less than age 63 as of the first day of the following school year and have at least 12 years of service with the district. The plan is available to administrators who are at least age 52 but not later than age 62 and have at least 12 years of continuous, satisfactory service with the district. Under the plan, the district will pay 75% of the employee's current annual salary, payable in two installments following retirement for teachers and one payment for administrators in the year following the final year of employment. These amounts are shown as liability until the amount approved in the early retirement agreement has been paid for. The School District did not pay for such benefits during the year.

Madison Central School District No. 39-2

Notes to the Financial Statements

June 30, 2022

14. Significant Contingencies – Litigation:

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

15. Subsequent Events:

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

16. Beneficial Interest In Assets Held By Others:

In 2010, the Madison Central School Educational Foundation (component unit) transferred \$171,288.52 from its investment portfolio to the South Dakota Community Foundation (SDCF) as an irrevocable gift. Additionally, the organization has made transfers of \$11,000, \$10,500, and \$7,000, during the fiscal years 2011, 2013, and 2014, respectively, from its investment portfolio to the South Dakota Community Foundation (SDCF) as irrevocable gifts. The policy of SDCF is to calculate the amount of money available for distribution from funds annually. The calculation is a percentage of the average balance in the fund over the last 16 quarters. The percentage can be up to 5% and is calculated shortly after December 31 each year.

SDCF exercises variance power, that is, if the purpose for which the fund was created becomes obsolete or if making distributions from the fund becomes impossible, unnecessary, or inconsistent with community needs, SDCF's board is obliged to select a similar use for the funds, which will most nearly meet the charitable intent of the fund. As of June 30, 2022, this endowment has a value of \$651,772 and is reported on the Statement of Fiduciary Net Position. Due to the irrevocable nature of these funds, the District does receive the individual composition of the holdings to allow reporting the funds according to their individual fair market values.

Required Supplementary Information

Madison Central School District No. 39-2

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	\$ 3,775,100	\$ 3,775,100	\$ 3,880,310	\$ 105,210
Prior years' ad valorem taxes	52,000	52,000	34,559	(17,441)
Tax deed revenue	--	--	33	33
Utility taxes	182,000	182,000	153,347	(28,653)
Penalties and interest on taxes	15,000	15,000	8,319	(6,681)
Tuitions and Fees:				
Regular day school tuition				
Earnings on Investments and Deposits	20,000	20,000	8,512	(11,488)
Cocurricular Activities:				
Admissions	54,500	54,500	46,878	(7,622)
Rentals	1,500	1,500	--	(1,500)
Other student activity income	13,000	13,000	16,296	3,296
Other Revenue from Local Sources:				
Rentals	34,000	34,000	25,251	(8,749)
Services provided Other schools	31,200	31,200	31,200	--
Charges for services	24,000	24,000	16,395	(7,605)
Other	12,500	12,500	9,087	(3,413)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	110,000	110,000	70,877	(39,123)
Revenue in lieu of taxes	15,000	15,000	15,661	661
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	3,438,100	3,438,100	3,236,148	(201,952)
Restricted grants-in-aid	10,000	10,000	22,188	12,188
Other state revenues	--	--	10,604	10,604
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	--	--	2,368	2,368
Restricted grants-in-aid received from federal government through the state	758,095	758,095	902,438	144,343
Total Revenues	\$ 8,545,995	\$ 8,545,995	\$ 8,490,471	\$ (55,524)

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

Madison Central School District No. 39-2

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	\$ 2,017,344	\$ 2,017,344	\$ 1,982,485	\$ 34,859
Middle/junior high	1,205,018	1,205,018	1,152,045	52,973
High school	1,722,267	1,722,267	1,732,499	(10,232)
Other Regular Programs	18,775	18,775	16,095	2,680
Special Programs:				
Educationally deprived	218,129	218,129	215,285	2,844
Support Services:				
Students:				
Guidance	213,304	213,304	211,267	2,037
Health	50,000	50,000	53,027	(3,027)
Instructional Staff:				
Improvement of instruction	75,720	75,720	90,164	(14,444)
Educational media	273,346	273,346	269,996	3,350
General Administration:				
Board of education	52,675	52,675	49,066	3,609
Executive administration	228,577	228,577	238,372	(9,795)
School Administration:				
Office of the principal	594,631	594,631	588,505	6,126
Other	2,000	2,000	1,504	496
Business:				
Fiscal services	208,024	208,024	207,737	287
Operation and maintenance of plant	1,170,271	1,170,271	1,131,995	38,276
Student transportation	366,339	366,339	378,794	(12,455)
Internal service	29,600	29,600	18,960	10,640
Community Services:				
Nonpublic school	17,667	17,667	3,939	13,728
Other	4,320	4,320	5,540	(1,220)
Nonprogrammed Charges:				
Payments to state - unemployment	1,000	1,000	--	1,000
Cocurricular Activities:				
Male activities	94,701	94,701	95,087	(386)
Female activities	88,211	88,211	85,105	3,106
Transportation	46,334	46,334	35,681	10,653
Combined activities	264,676	264,676	241,011	23,665
Contingencies:	40,000	40,000	--	40,000
Total Expenditures	<u>9,002,929</u>	<u>9,002,929</u>	<u>8,804,159</u>	<u>198,770</u>
Net Change in Fund Balances	(456,934)	(456,934)	(313,688)	143,246
Fund Balance, Beginning of Year	<u>1,818,136</u>	<u>1,818,136</u>	<u>1,818,136</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,361,202</u>	<u>\$ 1,361,202</u>	<u>\$ 1,504,448</u>	<u>\$ 143,246</u>

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

Madison Central School District No. 39-2

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay 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	\$ 2,645,910	\$ 2,645,910	\$ 2,645,527	\$ (383)
Prior years' ad valorem taxes	14,000	14,000	18,956	4,956
Tax deed revenue	--	--	13	13
Penalties and interest on taxes	6,000	6,000	5,331	(669)
Earnings on Investments & Deposits	20,000	20,000	--	(20,000)
Other Revenue from Local Sources:				
Rentals	--	--	45,000	45,000
Other	40,000	40,000	3,032	(36,968)
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	5,000	5,000	7,534	2,534
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	--	--	4,038	4,038
Total Revenues	<u>2,730,910</u>	<u>2,730,910</u>	<u>2,729,431</u>	<u>(1,479)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	268,900	268,900	319,621	(50,721)
Middle/junior high	163,300	163,300	155,308	7,992
High school	203,200	203,200	181,245	21,955
Support Services:				
Instructional Staff:				
Educational media	91,300	91,300	65,115	26,185
Business:				
Operation and maintenance of plant	811,100	811,100	412,845	398,255
Student transportation	57,000	57,000	42,260	14,740
Internal service	29,500	29,500	26,575	2,925
Debt Services:	675,310	675,310	675,305	5
Cocurricular Activities:				
Combined activities	36,300	36,300	31,825	4,475
Total Expenditures	<u>2,335,910</u>	<u>2,335,910</u>	<u>1,910,099</u>	<u>425,811</u>
Excess of Revenue Over (Under)				
Expenditures	395,000	395,000	819,332	424,332
Other Financing Sources (Uses):				
Sale of Surplus Property	5,000	5,000	100	(4,900)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>100</u>	<u>(4,900)</u>
Net Change in Fund Balances	400,000	400,000	819,432	419,432
Fund Balance, Beginning of Year	<u>4,284,515</u>	<u>4,284,515</u>	<u>4,284,515</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 4,684,515</u>	<u>\$ 4,684,515</u>	<u>\$ 5,103,947</u>	<u>\$ 419,432</u>

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

Madison Central School District No. 39-2
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	\$ 1,522,568	\$ 1,522,568	\$ 1,546,872	\$ 24,304
Prior years' ad valorem taxes	9,500	9,500	10,428	928
Tax Deed revenue	--	--	7	7
Penalties and interest on taxes	2,900	2,900	2,890	(10)
Earnings on Investments & Deposits	1,000	1,000	--	(1,000)
Other Revenue from Local Sources:				
Charges for services	34,500	34,500	26,658	(7,842)
Other Revenue	12,500	12,500	19,776	7,276
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	1,400	1,400	1,738	338
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	7,787	7,787	--	(7,787)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	2,409	2,409
Restricted grants-in-aid received from federal government through the state	271,485	271,485	281,071	9,586
Total Revenues	<u>1,863,640</u>	<u>1,863,640</u>	<u>1,891,849</u>	<u>28,209</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for Special education	1,456,873	1,456,873	1,347,237	109,636
Support Services:				
Students:				
Health	2,000	2,000	--	2,000
Psychological	57,900	57,900	52,249	5,651
Speech pathology	137,958	137,958	139,487	(1,529)
Student therapy services	109,000	109,000	69,074	39,926
Special Education:				
Administrative costs	129,376	129,376	126,971	2,405
Transportation costs	56,496	56,496	50,212	6,284
Other special education costs	--	--	9,945	(9,945)
Total Expenditures	<u>1,949,603</u>	<u>1,949,603</u>	<u>1,795,175</u>	<u>154,428</u>
Net Change in Fund Balance	(85,963)	(85,963)	96,674	182,637
Fund Balance, Beginning of Year	<u>681,899</u>	<u>681,899</u>	<u>681,899</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 595,936</u>	<u>\$ 595,936</u>	<u>\$ 778,573</u>	<u>\$ 182,637</u>

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

Madison Central School District No. 39-2
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 each major Special Revenue Fund.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported 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.

Madison Central School District No. 39-2

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 proportion of the net pension liability (asset)	0.2803590%	0.2874280%	0.2891908%	0.2930462%	0.2900236%	0.2844698%	0.2839543%	0.2913929%
District's proportionate share of net pension liability (asset)	\$ (2,147,070)	\$ (12,483)	\$ (30,646)	\$ (6,835)	\$ (26,320)	\$ 960,911	\$ (1,204,331)	\$ (2,099,367)
District's covered-employee payroll	\$ 6,362,928	\$ 6,308,529	\$ 6,148,774	\$ 6,092,588	\$ 5,892,651	\$ 5,409,935	\$ 5,184,615	\$ 5,095,643
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.74%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

* 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.

Madison Central School District No. 39-2
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	\$ 405,935	\$ 381,713	\$ 378,513	\$ 368,928	\$ 365,556	\$ 353,561	\$ 324,552	\$ 311,052	\$ 305,740
Contributions in relation to the contractually-required contribution	<u>405,935</u>	<u>381,713</u>	<u>378,513</u>	<u>368,928</u>	<u>365,556</u>	<u>353,561</u>	<u>324,552</u>	<u>311,052</u>	<u>305,740</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	\$ 6,765,564	\$ 6,362,928	\$ 6,308,529	\$ 6,148,774	\$ 6,092,588	\$ 5,892,651	\$ 5,409,935	\$ 5,184,615	\$ 5,095,643
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

* 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.

Madison Central School District No. 39-2
Notes to Required Supplementary Information
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 one plan provision change are reflected and described below.

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes 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.

Supplementary Information

Madison Central School District No. 39-2

Schedule of Expenditures of Federal Awards

June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number		Federal Expenditures
U.S. Department of Agriculture:				
Pass through the S.D Department of Education				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	NA	\$ 64,691	
Cash Assistance:				
School Breakfast Program (Note 4)	10.553	NA	98,257	
National School Lunch Program (Note 4)	10.555	NA	<u>605,240</u>	
Total Child Nutrition Cluster				<u>768,188</u>
Total U.S. Department of Agriculture				<u>768,188</u>
National Foundation on the Arts and Humanities:				
Pass-through the S.D. Department of Education				
Grants to States	45.310	NA		<u>19,673</u>
Total National Foundation on the Arts and Humanities				<u>19,673</u>
U.S. Department of Education:				
Pass through the S.D. Department of Education:				
Title I Grants to Local Educational Agencies	84.010	NA		244,685
Career and Technical Education	84.048	NA		16,234
Supporting Effective Instruction State Grant	84.367	NA		63,077
Student Support and Academic Enrichment Program	84.424A	NA		20,945
Cares ESSER funds	84.425D	NA	437,974	
Cares ESSER funds ARP	84.425U	NA	<u>96,850</u>	
Total ESSER Funds				534,824
Special Education Cluster:				
Special Education Grants to States	84.027	NA	271,801	
Special Education - Preschool Grants	84.173	NA	<u>9,270</u>	
Total Special Education Cluster				<u>281,071</u>
Total U.S. Department of Education				<u>1,160,836</u>
Grand Total				<u>\$ 1,948,697</u>

Madison Central School District No. 39-2

Schedule of Expenditures of Federal Awards

June 30, 2022 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursements:

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.