

McCook Central School District No. 43-7

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

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

McCook Central School District No. 43-7

School District Officials

June 30, 2023

Board Members

Kurt Stiefvater ----- Board President

Joseph Hoffman -----Vice President

Brad Schock ----- Member

DJ Deknikker----- 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, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 27, 2024, 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 one instance 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 2023-001.

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
March 27, 2024



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, 2023. 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, 2023.

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 "CLO Prof LLC".

Elk Point, South Dakota
March 27, 2024

McCook Central School District No. 43-7
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

Schedule of Prior Audit Findings:

Finding Number 2022-001 - Compliance Finding

A material weakness resulting from budgeted expenditures exceeding the total amounts budgeted for the Capital Outlay and Special Education Fund. This finding has not been corrected for Capital Outlay Fund and is being restated in current year as Finding 2023-001.

Finding Number 2022-002 - Compliance Finding

A material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund. This finding has been corrected.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

An unmodified opinion was issued on the financial statements of the business-type activities, the capital outlay, special education, and bond redemption governmental funds and the food service and other enterprise funds. A qualified opinion for the lack of reporting long-term financial obligations and commitments related to other postemployment benefits was issued for the statements of the governmental activities. A qualified opinion for not implementing GASB Statement No. 84 Fiduciary Activities was issued for the statements of the governmental activities, the general governmental fund and the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness identified: _____ Yes _____ x _____ None reported

Significant deficiencies identified not considered to be material weaknesses: _____ Yes _____ x _____ None reported

Noncompliance material to financial statements noted? _____ X _____ Yes _____ _____ No

Federal Awards:

Internal control over major program:

Material weakness identified: _____ Yes _____ x _____ None reported

Significant deficiencies identified not considered to be material weaknesses: _____ Yes _____ x _____ None reported

McCook Central School District No. 43-7
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023 (Continued)

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): _____ Yes x No

Identification of major program:

CFDA Number	Name of Federal Program
84.425U	Elementary and Secondary Education Emergency Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes x No

Section II - Financial Statement Findings

Finding Number 2023-001 - Compliance Finding

Material Weakness

There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay 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 fund in total.

Criteria: There is a material weakness resulting from expenditures exceeding the total amounts budgeted for the Capital Outlay 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: Yes

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, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC
1101 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 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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 March 27, 2024, 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
March 27, 2024

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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 \$6,527,366 from taxes and other revenues of the governmental activities and had a total expense of \$5,426,858 of the governmental fund activities resulting in a net increase of \$1,100,508 before transfers.
- There was a total of \$373,330 of operating and non-operating revenues generated in the business-type funds along with \$389,983 of expense in the business-type fund activities resulting in a net decrease of \$16,653 before transfers.

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, 2023

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

Figure A-1

Major Features of 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, 2023

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, 2023

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the 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, 2023

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
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 4,351,714	\$ 3,998,832	\$ 112,811	\$ 131,695	\$ 4,464,525	\$ 4,130,527	-7.48%
Capital Assets (Net of Depreciation)	11,370,251	11,743,920	75,166	60,197	11,445,417	11,804,117	3.13%
Total Assets	15,721,965	15,742,752	187,977	191,892	15,909,942	15,934,644	0.16%
Pension Related Deferred Outflows	1,135,572	992,437	--	--	1,135,572	992,437	-12.60%
Total Deferred Outflows or Resources	1,135,572	992,437	--	--	1,135,572	992,437	-12.60%
Long-Term Liabilities Outstanding	5,703,958	5,314,549	--	--	5,703,958	5,314,549	-6.83%
Other Liabilities	381,409	483,870	43,260	39,198	424,669	523,068	23.17%
Total Liabilities	6,085,367	5,798,419	43,260	39,198	6,128,627	5,837,617	-4.75%
Taxes Levied for Future Period	1,337,504	1,423,265	--	--	1,337,504	1,423,265	6.41%
Pension Related Deferred Inflows	1,583,153	586,112	--	--	1,583,153	586,112	-62.98%
Total Deferred Inflows of Resources	2,920,657	2,009,377	--	--	2,920,657	2,009,377	-31.20%
Net Investment in Capital Assets	5,666,293	6,429,371	75,166	60,197	5,741,459	6,489,568	13.03%
Restricted	1,086,500	1,169,761	--	--	1,086,500	1,169,761	7.66%
Unrestricted	1,098,720	1,328,261	69,551	92,497	1,168,271	1,420,758	21.61%
Total Net Position	7,851,513	8,927,393	144,717	152,694	7,996,230	9,080,087	13.55%
Beginning Net Position	7,144,934	7,851,513	133,034	144,717	7,277,968	7,996,230	9.87%
Increase (Decrease) in Net Position	\$ 706,579	\$ 1,075,880	\$ 11,683	\$ 7,977	\$ 718,262	\$ 1,083,857	-50.90%
Percentage of Increase (Decrease) in Net Position	9.89%	13.70%	8.78%	5.51%	9.87%	13.55%	

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 direct borrowings 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, 2023

Changes in Net Position

The McCook Central School District's total revenues (excluding transfers and extraordinary items) in FY23 were \$6,900,696. Approximately 48% 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 2022-2023

Taxes	\$ 3,322,005	48.13%
State Sources	2,070,224	30.00%
Operating Grants & Contributions	765,073	11.09%
Other General Revenues	368,925	5.35%
Charges For Services	362,023	5.25%
Unrestricted Investment Earnings	12,446	0.18%
Total Revenue	\$ 6,900,696	100.00%

The McCook Central School District expenses totaled \$5,816,839. 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, nonprogrammed charges, and other enterprise. (See Table A-3).

Table A-3
McCook Central School District 43-7
Statement of Expenditures
Fiscal Year 2022-2023

Support Services	\$ 2,039,308	35.06%
Instruction	2,668,511	45.88%
Interest - on Long-Term Debt	141,418	2.43%
Cocurricular Activities	558,048	9.59%
Food Service	301,386	5.18%
Other Enterprise	88,597	1.52%
Nonprogrammed Charges	16,713	0.29%
Community Services	2,858	0.05%
Total Expenditures	\$ 5,816,839	100.00%

McCook Central School District No. 43-7
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June 30, 2023

Governmental and Business-Type Activities

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

Table A-4
 McCook School District No. 43-7
 Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 271,469	\$ 107,004	\$ 85,806	\$ 255,019	\$ 357,275	\$ 362,023	1.33%
Operating Grants/ Contributions	603,227	650,785	296,585	114,288	899,812	765,073	-14.97%
General Revenues							
Taxes	3,273,875	3,322,005	--	--	3,273,875	3,322,005	1.47%
Revenue State Sources	1,953,773	2,070,224	--	--	1,953,773	2,070,224	5.96%
Other							
Other general revenues	130,598	368,925	--	--	130,598	368,925	182.49%
Unrestricted Investment Earnings	2,335	8,423	--	4,023	2,335	12,446	433.02%
	<u>6,235,277</u>	<u>6,527,366</u>	<u>382,391</u>	<u>373,330</u>	<u>6,617,668</u>	<u>6,900,696</u>	<u>4.28%</u>
Expenses							
Instruction	2,909,424	2,668,511	--	--	2,909,424	2,668,511	-8.28%
Support Services	2,034,257	2,039,308	--	--	2,034,257	2,039,308	0.25%
Community Services	820	2,858	--	--	820	2,858	248.54%
Non-programmed Charges	--	16,713	--	--	--	16,713	100.00%
Interest on long-term debt	150,348	141,418	--	--	150,348	141,418	-5.94%
Co-curricular Activities	413,349	558,048	--	--	413,349	558,048	35.01%
Food Service	--	--	317,063	301,386	317,063	301,386	-4.94%
Other Enterprise	--	--	74,145	88,597	74,145	88,597	19.49%
	<u>5,508,198</u>	<u>5,426,856</u>	<u>391,208</u>	<u>389,983</u>	<u>5,899,406</u>	<u>5,816,839</u>	<u>-1.40%</u>
Excess (Deficiency)							
Before Transfers	727,079	1,100,510	(8,817)	(16,653)	718,262	1,083,857	50.90%
Transfers	<u>(20,500)</u>	<u>(24,630)</u>	<u>20,500</u>	<u>24,630</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	706,579	1,075,880	11,683	7,977	718,262	1,083,857	50.90%
Beginning 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>
Ending Net Position	<u>\$ 7,851,513</u>	<u>\$ 8,927,393</u>	<u>\$ 144,717</u>	<u>\$ 152,694</u>	<u>\$ 7,996,230</u>	<u>\$ 9,080,087</u>	<u>13.55%</u>

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues for the governmental activities increased by approximately 4.7% due to an increase in revenues from state sources and other general revenues. Expenses decreased by approximately 1.5% due to a decreases in instruction expenditures.

Business-Type Activities

Revenues for the business-type activities decreased by approximately 2.4% due to an decrease in operating grants. Expenses remained relatively consistent with prior year expenses.

Financial Analysis of the School’s Funds

The district’s General Fund increased by \$145,767 due to increased revenues and reduced expenditures. The Capital Outlay Fund increased by \$73,369 due to increased revenues and reduced expenditures. The Special Education Fund increased by \$32,917 which is comparable to FY22.

Budgetary Highlights

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

Capital Asset Administration

By the end of 2023, the school had invested \$11,804,117 (net of depreciation) across a broad range of capital assets, including, land, construction in progress, buildings, improvements, various machinery and equipment, direct borrowings, and library books. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$358,700 or 3.13%.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>		
Land	\$ 157,593	\$ 157,593	\$ --	\$ --	\$ --	0.00%
Construction in progress	136,542	129,240	--	--	(7,302)	-5.35%
Buildings & Improvements	10,791,178	11,100,532	--	--	309,354	2.87%
Machinery & Equipment	258,241	333,858	75,166	60,197	60,648	18.19%
Library Books	26,697	22,697	--	--	(4,000)	-14.98%
Total Capital Assets	\$ 11,370,251	\$ 11,743,920	\$ 75,166	\$ 60,197	\$ 358,700	3.13%

McCook Central School District No. 43-7
Management Discussion and Analysis (MD&A)
June 30, 2023

Long-Term Debt

At year-end, the school had \$5,314,549 in general obligation bonds, capital outlay certificates, direct borrowings, and compensated absences. This is a decrease of 6.83% as shown on Table A-6 below.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
General Obligation Bonds	\$ 2,235,000	\$ 2,085,000	\$ (150,000)	-6.71%
Capital Outlay Certificates	3,380,000	3,155,000	(225,000)	-6.66%
Direct Borrowing	11,661	8,789	(2,872)	-24.63%
Accrued Compensated Absences	77,297	65,760	(11,537)	-14.93%
Total Outstanding Debt	\$ 5,703,958	\$ 5,314,549	\$ (389,409)	-6.83%

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 an increase in net position from the prior year primarily due to an increase in other general revenues.

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, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 1,630,916	\$ 128,794	\$ 1,759,710
Investments-Certificates of deposit	400,738	--	400,738
Taxes receivable	1,472,353	--	1,472,353
Inventories	--	1,230	1,230
Other assets	484,747	1,671	486,418
Net pension asset	10,078	--	10,078
Capital assets:			
Land and construction in progress	286,833	--	286,833
Other capital assets, net of depreciation	11,457,087	60,197	11,517,284
Total Assets	15,742,752	191,892	15,934,644
Deferred Outflows of Resources:			
Pension-related deferred outflows	992,437	--	992,437
Total Deferred Outflows of Resources	992,437	--	992,437
Liabilities:			
Unearned revenue	--	29,193	29,193
Other current liabilities	483,870	10,005	493,875
Long-term liabilities:			
Due within one year	447,660	--	447,660
Due in more than one year	4,866,889	--	4,866,889
Total Liabilities	5,798,419	39,198	5,837,617
Deferred Inflows of Resources:			
Taxes levied for future periods	1,423,265	--	1,423,265
Pension related deferred inflows	586,112	--	586,112
Total Deferred Inflows of Resources	2,009,377	--	2,009,377
Net Position:			
Net investment in capital assets	6,429,371	60,197	6,489,568
Restricted for:			
Capital outlay	478,430	--	478,430
Special education	94,168	--	94,168
Debt service	180,760	--	180,760
SDRS pension purposes	416,403	--	416,403
Unrestricted	1,328,261	92,497	1,420,758
Total Net Position	\$ 8,927,393	\$ 152,694	\$ 9,080,087

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, 2023

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	\$ 2,668,511	\$ --	\$ 634,567	\$ (2,033,944)	\$ --	\$ (2,033,944)
Support services	2,039,308	68,907	16,218	(1,954,183)	--	(1,954,183)
Community services	2,858	--	--	(2,858)	--	(2,858)
Nonprogrammed Charges	16,713	--	--	(16,713)	--	(16,713)
Interest on long-term debt*	141,418	--	--	(141,418)	--	(141,418)
Cocurricular activities	558,048	38,097	--	(519,951)	--	(519,951)
Total Governmental Activities	<u>5,426,856</u>	<u>107,004</u>	<u>650,785</u>	<u>(4,669,067)</u>	<u>--</u>	<u>(4,669,067)</u>
Business-Type Activities:						
Food service	301,386	185,533	114,288	--	(1,565)	(1,565)
Other enterprise	88,597	69,486	--	--	(19,111)	(19,111)
Total Business Type Activities	<u>389,983</u>	<u>255,019</u>	<u>114,288</u>	<u>--</u>	<u>(20,676)</u>	<u>(20,676)</u>
Total Primary Government	<u>\$ 5,816,839</u>	<u>\$ 362,023</u>	<u>\$ 765,073</u>	<u>(4,669,067)</u>	<u>(20,676)</u>	<u>(4,689,743)</u>
General Revenues:						
Taxes:						
				3,167,729	--	3,167,729
				154,276	--	154,276
Revenue from State Sources:						
				1,919,687	--	1,919,687
				150,537	--	150,537
				8,423	4,023	12,446
				368,925	--	368,925
				(24,630)	24,630	--
Total General Revenues and Transfers				<u>5,744,947</u>	<u>28,653</u>	<u>5,773,600</u>
				1,075,880	7,977	1,083,857
				<u>7,851,513</u>	<u>144,717</u>	<u>7,996,230</u>
				<u>\$ 8,927,393</u>	<u>\$ 152,694</u>	<u>\$ 9,080,087</u>

*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, 2023

	<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	\$ 772,544	\$ 525,645	\$ 154,908	\$ 177,819	\$ 1,630,916
Investments-certificates of deposit	400,738	--	--	--	400,738
Taxes receivable - current	555,064	465,939	310,432	91,830	1,423,265
Taxes receivable - delinquent	23,139	13,635	9,373	2,941	49,088
Due from other governments	311,182	68,210	--	--	379,392
Inventory	5,067	--	--	--	5,067
Prepaid items	--	100,288	--	--	100,288
Total Assets	<u>\$ 2,067,734</u>	<u>\$ 1,173,717</u>	<u>\$ 474,713</u>	<u>\$ 272,590</u>	<u>\$ 3,988,754</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 18,195	\$ 129,060	\$ 37,607	\$ --	\$ 184,862
Contracts payable	254,567	--	25,110	--	279,677
Payroll deductions and withholding and employer matching payable	11,935	--	7,396	--	19,331
Total Liabilities	<u>284,697</u>	<u>129,060</u>	<u>70,113</u>	<u>--</u>	<u>483,870</u>
Deferred Inflows of Resources:					
Taxes levied for future period	555,064	465,939	310,432	91,830	1,423,265
Delinquent taxes not available	23,139	13,635	9,373	2,941	49,088
Total Deferred Inflows of Resources	<u>578,203</u>	<u>479,574</u>	<u>319,805</u>	<u>94,771</u>	<u>1,472,353</u>
Fund Balances:					
Nonspendable - prepaid items and inventory	5,067	100,288	--	--	105,355
Restricted:					
For capital outlay	--	464,795	--	--	464,795
For special education	--	--	84,795	--	84,795
For debt service	--	--	--	177,819	177,819
Unassigned	1,199,767	--	--	--	1,199,767
Total Fund Balances	<u>1,204,834</u>	<u>565,083</u>	<u>84,795</u>	<u>177,819</u>	<u>2,032,531</u>
Total Liabilities and Fund Balances	<u>\$ 2,067,734</u>	<u>\$ 1,173,717</u>	<u>\$ 474,713</u>	<u>\$ 272,590</u>	<u>\$ 3,988,754</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, 2023

Total Fund Balances - Governmental Funds \$ 2,032,531

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. 11,743,920

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

Direct Borrowing	(8,789)	
GO Bonds	(2,085,000)	
Capital Outlay Certificates	(3,155,000)	
Compensated Absences	(65,760)	(5,314,549)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. 49,088

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 10,078

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (586,112)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 992,437

Net Position - Governmental Activities \$ 8,927,393

McCook Central School District No. 43-7

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

June 30, 2023

	<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	\$ 1,231,727	\$ 1,012,143	\$ 686,618	\$ 203,974	\$ 3,134,462
Prior years' ad valorem taxes	4,212	1,824	1,177	371	7,584
Utility taxes	154,276	--	--	--	154,276
Penalties and interest on taxes	3,655	1,251	864	260	6,030
Earnings on Investments and Deposits	8,423	--	--	--	8,423
Tuition and Fees:					
Regular day school transportation fees	--	--	26,740	--	26,740
Cocurricular Activities:					
Admissions	38,097	--	--	--	38,097
Other Revenue from Local Sources:					
Charges for services	6,267	--	35,342	--	41,609
Other	52,924	249,395	--	--	302,319
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	24,997	--	--	--	24,997
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,919,687	--	--	--	1,919,687
Restricted grants-in-aid	100	--	150,437	--	150,537
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received directly from federal government	16,218	--	--	--	16,218
Restricted grants-in-aid received from federal government through the state	357,003	277,564	--	--	634,567
Total Revenues	\$ 3,817,586	\$ 1,542,177	\$ 901,178	\$ 204,605	\$ 6,465,546

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Expenditures					
Instructional Services:					
Regular programs:					
Elementary	\$ 669,380	\$ 19,121	\$ --	\$ --	\$ 688,501
Middle/junior high	457,519	40,745	--	--	498,264
High school	571,491	20,727	--	--	592,218
Preschool services	7,696	--	--	--	7,696
Special programs:					
Programs for special education	--	--	542,559	--	542,559
Culturally different	13,215	--	--	--	13,215
Educationally deprived	115,477	--	--	--	115,477
Support Services:					
Students:					
Attendance and social work	68,061	--	--	--	68,061
Guidance	59,373	--	--	--	59,373
Health	1,382	--	17,856	--	19,238
Psychological	--	--	1,943	--	1,943
Speech pathology	--	--	79,259	--	79,259
Student therapy services	--	--	49,794	--	49,794
Instructional Staff:					
Improvement of instruction	7,066	--	--	--	7,066
Educational media	125,454	19,874	142	--	145,470
General Administration:					
Board of education	46,835	--	3,018	--	49,853
Executive administration	122,766	--	--	--	122,766
School Administration:					
Office of the principal	283,852	--	--	--	283,852
Other	483	--	--	--	483
Business:					
Fiscal services	130,641	--	4,284	--	134,925
Operation and maintenance of plant	437,979	91,131	--	--	529,110
Student transportation	177,672	25,000	--	--	202,672

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Central:					
Information	--	6,200	--	--	6,200
Special Education:					
Administrative costs	--	--	46,547	--	46,547
Transportation costs	--	--	122,859	--	122,859
Community Services:					
Nonpublic school	2,858	--	--	--	2,858
Nonprogrammed Charges:					
Early retirement payments	16,713	--	--	--	16,713
Debt Services	--	311,265	--	208,025	519,290
Cocurricular Activities:					
Male activities	96,244	--	--	--	96,244
Female activities	45,217	--	--	--	45,217
Combined activities	189,815	56,937	--	--	246,752
Capital Outlay	--	877,808	--	--	877,808
Total Expenditures	<u>3,647,189</u>	<u>1,468,808</u>	<u>868,261</u>	<u>208,025</u>	<u>6,192,283</u>
Excess of Revenue Over (Under) Expenditures	170,397	73,369	32,917	(3,420)	273,263
Other Financing Sources (Uses):					
Transfer out	(24,630)	--	--	--	(24,630)
Total Other Financing Sources (Uses)	<u>(24,630)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(24,630)</u>
Net Change in Fund Balances	145,767	73,369	32,917	(3,420)	248,633
Fund Balance, Beginning of Year	<u>1,059,067</u>	<u>491,714</u>	<u>51,878</u>	<u>181,239</u>	<u>1,783,898</u>
Fund Balance, End of Year	<u>\$ 1,204,834</u>	<u>\$ 565,083</u>	<u>\$ 84,795</u>	<u>\$ 177,819</u>	<u>\$ 2,032,531</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 248,633

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. 877,808

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. (504,140)

GO Bond	150,000	
Capital Outlay Certificates	225,000	
Direct Borrowing	<u>2,872</u>	377,872

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." 19,653

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. 11,537

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 44,517

Change in net position of governmental activities \$ 1,075,880

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 – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 96,791	\$ 32,003	\$ 128,794
Accounts receivable, net	1,671	--	1,671
Inventory of donated food	1,230	--	1,230
Total Current Assets	<u>99,692</u>	<u>32,003</u>	<u>131,695</u>
Noncurrent Assets:			
Buildings	50,361	--	50,361
Machinery and equipment - local funds	197,234	3,450	200,684
Less accumulated depreciation	<u>(188,548)</u>	<u>(2,300)</u>	<u>(190,848)</u>
Total Noncurrent Assets	<u>59,047</u>	<u>1,150</u>	<u>60,197</u>
Total Assets	<u>\$ 158,739</u>	<u>\$ 33,153</u>	<u>\$ 191,892</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 519	\$ 96	\$ 615
Contracts payable	--	8,233	8,233
Accrued payroll expenses	--	1,157	1,157
Unearned revenue	<u>29,193</u>	<u>--</u>	<u>29,193</u>
Total Current Liabilities	<u>29,712</u>	<u>9,486</u>	<u>39,198</u>
Net Position:			
Net investment in capital assets	59,047	1,150	60,197
Unrestricted net position	<u>69,980</u>	<u>22,517</u>	<u>92,497</u>
Total Net Position	<u>\$ 129,027</u>	<u>\$ 23,667</u>	<u>\$ 152,694</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, Expenses and Changes in Net Position – Proprietary Funds

June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 49,536	\$ 49,536
Driver's education fees	--	12,300	12,300
Food Sales:			
Student	135,308	--	135,308
Adult	5,342	--	5,342
A la carte	28,205	--	28,205
Other charges for goods and services	--	7,650	7,650
Other	16,678	--	16,678
Total Operating Revenue	185,533	69,486	255,019
Operating Expenses:			
Food Service:			
Salaries	24,523	62,877	87,400
Employee benefits	7,928	21,934	29,862
Purchased services	212,987	--	212,987
Supplies	2,944	1,957	4,901
Cost of sales - donated	21,610	--	21,610
Other	16,712	1,542	18,254
Depreciation	14,682	287	14,969
Total Operating Expenses	301,386	88,597	389,983
Operating Income(Loss)	(115,853)	(19,111)	(134,964)
Nonoperating Revenues/Expenses:			
Investment Earnings	4,023	--	4,023
State grants	620	--	620
Federal grants	91,953	--	91,953
Donated food	21,715	--	21,715
Total Nonoperating Revenue/ (Expenses)	118,311	--	118,311
Income (Loss) Before Transfers	2,458	(19,111)	(16,653)
Transfer	--	24,630	24,630
Change in Net Position	2,458	5,519	7,977
Net Position - Beginning of Year	126,569	18,148	144,717
Net Position - End of Year	\$ 129,027	\$ 23,667	\$ 152,694

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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 188,373	\$ 69,486	\$ 257,859
Cash payments to suppliers	(239,776)	(3,910)	(243,686)
Cash payments to employees	(32,451)	(84,322)	(116,773)
Net Cash (Used) by Operating Activities	<u>(83,854)</u>	<u>(18,746)</u>	<u>(102,600)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	24,630	24,630
Cash reimbursements - state	620	--	620
Cash reimbursements - federal	91,953	--	91,953
Net Cash Provided by Noncapital Financing Activities	<u>92,573</u>	<u>24,630</u>	<u>117,203</u>
Cash Flows from Investing Activities:			
Investment Earnings	4,023	--	4,023
Net Cash Provided by Investing Activities	<u>4,023</u>	<u>--</u>	<u>4,023</u>
Net Change in Cash and Cash Equivalents	12,742	5,884	18,626
Cash and Cash Equivalents, Beginning of Year	84,049	26,119	110,168
Cash and Cash Equivalents, End of Year	<u>\$ 96,791</u>	<u>\$ 32,003</u>	<u>\$ 128,794</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (115,853)	\$ (19,111)	\$ (134,964)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	14,682	287	14,969
Value of commodities used	21,610	--	21,610
Change in Assets and Liabilities:			
Accounts receivable	(468)	--	(468)
Prepaid expenses	51	264	315
Deferred revenue	3,308	--	3,308
Contracts payable	--	429	429
Accrued payroll expenses	--	60	60
Accounts payable	(7,184)	(675)	(7,859)
Net cash (used) by operating activities:	<u>\$ (83,854)</u>	<u>\$ (18,746)</u>	<u>\$ (102,600)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 21,715</u>	<u>\$ --</u>	<u>\$ 21,715</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, 2023

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 17,584	\$ 67,277
Accounts receivable	--	5,803
Beneficial Interest in Assets held by SD Community Foundation	55,503	--
 Total Assets	\$ 73,087	\$ 73,080
 Amounts held for others	\$ --	\$ 68,080
Accounts Payable	--	5,000
 Total Liabilities	--	\$ 73,080
Net Position:		
Restricted for:		
Scholarships		
Non-Expendable	55,503	
Expendable	17,584	
 Total Net Position	73,087	
 Total Liabilities and Net Position	\$ 73,087	

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, 2023

	Private-Purpose Trust Funds
Additions:	
Interest income	\$ 1,695
Total Additions	<u>1,695</u>
 Change in Net Position	 <u>1,695</u>
 Net Position - Beginning	 <u>71,392</u>
Net Position - Ending	<u>\$ 73,087</u>

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023

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, 2023 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, 2023

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 their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2023 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, 2023 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. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not 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:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
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, 2023

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:

The School District does not have any leases. If the School District had any leases, it would recognize 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, 2023

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. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a subscription, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

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

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

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

j. 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.

k. 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.

l. 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.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

m. 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.

n. 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.

o. 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

p. 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

q. 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, 2023

2. Implementation of New Accounting Standard:

In 2023, the School District implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which requires the recognition of certain right-to-use subscription assets and subscription liabilities. The implementation of this standard had no effect on net position.

3. 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 2023 fiscal year was budgeted to spend \$1,365,431, but the School District spent \$103,377 more than the budgeted amount. 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.

4. 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, 2023, 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, 2023.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

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

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

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

5. 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.

6. 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.

7. 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, 2023

8. Changes in Capital Assets:

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

	<u>6/30/2022</u>			<u>6/30/2023</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	136,542	586,373	593,675	129,240
Total capital assets not being depreciated/amortized	<u>294,135</u>	<u>586,373</u>	<u>593,675</u>	<u>286,833</u>
Capital assets being depreciated/amortized:				
Buildings	13,383,279	263,675	--	13,646,954
Improvements	1,668,318	454,001	--	2,122,319
Machinery & equipment	1,509,068	163,203	13,122	1,659,149
Library books	106,429	4,232	696	109,965
Total capital assets being depreciated/amortized	<u>16,667,094</u>	<u>885,111</u>	<u>13,818</u>	<u>17,538,387</u>
Less accumulated depreciation/amortization for:				
Buildings	3,668,480	273,089	--	3,941,569
Improvements	591,939	135,233	--	727,172
Machinery & equipment	1,250,827	87,586	13,122	1,325,291
Library books	79,732	8,232	696	87,268
Total accumulated depreciation/amortization	<u>5,590,978</u>	<u>504,140</u>	<u>13,818</u>	<u>6,081,300</u>
Total capital assets being depreciated/amortized, net	<u>11,076,116</u>	<u>380,971</u>	<u>--</u>	<u>11,457,087</u>
Net Capital Assets	<u>\$ 11,370,251</u>	<u>\$ 967,344</u>	<u>\$ 593,675</u>	<u>\$ 11,743,920</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 222,119
Support services	112,186
Co-curricular activities	<u>169,835</u>
Total Depreciation Expense	<u>\$ 504,140</u>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

8. Changes in Capital Assets: (Continued)

	<u>6/30/2022</u>			<u>6/30/2023</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	200,684	--	--	200,684
Total capital assets being depreciated	<u>251,045</u>	<u>--</u>	<u>--</u>	<u>251,045</u>
Less accumulated depreciation for:				
Building	34,389	6,615	--	41,004
Machinery & Equipment	141,490	8,354	--	149,844
Total accumulation depreciation	<u>175,879</u>	<u>14,969</u>	<u>--</u>	<u>190,848</u>
Total capital assets being depreciated, net	<u>\$ 75,166</u>	<u>\$ (14,969)</u>	<u>\$ --</u>	<u>\$ 60,197</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 14,682
Other enterprise	287
Total Business-type activities	<u>\$ 14,969</u>

Construction Work in Progress at June 30, 2023 is composed of the following:

<u>Project name</u>	<u>Project</u>	<u>Expended</u>
	<u>Authorization</u>	<u>through</u>
		<u>6/30/2023</u>
Crows Nest	\$ 129,240	\$ 129,240
Total Construction in Progress	<u>\$ 129,240</u>	<u>\$ 129,240</u>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

9. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2023 is as follows:

Primary Government	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and CO Certificates Payable:					
General obligation bonds	\$ 2,235,000	\$ --	\$ 150,000	\$ 2,085,000	\$ 150,000
Capital outlay certificates	3,380,000	--	225,000	3,155,000	230,000
	<u>5,615,000</u>	<u>--</u>	<u>375,000</u>	<u>5,240,000</u>	<u>380,000</u>
Other Liabilities:					
Compensated absences	77,297	--	11,537	65,760	64,760
Direct Borrowing	11,661	--	2,872	8,789	2,900
Total Long-Term Liabilities	<u>\$ 5,703,958</u>	<u>\$ --</u>	<u>\$ 389,409</u>	<u>\$ 5,314,549</u>	<u>\$ 447,660</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, 2023 is comprised of the following:

McCook Central School District No 43-7 General Obligation Bonds, Series 2017	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.	\$ 2,085,000
McCook Central School District No 43-7 General Obligation Bonds, Series 2017	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.	\$ 3,155,000
McCook Central School District No 43-7 Direct Borrowing	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.	\$ 8,789

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

9. Long-Term Liabilities: (Continued)

Compensated Absences –

Payable from the fund to which payroll expenditures are charged \$ 65,760

The annual debt service requirements to maturity for all debt outstanding, as of June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Direct Borrowing	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 150,000	\$ 54,200	\$ 230,000	\$ 80,890	\$ 2,900	\$ 75
2025	155,000	51,150	235,000	76,240	2,930	45
2026	155,000	48,050	240,000	71,490	2,959	16
2027	165,000	44,809	245,000	66,518	--	--
2028	165,000	41,426	245,000	54,975	--	--
2029-2033	895,000	133,206	1,360,000	139,975	--	--
2034-2038	400,000	12,758	600,000	9,150	--	--
Totals	<u>\$ 2,085,000</u>	<u>\$ 385,599</u>	<u>\$ 3,155,000</u>	<u>\$ 499,238</u>	<u>\$ 8,789</u>	<u>\$ 136</u>

Year Ending June 30,	Totals	
	Principal	Interest
2024	\$ 382,900	\$ 135,165
2025	392,930	127,435
2026	397,959	119,556
2027	410,000	111,327
2028	410,000	96,401
2029-2033	2,255,000	273,181
2034-2038	1,000,000	21,908
Totals	<u>\$ 5,248,789</u>	<u>\$ 884,973</u>

10. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2023 was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 478,430
Special Education	Law	94,168
Debt Service	Debt Covenant	180,760
SDRS Pension Purposes	Law	416,403
Total		<u>\$ 1,169,761</u>

McCook Central School District No. 43-7
Notes to the Financial Statements
June 30, 2023

11. Interfund Transfers:

Transfers to/from other funds at June 30, 2023, consist of the following:

Transfer from General Fund to Other Enterprise Fund to cover expenses.	\$ 24,630
--	-----------

12. 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 hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor 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 four different classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B 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. Class A and Class B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

12. 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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

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. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 155,123
2022	152,774
2021	145,696

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 15,052,974
Less proportionate share of net pension restricted for pension benefits	15,063,052
Proportionate share of net pension (asset)	<u><u>\$ (10,078)</u></u>

At June 30, 2023, the School District reported an (asset) of (\$10,078) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 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, 2022, the School District's proportion was 0.10663300%, which is an increase of 0.0030656% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$44,514. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 191,833	\$ 654
Changes in assumption	640,494	561,308
Net difference between projected and actual earnings on pension plan investments	--	24,150
Changes in proportion and difference between district contributions and proportionate share of contributions	4,987	--
District contributions subsequent to the measurement date	155,123	--
Total	<u><u>\$ 992,437</u></u>	<u><u>\$ 586,112</u></u>

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

\$155,123 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

	Year Ended	
	June 30,	
	2024	\$ 70,140
	2025	140,781
	2026	(159,439)
	2027	199,719
	Total	<u>\$ 251,201</u>

Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above 65

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

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

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).

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

12. Pension Plan: (Continued)

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>\$ 2,092,498</u>	<u>\$ (10,078)</u>	<u>\$ (1,728,437)</u>

Pension Plan Fiduciary Net Position:

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

13. Joint Ventures:

The school district participates in the 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:

<u>District</u>	<u>%</u>
Bridegewater/Emery School District No. 30-3	10.91%
Canistota School District No. 43-1	8.28%
Ethan School District No. 17-1	8.64%
Freeman School District No. 33-1	14.97%
Hanson School District No. 30-1	12.70%
Marion School District No. 60-3	6.40%
McCook Central School District No. 43-7	14.49%
Montrose School District No. 43-2	7.89%
Parker School District No. 60-4	15.72%

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.

McCook Central School District No. 43-7

Notes to the Financial Statements

June 30, 2023

13. Joint Ventures: (Continued)

At June 30, 2023, this joint venture had the following:

	<u>June 30, 2023</u>
Total Assets	\$ 1,122,443
Deferred Outflows of Resources	\$ 367,414
Total Liabilities	\$ 175,607
Total Net Position	\$ 219,639
Deferred Inflows of Resources	\$ 1,094,611

14. 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, 2023, the school district managed its risks as follows:

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.

McCook Central School District No. 43-7
Notes to the Financial Statements
June 30, 2023

14. Risk Management: (Continued)

Unemployment Benefits

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

During the year ended June 30, 2023, no claims were filed for unemployment benefits. At June 30, 2023, no claims had been made filed for unemployment benefits and none are anticipated in the next fiscal year.

15. Subsequent Events:

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

Required Supplementary Information

McCook Central School District No. 43-7
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2023

	<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	\$ 1,191,639	\$ 1,191,639	\$ 1,231,727	\$ 40,088
Prior years' ad valorem taxes	10,000	10,000	4,212	(5,788)
Utility taxes	155,000	155,000	154,276	(724)
Penalties and interest on taxes	4,000	4,000	3,655	(345)
Earnings on Investments and Deposits	3,000	3,000	8,423	5,423
Cocurricular Activities:				
Admissions	34,000	34,000	38,097	4,097
Other Revenue from Local Sources:				
Charges for services	4,500	4,500	6,267	1,767
Other	20,000	20,000	52,924	32,924
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	20,000	20,000	24,997	4,997
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,108,895	2,108,895	1,919,687	(189,208)
Restricted grants-in-aid	--	--	100	100
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	2,000	2,000	--	(2,000)
Restricted grants-in-aid received directly from federal government	--	--	16,218	16,218
Restricted grants-in-aid received from federal government through the state	310,376	310,376	357,003	46,627
Other Federal Revenue	13,745	13,745	--	(13,745)
Total Revenues	<u>\$ 3,877,155</u>	<u>\$ 3,877,155</u>	<u>\$ 3,817,586</u>	<u>\$ (59,569)</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, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 755,180	\$ 755,180	\$ 669,380	\$ 85,800
Middle/junior high	509,443	509,443	457,519	51,924
High school	540,038	540,038	571,491	(31,453)
Preschool services	6,950	6,950	7,696	(746)
Special Programs:				
Culturally different	13,876	13,876	13,215	661
Educationally deprived	115,455	115,455	115,477	(22)
Support Services:				
Students:				
Attendance and social work	33,079	33,079	68,061	(34,982)
Guidance	54,459	54,459	59,373	(4,914)
Health	4,500	4,500	1,382	3,118
Instructional Staff:				
Improvement of instruction	47,733	47,733	7,066	40,667
Educational media	142,168	142,168	125,454	16,714
General Administration:				
Board of education	46,557	46,557	46,835	(278)
Executive administration	130,441	130,441	122,766	7,675
School Administration:				
Office of the principal	287,245	287,245	283,852	3,393
Other	800	800	483	317
Business:				
Fiscal services	132,533	132,533	130,641	1,892
Operation and maintenance of plant	473,669	473,669	437,979	35,690
Student transportation	162,191	162,191	177,672	(15,481)
Community Services:				
Nonpublic School	2,204	2,204	2,858	(654)
Nonprogrammed Charges:				
Early retirement payments	--	--	16,713	(16,713)
Cocurricular Activities:				
Male activities	81,612	81,612	96,244	(14,632)
Female activities	55,204	55,204	45,217	9,987
Combined activities	210,868	210,868	189,815	21,053
Contingency	40,000	40,000	--	40,000
Total Expenditures	<u>3,846,205</u>	<u>3,846,205</u>	<u>3,647,189</u>	<u>199,016</u>
Excess of Revenues Over Expenditures	<u>30,950</u>	<u>30,950</u>	<u>170,397</u>	<u>139,447</u>
Other Financing Sources:				
Operating transfers out	<u>(30,950)</u>	<u>(30,950)</u>	<u>(24,630)</u>	<u>6,320</u>
Total Other Financing Sources:	<u>(30,950)</u>	<u>(30,950)</u>	<u>(24,630)</u>	<u>6,320</u>
Net Change in Fund Balances	--	--	145,767	145,767
Fund Balance, Beginning of Year	<u>1,059,067</u>	<u>1,059,067</u>	<u>1,059,067</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,059,067</u>	<u>\$ 1,059,067</u>	<u>\$ 1,204,834</u>	<u>\$ 145,767</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, 2023

	<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	\$ 989,316	\$ 989,316	\$ 1,012,143	\$ 22,827
Prior years' ad valorem taxes	--	--	1,824	1,824
Penalties and interest on taxes	1,300	1,300	1,251	(49)
Other Revenue from Local Sources:				
Other	--	--	249,395	249,395
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	1,700	1,700	--	(1,700)
Restricted grants-in-aid received from federal government through the state	361,000	361,000	277,564	(83,436)
Total Revenues	<u>1,353,316</u>	<u>1,353,316</u>	<u>1,542,177</u>	<u>188,861</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	23,200	23,200	19,121	4,079
Middle/junior high	8,541	8,541	40,745	(32,204)
High school	34,200	34,200	31,174	3,026
Support Services:				
Instructional Staff:				
Educational media	28,000	28,000	24,106	3,894
Business:				
Operation and maintenance of plant	872,000	872,000	916,245	(44,245)
Student transportation	25,000	25,000	25,000	--
Central:				
Information	12,000	12,000	6,200	5,800
Debt Services	311,290	311,290	311,265	25
Cocurricular Activities:				
Combined activities	51,200	51,200	94,952	(43,752)
Total Expenditures	<u>1,365,431</u>	<u>1,365,431</u>	<u>1,468,808</u>	<u>(103,377)</u>
Net Change in Fund Balances	(12,115)	(12,115)	73,369	85,484
Fund Balance, Beginning of Year	491,714	491,714	491,714	--
Fund Balance, End of Year	<u>\$ 479,599</u>	<u>\$ 479,599</u>	<u>\$ 565,083</u>	<u>\$ 85,484</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 591,322	\$ 591,322	\$ 686,618	\$ 95,296
Prior years' ad valorem taxes	5,000	5,000	1,177	(3,823)
Penalties and interest on taxes	1,000	1,000	864	(136)
Tuition and fees:				
Regular day school transportation fees	20,000	20,000	26,740	6,740
Other Revenue from Local Sources:				
Charges for services	22,000	22,000	35,342	13,342
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	298,778	298,778	150,437	(148,341)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	1,000	1,000	--	(1,000)
Total Revenues	<u>939,100</u>	<u>939,100</u>	<u>901,178</u>	<u>(37,922)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	614,120	614,120	542,559	71,561
Support Services:				
Students:				
Health	18,000	18,000	17,856	144
Psychological	1,718	1,718	1,943	(225)
Speech pathology	89,252	89,252	79,259	9,993
Student therapy services	56,000	56,000	49,794	6,206
Instructional Staff:				
Educational Media	189	189	142	47
General Administration:				
Board of education	2,970	2,970	3,018	(48)
Business:				
Fiscal services	4,284	4,284	4,284	--
Special Education:				
Administrative costs	46,167	46,167	46,547	(380)
Transportation costs	106,400	106,400	122,859	(16,459)
Total Expenditures	<u>939,100</u>	<u>939,100</u>	<u>868,261</u>	<u>70,839</u>
Net Change in Fund Balance	--	--	32,917	32,917
Fund Balance, Beginning of Year	<u>51,878</u>	<u>51,878</u>	<u>51,878</u>	--
Fund Balance, End of Year	<u>\$ 51,878</u>	<u>\$ 51,878</u>	<u>\$ 84,795</u>	<u>\$ 32,917</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, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in 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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1066330%	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)	\$ (10,078)	\$ (819,468)	\$ (4,498)	\$ (11,403)	\$ (2,596)	\$ (10,184)	\$ 359,812	\$ (476,797)	\$ (829,209)
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	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)	100.10%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 155,123	\$ 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>155,123</u>	<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>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,585,365	\$ 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%	6.00%	5.98%	6.00%	6.00%	6.00%	6.00%	5.99%	6.00%	6.00%

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, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (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%.

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, 2023 (Continued)

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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

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	\$ 21,715
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	9,474
National School Lunch Program (Note 3)	10.555	NA	98,176
Special Milk Program for Children (Note 3)	10.556	NA	981
Total Child Nutrition Cluster			<u>130,346</u>
Total U.S. Department of Agriculture			<u>130,346</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	82,237
Rural Education	84.358	NA	16,218
Supporting Effective Instruction State Grant	84.367	NA	24,217
Student Support and Academic Enrichment Program	84.424A	NA	11,086
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>512,772</u>
Total ESSER Funds			512,772
Special Education Cluster:			
Special Education Grants to States	84.027	NA	<u>4,255</u>
Total Special Education Cluster			<u>4,255</u>
Total U.S. Department of Education			<u>650,785</u>
Grand Total			<u>\$ 781,131</u>

McCook Central School District No. 43-7
Schedule of Expenditures of Federal Awards
June 30, 2023 (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, 2023. 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.