

McCook Central School District No. 43-7

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

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

McCook Central School District No. 43-7

School District Officials

June 30, 2022

Board Members

Kurt Stiefvater ----- Board President

Joseph Hoffman -----Vice President

Brad Schock ----- Member

Ryan Klinkhammer----- Member

Jeremy Grady ----- Member

Dan Wagner ----- Member

Casey Remmers----- Member

Matt Alley-----Superintendent

Kathy Cleveland -----Business Manager

McCook Central School District No. 43-7

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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
McCook Central School District No. 43-7
McCook 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 McCook Central School District No. 43-7, South Dakota (School District), 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 May 2, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as items 2022-001, and 2022-002.

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
May 2, 2023



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

School Board
McCook Central School District No. 43-7
McCook County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the McCook Central School District No. 43-7, South Dakota (School District), 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 the School District’s major federal programs for the year ended June 30, 2022. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the McCook Central School District No. 43-7 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and 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 other 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 grant 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 of 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.

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.

A handwritten signature in cursive script that reads "ELO Prof LLC".

Elk Point, South Dakota
May 2, 2023

McCook Central School District No. 43-7
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2022 (Continued)

Section II - Financial Statement Findings

Finding Number 2022-001 - Compliance Finding

Material Weakness

There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay and Special Education Fund.

Condition, Cause and Effect: SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district had more expenditures than budgeted and didn't supplement for the additional costs. As a result, the expenditures are in excess of budget for the capital outlay and special education in total.

Criteria: There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay and Special Education Fund.

Recommendation: We recommend that district officials be aware of and adhere to the budgetary requirements and supplement the budget when necessary in the future.

Views of Responsible Officials: Management agrees with the finding and recommendation. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: No

Finding Number 2022-002 - Compliance Finding

Material Weakness

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund.

Condition, Cause and Effect: SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district adopted a budget that did not reflect the means of finance. As a result, there was a use of fund balances in excess of available fund balance, creating a negative fund balance budget for the special education fund.

Criteria: There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and available fund balance for the Special Education Fund.

Recommendation: We recommend that district officials be aware of and adhere to the budgetary requirements and supplement the budget when necessary in the future.

Views of Responsible Officials: Management agrees with the finding and recommendation. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: No

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).

McCook Central School District No. 43-7

*Office of the Business Manager
Phone: (605)-425-2264*

*200 East Essex, P.O. Box 310
Salem, SD 57058*

Corrective Action Plan (Unaudited)

McCook Central School District No. 43-7 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
110 W Main
Elk Point, SD 57025

The McCook Central School District's Board will continue monitor the budgets, and, if the expenditures are anticipated to exceed the annual appropriate, and/or the fund balance the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to the maximum allowable.



Independent Auditor's Report

School Board
McCook Central School District No. 43-7
McCook 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 McCook Central School District No. 43-7, South Dakota (School District), 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 and Unmodified 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 McCook Central School District No. 43-7 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 expenditure of the governmental activities is not reasonably determinable.

The School District also did not adopt Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary activities, which is a departure from accounting principles generally accepting 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 reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) 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 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 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 May 2, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
May 2, 2023

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of McCook Central School District No. 43-7's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- During the year, the district's generated revenues of \$6,235,277 from taxes and other revenues of the governmental activities and had a total expense of \$5,508,198 of the governmental fund activities resulting in a net increase of \$727,079.
- There was a total of \$382,391 of operating and non-operating revenues generated in the business-type funds along with \$391,208 of expense in the business-type fund activities resulting in a net decrease of \$8,817.

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 District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the District'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 district are the Food Service Operation and Other Enterprise funds.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent of resources that belong to others, e.g. student clubs (agency funds) and scholarships (trust funds).

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.

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2022

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

Figure A-1

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

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District'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 District's net position and how they have changed. Net position is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of the District 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 District are reported in two categories:

- **Governmental Activities** – This category includes the District's basic instructional services, such as elementary, middle, 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 finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing food services to all students. The Food Service Fund and Other Enterprise Fund are the business-type activities of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant or "major" funds rather than the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes:

- State Law requires some of the funds.
- The District's School Board establishes other funds to control and manage money for particular purposes, e.g., various scholarship trust funds.

McCook Central School District No. 43-7
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 District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on a subsequent page, that explains the relationship and reconciles the differences between the fund financial statements and the governmental-wide statements.
- **Proprietary Funds** – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service and the Other Enterprise 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 District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’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 District’s government-wide financial statements because the District cannot use these assets to finance its operations.

McCook Central School District No. 43-7
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
McCook School District 43-7
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	\$ 4,078,856	\$ 4,351,714	\$ 75,432	\$ 112,811	\$ 4,154,288	\$ 4,464,525	7.47%
Capital Assets (Net of Depreciation)	11,058,570	11,370,251	83,220	75,166	11,141,790	11,445,417	2.73%
Total Assets	15,137,426	15,721,965	158,652	187,977	15,296,078	15,909,942	4.01%
Pension Related Deferred Outflows	744,314	1,135,572	--	--	744,314	1,135,572	52.57%
Total Deferred Outflows or Resources	744,314	1,135,572	--	--	744,314	1,135,572	52.57%
Long-Term Liabilities Outstanding	6,084,923	5,703,958	--	--	6,084,923	5,703,958	-6.26%
Other Liabilities	735,398	381,409	25,618	43,260	761,016	424,669	-44.20%
Total Liabilities	6,820,321	6,085,367	25,618	43,260	6,845,939	6,128,627	-10.48%
Taxes Levied for Future Period	1,326,544	1,337,504	--	--	1,326,544	1,337,504	0.83%
Pension Related Deferred Inflows	589,941	1,583,153	--	--	589,941	1,583,153	168.36%
Total Deferred Inflows of Resources	1,916,485	2,920,657	--	--	1,916,485	2,920,657	52.40%
Net Investment in Capital Assets	5,064,066	5,666,293	83,220	75,166	5,147,286	5,741,459	11.54%
Restricted	1,141,276	1,086,500	--	--	1,141,276	1,086,500	-4.80%
Unrestricted	939,592	1,098,720	49,814	69,551	989,406	1,168,271	18.08%
Total Net Position	7,144,934	7,851,513	133,034	144,717	7,277,968	7,996,230	9.87%
Beginning Net Position	6,864,462	7,144,934	165,656	133,034	7,030,118	7,277,968	3.53%
Increase (Decrease) in Net Position	\$ 280,472	\$ 706,579	\$ (32,622)	\$ 11,683	\$ 247,850	\$ 718,262	-189.80%
Percentage of Increase (Decrease) in Net Position	4.09%	9.89%	-19.69%	8.78%	3.53%	9.87%	

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 District, consisting of general obligation bonds, capital outlay certificates, compensated absences, and intangible lease liabilities have been reported in this manner on the Statement of Net Position. The difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The McCook Central School District's total revenues (excluding transfers and extraordinary items) in FY22 were \$6,617,668. Approximately 49% of the District's revenue comes from property and other taxes, with approximately 30% coming from state aid. (See Table A-2).

Table A-2
McCook Central School District 43-7
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 3,273,875	49.47%
State Sources	1,953,773	29.52%
Operating Grants & Contributions	899,812	13.60%
Charges For Services	357,275	5.40%
Other General Revenues	130,598	1.97%
Unrestricted Investment Earnings	2,335	0.04%
Total Revenue	\$ 6,617,668	100.00%

The McCook Central School District expenses totaled \$5,899,406 (See Table A-4). The District's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, community services, co-curricular activities, food services, and OST/preschool. (See Table A-3).

Table A-3
McCook Central School District 43-7
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 2,909,424	49.32%
Support Services	2,034,257	34.48%
Interest - on Long-Term Debt	150,348	2.55%
Community Services	820	0.01%
Cocurricular Activities	413,349	7.01%
Food Service	317,063	5.37%
OST/Preschool	74,145	1.26%
Total Expenditures	\$ 5,899,406	100.00%

McCook Central School District No. 43-7
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
McCook School District No. 43-7
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 29,376	\$ 271,469	\$ 92,836	\$ 85,806	\$ 122,212	\$ 357,275	192.34%
Operating Grants/ Contributions	554,835	603,227	178,090	296,585	732,925	899,812	22.77%
General Revenues							
Taxes	3,287,423	3,273,875	--	--	3,287,423	3,273,875	-0.41%
Revenue State Sources	1,739,628	1,953,773	--	--	1,739,628	1,953,773	12.31%
Other							
Other general revenues	42,541	130,598	--	--	42,541	130,598	206.99%
Unrestricted Investment Earnings	8,260	2,335	--	--	8,260	2,335	-71.73%
	<u>5,662,063</u>	<u>6,235,277</u>	<u>270,926</u>	<u>382,391</u>	<u>5,932,989</u>	<u>6,617,668</u>	<u>11.54%</u>
Expenses							
Instruction	3,054,508	2,909,424	--	--	3,054,508	2,909,424	-4.75%
Support Services	1,725,148	2,034,257	--	--	1,725,148	2,034,257	17.92%
Community Services	6,954	820	--	--	6,954	820	-88.21%
Interest on long-term debt	154,332	150,348	--	--	154,332	150,348	-2.58%
Co-curricular Activities	416,309	413,349	--	--	416,309	413,349	-0.71%
Food Service	--	--	255,634	317,063	255,634	317,063	24.03%
Other Enterprise	--	--	72,254	74,145	72,254	74,145	2.62%
	<u>5,357,251</u>	<u>5,508,198</u>	<u>327,888</u>	<u>391,208</u>	<u>5,685,139</u>	<u>5,899,406</u>	<u>3.77%</u>
Excess (Deficiency)							
Before Transfers	304,812	727,079	(56,962)	(8,817)	247,850	718,262	189.80%
Transfers	<u>(24,340)</u>	<u>(20,500)</u>	<u>24,340</u>	<u>20,500</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	280,472	706,579	(32,622)	11,683	247,850	718,262	189.80%
Beginning Net Position	<u>6,864,462</u>	<u>7,144,934</u>	<u>165,656</u>	<u>133,034</u>	<u>7,030,118</u>	<u>7,277,968</u>	<u>3.53%</u>
Ending Net Position	<u>\$ 7,144,934</u>	<u>\$ 7,851,513</u>	<u>\$ 133,034</u>	<u>\$ 144,717</u>	<u>\$ 7,277,968</u>	<u>\$ 7,996,230</u>	<u>9.87%</u>

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental Activities

Revenues for the governmental activities increased by approximately 10% due to an increase in charges for services, revenues from state sources, and other general revenues. Expenses increased by approximately 3% due to increases in support services expenditures.

Business-Type Activities

Revenues for the business-type activities increased by approximately 41% due to an increase in operating grants. Expenses increased by approximately 19% due to increases in food service expenses.

Financial Analysis of the School's Funds

The district's General Fund and Special Education Fund balances increased from FY21, while the Capital Outlay Fund balance decreased.

Budgetary Highlights

During the course of the year, the School Board revised the District budget several times.

Capital Asset Administration

By the end of 2022, the school had invested \$11,445,417 (net of depreciation) across a broad range of capital assets, including, land, construction in progress, buildings, improvements, various machinery and equipment, intangible lease assets, and library books. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$303,628 or 2.73%.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 157,593	\$ 157,593	\$ --	\$ --	\$ --	0.00%
Construction in progress	180,601	136,542	--	--	(44,059)	100.00%
Buildings & Improvements	10,420,339	10,791,178	--	--	370,839	3.56%
Machinery & Equipment	276,717	258,241	83,220	75,166	(26,530)	-7.37%
Library Books	23,319	26,697	--	--	3,378	14.49%
Total Capital Assets	\$ 11,058,569	\$ 11,370,251	\$ 83,220	\$ 75,166	\$ 303,628	2.73%

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

At year-end, the school had \$5,703,958 in general obligation bonds, capital outlay certificates, direct borrowings, and compensated absences. This is a decrease of 6.26% as shown on Table A-6 below.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2021	2022		
General Obligation Bonds	\$ 2,380,000	\$ 2,235,000	\$ (145,000)	-6.09%
Capital Outlay Certificates	3,600,000	3,380,000	(220,000)	-6.11%
Direct Borrowing	14,504	11,661	(2,843)	-19.60%
Accrued Compensated Absences	90,420	77,297	(13,123)	-14.51%
Total Outstanding Debt	\$ 6,084,924	\$ 5,703,958	\$ (380,966)	-6.26%

The District is liable for the accumulated sick leave payable to certified and administrative staff.

The District also maintains an early retirement plan, which allows certified staff meeting certain qualifications to retire early and receive up to 75% of their last year’s salary in equal payments spread over the next three years. This plan allows the district to potentially reduce the overall program cost by hiring lower paid teachers to replace retiring higher paid teachers.

Economic Factors and Next Year’s Budgets and Rates

The School’s current economic position has shown little change. The School did experience a slight increase in net position from the prior year primarily due to an increase in charges for services.

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 McCook Central School District 43-7 Business Office, 200 E Essex Ave, PO Box 310, Salem, SD 57058.

McCook Central School District No. 43-7
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 1,239,683	\$ 110,168	\$ 1,349,851
Investments-Certificates of deposit	400,124	--	400,124
Accounts receivable	433,038	1,203	434,241
Taxes receivable	1,366,938	--	1,366,938
Inventories	--	1,125	1,125
Other assets	92,463	315	92,778
Net pension asset	819,468	--	819,468
Capital assets:			
Land and construction in progress	294,135	--	294,135
Other capital assets, net of depreciation	11,076,116	75,166	11,151,282
Total Assets	15,721,965	187,977	15,909,942
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,135,572	--	1,135,572
Total Deferred Outflows of Resources	1,135,572	--	1,135,572
Liabilities:			
Unearned revenue	--	25,885	25,885
Other current liabilities	381,409	17,375	398,784
Long-term liabilities:			
Due within one year	455,169	--	455,169
Due in more than one year	5,248,789	--	5,248,789
Total Liabilities	6,085,367	43,260	6,128,627
Deferred Inflows of Resources:			
Taxes levied for future periods	1,337,504	--	1,337,504
Pension related deferred inflows	1,583,153	--	1,583,153
Total Deferred Inflows of Resources	2,920,657	--	2,920,657
Net Position:			
Net investment in capital assets	5,666,293	75,166	5,741,459
Restricted for:			
Capital outlay	475,393	--	475,393
Special education	56,174	--	56,174
Debt service	183,046	--	183,046
SDRS pension purposes	371,887	--	371,887
Unrestricted	1,098,720	69,551	1,168,271
Total Net Position	\$ 7,851,513	\$ 144,717	\$ 7,996,230

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

McCook Central School District No. 43-7
Statement of Activities – Government-Wide
June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities		
Governmental Activities:							
Instruction	\$ 2,909,424	\$ --	\$ 586,996	\$ (2,322,428)	\$ --	\$ (2,322,428)	
Support services	2,034,257	237,021	16,231	(1,781,005)	--	(1,781,005)	
Community services	820	--	--	(820)	--	(820)	
Interest on long-term debt*	150,348	--	--	(150,348)	--	(150,348)	
Cocurricular activities	413,349	34,448	--	(378,901)	--	(378,901)	
Total Governmental Activities	5,508,198	271,469	603,227	(4,633,502)	--	(4,633,502)	
Business-Type Activities:							
Food service	317,063	32,107	296,585	--	11,629	11,629	
Other enterprise	74,145	53,699	--	--	(20,446)	(20,446)	
Total Business Type Activities	391,208	85,806	296,585	--	(8,817)	(8,817)	
Total Primary Government	\$ 5,899,406	\$ 357,275	\$ 899,812	(4,633,502)	(8,817)	(4,642,319)	
General Revenues:							
Taxes:							
				3,118,934	--	3,118,934	
				154,941	--	154,941	
Revenue from State Sources:							
				1,755,616	--	1,755,616	
				198,157	--	198,157	
				2,335	--	2,335	
				130,598	--	130,598	
				(20,500)	20,500	--	
				5,340,081	20,500	5,360,581	
				Change in Net Position	706,579	11,683	718,262
				Net Position - Beginning of Year	7,144,934	133,034	7,277,968
				Net Position - End of Year	\$ 7,851,513	\$ 144,717	\$ 7,996,230

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

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

McCook Central School District No. 43-7

Balance Sheet – 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>
Assets:					
Cash and cash equivalents	\$ 551,198	\$ 381,319	\$ 125,926	\$ 181,240	\$ 1,239,683
Investments-certificates of deposit	400,124	--	--	--	400,124
Accounts receivable	--	--	2,653	--	2,653
Taxes receivable - current	533,806	422,166	293,756	87,775	1,337,503
Taxes receivable - delinquent	13,847	8,189	5,592	1,807	29,435
Due from other governments	337,962	87,356	--	--	425,318
Inventory	5,067	--	--	--	5,067
Prepaid items	66,657	24,510	1,296	--	92,463
Total Assets	<u>\$ 1,908,661</u>	<u>\$ 923,540</u>	<u>\$ 429,223</u>	<u>\$ 270,822</u>	<u>\$ 3,532,246</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 20,824	\$ 1,471	\$ 48,861	\$ --	\$ 71,156
Contracts payable	261,813	--	21,379	--	283,192
Payroll deductions and withholding and employer matching payable	19,304	--	7,757	--	27,061
Total Liabilities	<u>301,941</u>	<u>1,471</u>	<u>77,997</u>	<u>--</u>	<u>381,409</u>
Deferred Inflows of Resources:					
Taxes levied for future period	533,806	422,166	293,756	87,776	1,337,504
Delinquent taxes not available	13,847	8,189	5,592	1,807	29,435
Total Deferred Inflows of Resources	<u>547,653</u>	<u>430,355</u>	<u>299,348</u>	<u>89,583</u>	<u>1,366,939</u>
Fund Balances:					
Nonspendable - prepaid items and inventory	71,724	24,510	1,296	--	97,530
Restricted:					
For capital outlay	--	467,204	--	--	467,204
For special education	--	--	50,582	--	50,582
For debt service	--	--	--	181,239	181,239
Unassigned	987,343	--	--	--	987,343
Total Fund Balances	<u>1,059,067</u>	<u>491,714</u>	<u>51,878</u>	<u>181,239</u>	<u>1,783,898</u>
Total Liabilities and Fund Balances	<u>\$ 1,908,661</u>	<u>\$ 923,540</u>	<u>\$ 429,223</u>	<u>\$ 270,822</u>	<u>\$ 3,532,246</u>

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

McCook Central School District No. 43-7

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

Total Fund Balances - Governmental Funds \$ 1,783,898

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 11,370,251

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

Direct Borrowing	(11,661)	
GO Bonds	(2,235,000)	
Capital Outlay Certificates	(3,380,000)	
Compensated Absences	<u>(77,297)</u>	(5,703,958)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. 29,435

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 819,468

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,583,153)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,135,572

Net Position - Governmental Activities \$ 7,851,513

McCook Central School District No. 43-7

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	\$ 1,212,129	\$ 983,483	\$ 686,760	\$ 205,867	\$ 3,088,239
Prior years' ad valorem taxes	13,108	4,947	3,386	1,048	22,489
Utility taxes	154,941	--	--	--	154,941
Penalties and interest on taxes	4,276	1,430	977	290	6,973
Earnings on Investments and Deposits	2,335	--	--	--	2,335
Tuition and Fees:					
Regular day school transportation fees	--	--	31,083	--	31,083
Cocurricular Activities:					
Admissions	34,448	--	--	--	34,448
Other Revenue from Local Sources:					
Contributions and donations	--	40,000	--	--	40,000
Charges for services	7,374	--	25,461	--	32,835
Other	31,449	3,747	--	--	35,196
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	22,567	--	--	--	22,567
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,755,616	--	--	--	1,755,616
Restricted grants-in-aid	1,100	--	197,057	--	198,157
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through an intermediate source	1,407	1,822	1,268	379	4,876
Restricted grants-in-aid received directly from federal government	16,231	--	--	--	16,231
Restricted grants-in-aid received from federal government through the state	376,202	205,918	--	--	582,120
Total Revenues	<u>\$ 3,633,183</u>	<u>\$ 1,241,347</u>	<u>\$ 945,992</u>	<u>\$ 207,584</u>	<u>\$ 6,028,106</u>

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

McCook Central School District No. 43-7

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	\$ 698,142	\$ 102,938	\$ --	\$ --	\$ 801,080
Middle/junior high	519,044	54,969	--	--	574,013
High school	558,911	76,264	--	--	635,175
Preschool services	5,669	--	--	--	5,669
Special programs:					
Programs for special education	--	--	598,351	--	598,351
Culturally different	15,340	--	--	--	15,340
Educationally deprived	104,022	--	--	--	104,022
Support Services:					
Students:					
Attendance and social work	28,544	--	--	--	28,544
Guidance	68,831	--	--	--	68,831
Health	1,714	--	18,136	--	19,850
Psychological	--	--	3,855	--	3,855
Speech pathology	--	--	75,524	--	75,524
Student therapy services	--	--	55,234	--	55,234
Instructional Staff:					
Improvement of instruction	87,810	--	--	--	87,810
Educational media	140,868	13,908	--	--	154,776
General Administration:					
Board of education	34,575	--	2,640	--	37,215
Executive administration	116,206	--	--	--	116,206
School Administration:					
Office of the principal	263,437	--	--	--	263,437
Other	703	--	--	--	703
Business:					
Fiscal services	120,965	--	4,252	--	125,217
Operation and maintenance of plant	417,215	139,067	--	--	556,282
Student transportation	141,842	40,000	--	--	181,842

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

McCook Central School District No. 43-7

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>
Central:					
Information	--	12,700	--	--	12,700
Special Education:					
Administrative costs	--	--	43,939	--	43,939
Transportation costs	--	--	111,064	--	111,064
Community Services:					
Nonpublic school	820	--	--	--	820
Debt Services	--	311,465	--	206,726	518,191
Cocurricular Activities:					
Male activities	70,919	--	--	--	70,919
Female activities	43,810	--	--	--	43,810
Combined activities	130,587	23,602	--	--	154,189
Capital Outlay	--	743,315	--	--	743,315
Total Expenditures	<u>3,569,974</u>	<u>1,518,228</u>	<u>912,995</u>	<u>206,726</u>	<u>6,207,923</u>
Excess of Revenue Over (Under) Expenditures	63,209	(276,881)	32,997	858	(179,817)
Other Financing Sources (Uses):					
Transfer out	(20,500)	--	--	--	(20,500)
Total Other Financing Sources (Uses)	<u>(20,500)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(20,500)</u>
Net Change in Fund Balances	42,709	(276,881)	32,997	858	(200,317)
Fund Balance, Beginning of Year	1,016,358	768,595	18,881	180,381	1,984,215
Fund Balance, End of Year	<u>\$ 1,059,067</u>	<u>\$ 491,714</u>	<u>\$ 51,878</u>	<u>\$ 181,239</u>	<u>\$ 1,783,898</u>

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

McCook Central School District No. 43-7

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 \$ (200,317)

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. 743,315

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. (431,632)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

GO Bond	145,000	
Capital Outlay Certificates	220,000	
Direct Borrowing	<u>2,843</u>	367,843

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." 1,233

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early. 13,123

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 213,014

Change in net position of governmental activities \$ 706,579

McCook Central School District No. 43-7
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 84,049	\$ 26,119	\$ 110,168
Accounts receivable, net	1,203	--	1,203
Prepaid Expenses	51	264	315
Inventory of donated food	1,125	--	1,125
Total Current Assets	86,428	26,383	112,811
Noncurrent Assets:			
Buildings	50,361	--	50,361
Machinery and equipment - local funds	197,234	3,450	200,684
Less accumulated depreciation	(173,866)	(2,013)	(175,879)
Total Noncurrent Assets	73,729	1,437	75,166
Total Assets	\$ 160,157	\$ 27,820	\$ 187,977
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 7,703	\$ 771	\$ 8,474
Contracts payable	--	7,804	7,804
Accrued payroll expenses	--	1,097	1,097
Unearned revenue	25,885	--	25,885
Total Current Liabilities	33,588	9,672	43,260
Net Position:			
Net investment in capital assets	73,729	1,437	75,166
Unrestricted net position	52,840	16,711	69,551
Total Net Position	\$ 126,569	\$ 18,148	\$ 144,717

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

McCook Central School District No. 43-7

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

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 42,024	\$ 42,024
Food Sales:			
Adult	3,327	--	3,327
A la carte	28,780	--	28,780
Other charges for goods and services	--	11,675	11,675
Total Operating Revenue	<u>32,107</u>	<u>53,699</u>	<u>85,806</u>
Operating Expenses:			
Food Service:			
Salaries	18,960	62,993	81,953
Employee benefits	6,044	8,160	14,204
Purchased services	244,463	41	244,504
Supplies	--	2,477	2,477
Cost of sales - donated	21,734	--	21,734
Other	10,920	186	11,106
Depreciation	14,942	288	15,230
Total Operating Expenses	<u>317,063</u>	<u>74,145</u>	<u>391,208</u>
Operating Income(Loss)	(284,956)	(20,446)	(305,402)
Nonoperating Revenues/Expenses:			
State grants	673	--	673
Federal grants	273,910	--	273,910
Donated food	22,002	--	22,002
Total Nonoperating Revenue/ (Expenses)	<u>296,585</u>	<u>--</u>	<u>296,585</u>
Income (Loss) Before Transfers	11,629	(20,446)	(8,817)
Transfer	--	20,500	20,500
Change in Net Position	11,629	54	11,683
Net Position - Beginning of Year	<u>114,940</u>	<u>18,094</u>	<u>133,034</u>
Net Position - End of Year	<u>\$ 126,569</u>	<u>\$ 18,148</u>	<u>\$ 144,717</u>

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

McCook Central School District No. 43-7
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 41,448	\$ 53,699	\$ 95,147
Cash payments to suppliers	(247,731)	(2,785)	(250,516)
Cash payments to employees	(25,004)	(70,817)	(95,821)
Net Cash (Used) by Operating Activities	<u>(231,287)</u>	<u>(19,903)</u>	<u>(251,190)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	20,500	20,500
Cash reimbursements - state	673	--	673
Cash reimbursements - federal	273,910	--	273,910
Net Cash Provided by Noncapital Financing Activities	<u>274,583</u>	<u>20,500</u>	<u>295,083</u>
Cash Flows from Capital and related Financing Activities:			
Capital assets purchased	<u>(7,176)</u>	<u>--</u>	<u>(7,176)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(7,176)</u>	<u>--</u>	<u>(7,176)</u>
Net Change in Cash and Cash Equivalents	36,120	597	36,717
Cash and Cash Equivalents, Beginning of Year	47,929	25,522	73,451
Cash and Cash Equivalents, End of Year	<u>\$ 84,049</u>	<u>\$ 26,119</u>	<u>\$ 110,168</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (284,956)	\$ (20,446)	\$ (305,402)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	14,942	288	15,230
Value of commodities used	21,734	--	21,734
Change in Assets and Liabilities:			
Accounts receivable	(79)	--	(79)
Prepaid expenses	(51)	(264)	(315)
Deferred revenue	9,420	--	9,420
Contracts payable	--	334	334
Accrued payroll expenses	--	2	2
Accounts payable	7,703	183	7,886
Net cash (used) by operating activities:	<u>\$ (231,287)</u>	<u>\$ (19,903)</u>	<u>\$ (251,190)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 22,002</u>	<u>\$ --</u>	<u>\$ 22,002</u>

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

McCook Central School District No. 43-7
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 17,541	\$ 64,567
Accounts receivable	--	2,654
Beneficial Interest in Assets held by SD Community Foundation	53,851	
 Total Assets	\$ 71,392	\$ 67,221
 Amounts held for others	\$ --	\$ 67,221
 Total Liabilities	--	\$ 67,221
Net Position		
Restricted for:		
Scholarships		
Non-Expendable	53,851	
Expendable	17,541	
 Total Net Position	71,392	
 Total Liabilities and Net Position	\$ 71,392	

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

McCook Central School District No. 43-7
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds
Additions:	
Interest income	\$ 36
Total Additions	36
Deductions:	
Trust deductions for scholarships awarded	2,999
Loss on investment	7,538
Total Deductions	10,537
Change in Net Position	(10,501)
Net Position - Beginning	81,893
Net Position - Ending	\$ 71,392

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of McCook Central School District No. 43-7, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

Bond Redemption Fund – Fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. 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.)
2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Funds – A fund used to record financial transactions related to driver’s education fees and other service fees conducted for the benefit of the children. The fund is financed by user fees and charges. This is a major fund.

Fiduciary Funds:

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the McCook Central School District No. 43-7, the length of that cycle is 60 days. Revenues accrued at June 30, 2022 are amounts due mainly from other governments for grants, utility taxes and reimbursements.

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.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

The total June 30, 2022 balance of capital assets for governmental activities includes approximately 1% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities are valued at original costs. These estimated original costs were established by replacement costs estimated at the time capital asset records were established.

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.

Depreciation/amortization 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/amortization methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/A mortization Method	Estimated Useful Life
Land*	\$ 100	NA	NA
Buildings	\$ 50,000	Straight-line	50 years
Improvements	\$ 15,000	Straight-line	10-50 years
Equipment - governmental activities	\$ 5,000	Straight-line	2-20 years
Equipment - proprietary funds	\$ 1,000	Straight-line	12 years

*Land is an inexhaustible capital asset and is not depreciated.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 general obligation bonds, capital outlay certificate, compensated absences, and direct borrowings.

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. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 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.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

i. Program Revenues:

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

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

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 fund has access to its 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:

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

Fund Financial Statements:

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

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.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

o. Pensions:

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

2. Violations of Finance-Related Legal and Contractual Provisions:

The School District is prohibited by statutes from spending in excess of appropriated amounts and/or estimated fund balance available at the fund level. The Capital Outlay Fund for the 2022 fiscal year was budgeted to spend \$1,513,543, but the School District spent \$4,685 more than the budgeted amount. In addition, the Special Education Fund was budgeted to spend \$53,919 more than the available fund balance and they spent \$22,598 more expenditures than budgeted. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

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

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

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

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

As of June 30, 2022, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the school district, as discussed above. The school district has no investment policy that would further limit its investment choices.

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

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

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.

4. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

5. Inventory:

Inventory held for consumption is stated at cost.

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

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

In the government 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 purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. Property Taxes:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources 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."

McCook Central School District No. 43-7

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>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 157,593	\$ --	\$ --	\$ 157,593
Construction in progress	180,601	136,542	180,601	136,542
Total capital assets not being depreciated/amortized	<u>338,194</u>	<u>136,542</u>	<u>180,601</u>	<u>294,135</u>
Capital assets being depreciated/amortized:				
Buildings	13,227,849	155,430	--	13,383,279
Improvements	1,075,960	592,358	--	1,668,318
Machinery & equipment	1,475,446	33,622	--	1,509,068
Library books	103,202	5,963	2,736	106,429
Total capital assets being depreciated/amortized	<u>15,882,457</u>	<u>787,373</u>	<u>2,736</u>	<u>16,667,094</u>
Less accumulated depreciation/amortization for:				
Buildings	3,400,664	267,816	--	3,668,480
Improvements	482,806	109,133	--	591,939
Machinery & equipment	1,198,729	52,098	--	1,250,827
Library books	79,883	2,585	2,736	79,732
Total accumulated depreciation/amortization	<u>5,162,082</u>	<u>431,632</u>	<u>2,736</u>	<u>5,590,978</u>
Total capital assets being depreciated/amortized, net	<u>10,720,375</u>	<u>355,741</u>	<u>--</u>	<u>11,076,116</u>
Net Capital Assets	<u>\$ 11,058,569</u>	<u>\$ 492,283</u>	<u>\$ 180,601</u>	<u>\$ 11,370,251</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 188,895
Support services	98,306
Co-curricular activities	<u>144,431</u>
Total Depreciation Expense	<u>\$ 431,632</u>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets: (Continued)

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Building	\$ 50,361	\$ --	\$ --	\$ 50,361
Machinery & Equipment	193,508	7,176	--	200,684
Total capital assets being depreciated	<u>243,869</u>	<u>7,176</u>	<u>--</u>	<u>251,045</u>
Less accumulated depreciation for:				
Building	27,775	6,614	--	34,389
Machinery & Equipment	132,874	8,616	--	141,490
Total accumulation depreciation	<u>160,649</u>	<u>15,230</u>	<u>--</u>	<u>175,879</u>
Total capital assets being depreciated, net	<u>\$ 83,220</u>	<u>\$ (8,054)</u>	<u>\$ --</u>	<u>\$ 75,166</u>

Depreciation expense was charged to functions as follows:

Food service	\$ 14,942
Other enterprise	288
Total Business-type activities	<u>\$ 15,230</u>

Construction Work in Progress at June 30, 2022 is composed of the following:

<u>Project name</u>	<u>Project authorization</u>	<u>Expended through 6/30/2022</u>	<u>Committed</u>
Crows Nest	<u>\$ 74,130</u>	<u>\$ 136,542</u>	<u>\$ (62,412)</u>
Total Construction in Progress	<u>\$ 74,130</u>	<u>\$ 136,542</u>	<u>\$ (62,412)</u>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

8. Long-Term Liabilities:

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

Primary Government	6/30/2021	Increase	Decrease	6/30/2022	Due Within One Year
Governmental Activities:					
Bonds and CO Certificates Payable:					
General obligation bonds	\$ 2,380,000	\$ --	\$ 145,000	\$ 2,235,000	\$ 150,000
Capital outlay certificates	3,600,000	--	220,000	3,380,000	225,000
	<u>5,980,000</u>	<u>--</u>	<u>365,000</u>	<u>5,615,000</u>	<u>375,000</u>
Other Liabilities:					
Compensated absences	90,420	--	13,123	77,297	77,297
Direct Borrowing	14,504	--	2,843	11,661	2,872
Total Long-Term Liabilities	<u>\$ 6,084,924</u>	<u>\$ --</u>	<u>\$ 380,966</u>	<u>\$ 5,703,958</u>	<u>\$ 455,169</u>

General obligation bonds, capital outlay certificates, compensated absences, and direct borrowing for governmental activities typically have been liquidated from the General Fund.

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

<p>McCook Central School District No 43-7 General Obligation Bonds, Series 2017</p>	<p>During February 2018, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$2,525,000. There is a varying interest rate of 2 to 3.15% assessed on these bonds. Final payment is August 2034. The Bond Redemption Fund makes payment on this debt.</p>	<p>\$ 2,235,000</p>
<p>McCook Central School District No 43-7 General Obligation Bonds, Series 2017</p>	<p>During February 2018, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$3,815,000. There is a varying interest rate from 2to 3.00% assessed on these bonds. Final payment is August 2034. The Capital Outlay Fund makes payment on this debt.</p>	<p>\$ 3,380,000</p>
<p>McCook Central School District No 43-7 Direct Borrowing</p>	<p>During 2021, the School District entered into an agreement to lease copiers in the amount of \$14,504. There is an imputed interest rate 3.00% assessed on this lease. Final payment is July, 2026. The Capital Outlay Fund makes payment on this debt.</p>	<p>\$ 11,661</p>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

10. Interfund Transfers:

Transfers to/from other funds at June 30, 2022, consist of the following:

Transfer from General Fund to Other Enterprise Fund to cover expenses.	\$ 20,500
--	-----------

11. Pension Plan:

Plan Information:

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

Benefits Provided:

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

11. 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 Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. 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	\$ 152,774
2021	\$ 145,696
2020	\$ 136,380

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

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 the measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 14,837,571
Less proportionate share of net pension restricted for pension benefits	<u>15,657,039</u>
Proportionate share of net pension (asset)	<u><u>\$ (819,468)</u></u>

At June 30, 2022, the School District reported an (asset) of (\$819,468) 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 0.10700400%, which is an increase of 0.0034366% 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 \$213,017. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 29,421	\$ 2,148
Changes in assumption	942,379	410,377
Net difference between projected and actual earnings on pension plan investments	--	1,170,628
Changes in proportion and difference between district contributions and proportionate share of contributions	10,998	--
District contributions subsequent to the measurement date	<u>152,774</u>	<u>--</u>
Total	<u><u>\$ 1,135,572</u></u>	<u><u>\$ 1,583,153</u></u>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

\$152,744 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended</u> <u>June 30,</u>	
2023	\$ (144,035)
2024	(98,951)
2025	(28,054)
2026	<u>(329,315)</u>
Total	<u>\$ (600,355)</u>

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, 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. 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:

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 1,326,922</u>	<u>\$ (819,468)</u>	<u>\$ (2,561,836)</u>

Pension Plan Fiduciary Net Position:

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

12. Joint Ventures:

The school district participates in the Cornbelt Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Bridgewater/Emery School District No. 30-3	11.32%
Canistota School District No. 43-1	7.45%
Ethan School District No. 17-1	9.12%
Freeman School District No. 33-1	14.09%
Hanson School District No. 30-1	13.23%
Marion School District No. 60-3	6.28%
McCook Central School District No. 43-7	14.46%
Montrose School District No. 43-2	7.88%
Parker School District No. 60-4	16.17%

The co-op's governing board is composed of one representative from each member school district, who is also 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.

At June 30, 2022, this joint venture had the following:

	<u>June 30, 2022</u>
Total Assets	\$ 1,447,009
Deferred Outflows of Resources	\$ 407,797
Total Liabilities	\$ 200,194
Total Net Position	\$ 1,095,571
Deferred Inflows of Resources	\$ 559,041

13. Risk Management:

The school district is exposed to various risks of loss related to tort; 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:

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2022

13. Risk Management: (Continued)

Employee Health Insurance

The School District joined the South Dakota School Districts Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members. The coverage includes three different plans with a deductible from \$1,000 to \$2,500.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

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

Worker's Compensation

The school district purchase 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.

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

14. Significant Contingencies – Litigation:

At June 30, 2022, the school district was not involved in any litigation.

Required Supplementary Information

McCook Central School District No. 43-7
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,201,122	\$ 1,201,122	\$ 1,212,129	\$ 11,007
Prior years' ad valorem taxes	10,000	10,000	13,108	3,108
Utility taxes	155,000	155,000	154,941	(59)
Penalties and interest on taxes	12,000	12,000	4,276	(7,724)
Earnings on Investments and Deposits	--	--	2,335	2,335
Cocurricular Activities:				
Admissions	20,600	20,600	34,448	13,848
Other Revenue from Local Sources:				
Charges for services	6,000	6,000	7,374	1,374
Other	11,000	11,000	31,449	20,449
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,000	15,000	22,567	7,567
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,750,786	1,750,786	1,755,616	4,830
Restricted grants-in-aid	--	--	1,100	1,100
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	2,000	2,000	1,407	(593)
Restricted grants-in-aid received directly from federal government	--	--	16,231	16,231
Restricted grants-in-aid received from federal government through the state	379,350	379,350	376,202	(3,148)
Total Revenues	<u>\$ 3,562,858</u>	<u>\$ 3,562,858</u>	<u>\$ 3,633,183</u>	<u>\$ 70,325</u>

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

McCook Central School District No. 43-7
 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	\$ 756,598	\$ 756,598	\$ 698,142	\$ 58,456
Middle/junior high	498,228	510,228	519,044	(8,816)
High school	563,561	563,561	558,911	4,650
Preschool services	6,950	6,950	5,669	1,281
Special Programs:				
Culturally different	13,025	13,025	15,340	(2,315)
Educationally deprived	108,506	108,506	104,022	4,484
Support Services:				
Students:				
Attendance and social work	36,403	36,403	28,544	7,859
Guidance	64,926	64,926	68,831	(3,905)
Health	4,500	4,500	1,714	2,786
Instructional Staff:				
Improvement of instruction	63,361	63,361	87,810	(24,449)
Educational media	141,317	141,317	140,868	449
General Administration:				
Board of education	38,557	38,557	34,575	3,982
Executive administration	122,426	122,426	116,206	6,220
School Administration:				
Office of the principal	267,135	267,135	263,437	3,698
Other	800	800	703	97
Business:				
Fiscal services	123,159	123,159	120,965	2,194
Operation and maintenance of plant	411,409	429,159	417,215	11,944
Student transportation	134,000	141,200	141,842	(642)
Community Services:				
Nonpublic School	2,704	2,704	820	1,884
Cocurricular Activities:				
Male activities	72,317	82,717	70,919	11,798
Female activities	44,892	44,892	43,810	1,082
Combined activities	149,526	161,751	130,587	31,164
Contingency	40,000	10,175	--	10,175
Total Expenditures	<u>3,664,300</u>	<u>3,694,050</u>	<u>3,569,974</u>	<u>124,076</u>
Excess of Revenues Over Expenditures	<u>(101,442)</u>	<u>(131,192)</u>	<u>63,209</u>	<u>194,401</u>
Other Financing Sources:				
Operating transfers out	<u>(30,950)</u>	<u>(30,950)</u>	<u>(20,500)</u>	<u>10,450</u>
Total Other Financing Sources:	<u>(30,950)</u>	<u>(30,950)</u>	<u>(20,500)</u>	<u>10,450</u>
Net Change in Fund Balances	(132,392)	(162,142)	42,709	204,851
Fund Balance, Beginning of Year	<u>1,016,358</u>	<u>1,016,358</u>	<u>1,016,358</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 883,966</u>	<u>\$ 854,216</u>	<u>\$ 1,059,067</u>	<u>\$ 204,851</u>

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

McCook Central School District No. 43-7
 Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
 June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 991,378	\$ 991,378	\$ 983,483	\$ (7,895)
Prior years' ad valorem taxes	--	--	4,947	4,947
Penalties and interest on taxes	1,300	1,300	1,430	130
Other Revenue from Local Sources:				
Contributions and donations	30,000	30,000	40,000	10,000
Other	--	--	3,747	3,747
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	1,700	1,700	1,822	122
Restricted grants-in-aid received from federal government through the state	122,685	122,685	205,918	83,233
Total Revenues	<u>1,147,063</u>	<u>1,147,063</u>	<u>1,241,347</u>	<u>94,284</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	102,219	102,769	102,938	(169)
Middle/junior high	53,119	54,844	54,969	(125)
High school	70,609	76,109	76,264	(155)
Support Services:				
Instructional Staff:				
Educational media	16,000	19,880	19,872	8
Business:				
Operation and maintenance of plant	534,476	876,476	876,418	58
Student transportation	40,000	40,000	40,000	--
Central:				
Information	--	12,000	12,700	(700)
Debt Services	310,640	311,465	311,465	--
Cocurricular Activities:				
Combined activities	20,000	20,000	23,602	(3,602)
Total Expenditures	<u>1,147,063</u>	<u>1,513,543</u>	<u>1,518,228</u>	<u>(4,685)</u>
Net Change in Fund Balances	--	(366,480)	(276,881)	89,599
Fund Balance, Beginning of Year	<u>768,595</u>	<u>768,595</u>	<u>768,595</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 768,595</u>	<u>\$ 402,115</u>	<u>\$ 491,714</u>	<u>\$ 89,599</u>

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

McCook Central School District No. 43-7
 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	\$ 690,000	\$ 690,000	\$ 686,760	\$ (3,240)
Prior years' ad valorem taxes	5,000	5,000	3,386	(1,614)
Penalties and interest on taxes	1,000	1,000	977	(23)
Tuition and fees:				
Regular day school transportation fees	20,000	20,000	31,083	11,083
Other Revenue from Local Sources:				
Charges for services	22,000	22,000	25,461	3,461
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	78,597	78,597	197,057	118,460
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	1,000	1,000	1,268	268
Total Revenues	<u>817,597</u>	<u>817,597</u>	<u>945,992</u>	<u>128,395</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	547,550	577,751	598,351	(20,600)
Support Services:				
Students:				
Health	15,000	17,500	18,136	(636)
Psychological	3,806	3,906	3,855	51
Speech pathology	67,002	77,002	75,524	1,478
Student therapy services	50,000	54,000	55,234	(1,234)
General Administration:				
Board of education	2,640	2,640	2,640	--
Business:				
Fiscal services	4,252	4,252	4,252	--
Special Education:				
Administrative costs	43,846	43,846	43,939	(93)
Transportation costs	83,500	109,500	111,064	(1,564)
Total Expenditures	<u>817,596</u>	<u>890,397</u>	<u>912,995</u>	<u>(22,598)</u>
Net Change in Fund Balance	1	(72,800)	32,997	105,797
Fund Balance, Beginning of Year	<u>18,881</u>	<u>18,881</u>	<u>18,881</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 18,882</u>	<u>\$ (53,919)</u>	<u>\$ 51,878</u>	<u>\$ 105,797</u>

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

McCook Central School District No. 43-7

Notes to the Required Supplementary Information – Budgetary Comparison Schedules
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 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.
- h. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

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

McCook Central School District No. 43-7
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)	0.1070040%	0.1035674%	0.1076067%	0.1112950%	0.1122177%	0.1065193%	0.1124180%	0.1150945%
District's proportionate share of net pension liability (asset)	\$ (819,468)	\$ (4,498)	\$ (11,403)	\$ (2,596)	\$ (10,184)	\$ 359,812	\$ (476,797)	\$ (829,209)
District's covered-employee payroll	\$ 2,438,261	\$ 2,274,564	\$ 2,289,192	\$ 2,313,916	\$ 2,280,024	\$ 2,028,259	\$ 2,052,314	\$ 2,012,677
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.61%	0.20%	0.50%	0.11%	0.45%	17.74%	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.

McCook Central School District No. 43-7
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	\$ 152,774	\$ 145,696	\$ 136,380	\$ 137,465	\$ 138,835	\$ 136,803	\$ 121,528	\$ 123,139	\$ 120,761
Contributions in relation to the contractually-required contribution	<u>152,774</u>	<u>145,696</u>	<u>136,380</u>	<u>137,465</u>	<u>138,835</u>	<u>136,803</u>	<u>121,528</u>	<u>123,139</u>	<u>120,761</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,546,233	\$ 2,438,261	\$ 2,274,564	\$ 2,289,192	\$ 2,313,916	\$ 2,280,024	\$ 2,028,259	\$ 2,052,314	\$ 2,012,677
Contributions as a percentage of employee-covered payroll	6.00%	5.98%	6.00%	6.00%	6.00%	6.00%	5.99%	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.

McCook Central School District No. 43-7

Notes to Required Supplementary Information - Schedule of the Proportionate Share of the Net Pension Liability
(Asset) and Schedule of Pension Contributions
For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

Supplementary Information

McCook Central School District No. 43-7
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
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	\$ 22,002
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	34,093
National School Lunch Program (Note 3)	10.555	NA	238,879
Special Milk Program for Children (Note 3)	10.556	NA	938
Total Child Nutrition Cluster			<u>295,912</u>
Total U.S. Department of Agriculture			<u>295,912</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	89,710
Rural Education	84.358	NA	16,231
Supporting Effective Instruction State Grant	84.367	NA	49,831
Student Support and Academic Enrichment Program	84.424A	NA	10,074
Elementary and Secondary School Emergency Relief Fund (Note 4)	84.425D	NA	291,983
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>136,260</u>
Total ESSER Funds			428,243
Special Education Cluster:			
Special Education Grants to States	84.027	NA	<u>4,262</u>
Total Special Education Cluster			<u>4,262</u>
Total U.S. Department of Education			<u>598,351</u>
Grand Total			<u>\$ 894,263</u>

McCook Central School District No. 43-7
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 McCook Central School District No. 43-7 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 McCook Central School District No. 43-7, it is not intended to and does not present the financial position, changes in net position, or cash flows of McCook Central School District No. 43-7.

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. McCook Central 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 Assistance Program.