

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2023

Board Members:

Jonathan Sam - Vice Chairman
Dawn Robinson
Paul Guggolz, Jr.
Sara Hollow - Chairman
Claudia Walking Elk

Superintendent:

Dr. George Shipley, Jr.

Business Manager:

Kendra Sandquist

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

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KOHLMAN,BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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

To the School Board
McLaughlin School District No. 15-2
McLaughlin, South Dakota

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of McLaughlin School District No. 15-2 (School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Districts's basic financial statements, and have issued our report thereon dated January 24, 2025.

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 School District'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the Accompanying Schedule of Current Audit Findings and Questioned Costs, that we consider to be material weaknesses as described in findings number 2023-002 through 2023-005.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the Accompanying Schedule of Current Audit Findings and Questioned Costs, that we consider to be a material weakness as described in finding number 2023-005.

School District's Response to Findings

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

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 School District'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.

Kohlman Bierschbach and Anderson LLP

January 24, 2025

KOHLMAN,BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

School Board
McLaughlin School District No. 15-2
McLaughlin, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the McLaughlin School District No. 15-2 (School District)'s compliance with the types of compliance requirements identified as subject to audit in the 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 Auditors' Results section of the Accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the School District 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; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 Auditors' 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 the major federal programs. 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 the School District's federal programs.

Auditors' 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 generally accepted auditing standards, 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 generally accepted auditing standards, 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 the 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 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. We consider the deficiencies in internal control over compliance described in the Accompanying Schedule of Current Audit Findings and Questioned Costs as item 2023-001 to be a material weakness.

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 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 purpose. 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.

Kohlman Biersebach and Anderson LLP

January 24, 2025



SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR OTHER AUDIT FINDINGS:

2022-001

A material weakness was reported for lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity, which could result in errors not being found in a timely manner.

Status:

This finding has not been corrected and is restated as current other audit finding 2023-002.

2022-002

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles (GAAP). As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Status:

This finding has not been corrected and is restated as current other audit finding 2023-003.

2022-003

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements.

Status:

This finding has not been corrected and is restated as current other audit finding 2023-004.


Business Manager


Superintendent

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS

Financial Statements

1. An unmodified opinion was issued on the financial statements of each opinion unit.
2. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2023-001 through 2023-005.
3. Our audit did disclose one instance of noncompliance which was material to the financial statements. This is described in finding 2023-005.

Federal Awards

4. An unmodified opinion was issued on compliance with the requirements applicable to the major programs.
5. Our audit did disclose one audit finding that is required to be reported in accordance with 2 CFR 200.516(a).
6. The federal awards tested as major programs were:
 - a. American Rescue Plan Elementary and Secondary School
Emergency Relief Federal Assistance Listing Number #84.425U.
7. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
8. McLaughlin School District No. 15-2 did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2023-001

U.S. Department of Education:

American Rescue Plan Elementary and Secondary School Emergency Relief: Federal Assistance Listing Number #84.425U
Federal Award Year 2023

Criteria

CFR Title 2 Part D §200.313, states that the title to equipment acquired under a federal award will vest upon acquisition in the non-federal entity. Unless a statute specifically authorizes the federal agency to vest the title in the non-federal entity without further responsibility to the federal government, and the federal agency elects to do so, the title must be a conditional title. The title must vest in the non-federal entity subject to the following conditions: use the equipment for the authorized purposes of the project during the period of performance, or until the property is no longer needed for the purposes of the project, not encumber the property without approval of the federal awarding agency or pass-through entity, use and dispose of the property in accordance with state laws and procedures.

Condition Found

A material weakness was reported for a lack of internal controls over the School District's federal awards for the following compliance requirements: procedures for managing equipment, whether acquired in whole or in part under a federal award, until disposition takes place will, as a minimum, meet the requirements of maintaining proper records that include a description of the property, a serial number or other identification number, source of funding, who holds the title, acquisition date and cost of property; a physical inventory of property must be taken at least every two years; and a control system to ensure adequate safeguards to prevent loss, damage or theft; adequate maintenance procedures. This is undesirable from an internal control viewpoint, and could result in a loss of control over compliance and noncompliance not being detected and corrected in a timely manner.

Cause

Internal controls are not adequately designed to prevent or detect noncompliance with the compliance requirements identified.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023
(Continued)

Effect

Inadequate internal controls could adversely affect the School District's ability to detect noncompliance that would be material in relation to federal programs in a timely manner by employees in the normal course of performing their assigned duties.

Questioned Cost

None Reported.

Recommendation

We recommend the School Board take a more active role in their oversight of the School District's compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Identification as a Repeat Finding

This is not a repeat finding.

Views of Responsible Officials and Corrective Actions

See the School District's corrective action plan on pages 12 - 13.

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2023-002

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Cause

Internal controls are not adequately designed to prevent or detect material misstatements due to either fraud or error.

Effect

The School District has a limited number of employees who prepare all records for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity.

Recommendation

We recommend the School Board take a more active roll in their oversight of cash, investments, revenues, grants, receivables, inventories, payables, expenditures, payroll, capital assets, debt, and equity.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023
(Continued)

Identification as a Repeat Finding

Yes, the finding is a restatement of 2022-001.

Views of Responsible Officials and Corrective Actions

See the School District's corrective action plan on pages 12 - 13.

2023-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

Internal controls are not adequately designed to prepare the financial statements.

Effect

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

Recommendation

This circumstance is not unusual in a organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, the finding is a restatement of 2022-002.

Views of Responsible Officials and Corrective Actions

See the School District's corrective action plan on pages 12 - 13.

2023-004

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023
(Continued)

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements.

Cause

Internal controls are not adequately designed to record all material adjustments.

Effect

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

Recommendation

This circumstance is not unusual in a organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, the finding is a restatement of 2022-003.

Views of Responsible Officials and Corrective Actions

See the School District's corrective action plan on pages 12 - 13.

2023-005

Criteria

South Dakota Codified Law (SDCL) 13-11-2 states by resolution the School Board shall adopt a levy in dollars sufficient to meet the school budget. Any changes in the proposed budget incorporated in the final budget shall be published in the minutes within thirty days after the final adoption of the budget. SDCL 13-11-3.2 states subsequent to final adoption of the budget, the school board, upon adoption of a resolution setting forth the source of funds and the intended purpose for their use, may amend the budget to utilize available unobligated resources.

Condition Found

The Capital Outlay Fund and Food Service Fund overspent the published budget, including any supplemental appropriations, by a material amount. The expenditures exceed the budget by \$113,739.00 and \$14,948.92, respectively.

Cause

The School District did not adequately monitor the budget compared to actual expenditures to identify the amount overspent.

Effect

The School District is not in compliance with SDCL 13-11-2.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023
(Continued)

Recommendation

The School Board should closely monitor the budget to actual report to determine compliance with SDCL 13-11-2 on a regular basis.

Identification as a Repeat Finding

This is not a repeat finding.

Views of Responsible Officials and Corrective Actions

See the School District's corrective action plan on pages 12 - 13.

Compliance and Other Matters:

2023-005

This finding has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.



CORRECTIVE ACTION PLAN (UNAUDITED)

The McLaughlin School District submits the following corrective action plan for the period ended June 30, 2023:

2023-001

Finding Summary: A material weakness was reported for a lack of internal controls over the School District's federal awards for the following compliance requirements: procedures for managing equipment, whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the requirements of maintaining proper records that include a description of the property, a serial number or other identification number, source of funding, who holds the title, acquisition date and cost of property; a physical inventory of property must be taken at least every two years; and a control system to ensure adequate safeguards to prevent loss, damage or theft; adequate maintenance procedures. This is undesirable from an internal control viewpoint, and could result in a loss of control over compliance and noncompliance not being detected and corrected in a timely manner.

Responsible Individual: McLaughlin School Board

Corrective Action Plan: The Business Manager will change the procedure in place for tracking assets to include a method that will identify which assets are federally connected.

Anticipated Completion Date: Current Practice

2023-002

Finding Summary: A material weakness was reported for lack of segregation of duties for cash, investments, revenues, receivables, grants, inventories, payables, expenditures, payroll, capital assets, debt, and equity. This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Responsible Individual: Superintendent & Business Manager

Corrective Action Plan: Though the School District has a limited ability to foster a complete segregation of duties due to cost considerations, policies for internal controls and procurement have been adopted to provide mitigation where practical.

Anticipated Completion Date: Ongoing

2023-003

Finding Summary: The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Responsible Individual: McLaughlin School Board

Corrective Action Plan: Though the School District has a limited ability to foster a complete segregation of duties due to cost considerations, policies for internal controls and procurement have been adopted to provide mitigation where practical.

Anticipated Completion Date: Ongoing

2023-004

Finding Summary: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements.

Responsible Individual: Business Manager

Corrective Action Plan: Though the School District has a limited ability to foster a complete segregation of duties due to cost considerations, policies for internal controls and procurement have been adopted to provide mitigation where practical.

Anticipated Completion Date: Ongoing

2023-005

Finding Summary: The Capital Outlay Fund and Food Service Fund overspent the published budget, including any supplemental appropriations, by a material amount. The expenditures exceed the budget by \$113,739.00 and \$14,948.92, respectively.

Responsible Individual: Superintendent, Business Manager & Board President

Corrective Action Plan: The Superintendent and Business Manager will more closely monitor the budget to actual expenditures, revenue, and fund balances and ensure the necessary budget supplements are prepared for Board of Education consideration on an as-needed basis, including at year-end.

Anticipated Completion Date: June 2024



Superintendent



Business Manager



Board President

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

School Board
McLaughlin School District No. 15-2
McLaughlin, South Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McLaughlin School District No. 15-2, South Dakota (School District), as of and for the year ended June 30, 2023, 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' 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 the 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 Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Pension Contributions on pages 44 through 51 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.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

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 as 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 January 24, 2025, 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 the School District's internal control over financial reporting and compliance.

Kohlman Bierbach and Anderson LLP

January 24, 2025

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2**STATEMENT OF NET POSITION****JUNE 30, 2023**

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 9,801,834
Taxes receivable	675,458
Inventories	10,127
Other assets	1,662,862
Restricted cash and cash equivalents	18,247
Net pension asset	19,184
Capital Assets:	
Land, improvements and construction/development in progress	3,489,332
Other capital assets, net of depreciation/amortization	<u>9,490,379</u>
TOTAL ASSETS	<u>25,167,423</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related deferred outflows	<u>1,915,343</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,915,343</u>
LIABILITIES:	
Accounts payable	737,387
Other current liabilities	555,217
Noncurrent Liabilities:	
Due within one year:	
Compensated absences	59,225
Early retirement	63,659
Horizon financial	43,304
Energy loan	61,323
Bond payable	303,758
Intangible lease	62,397
Due in more than one year:	
Compensated absences	72,385
Early retirement	88,013
Bond payable	1,601,379
Intangible lease	<u>73,614</u>
TOTAL LIABILITIES	<u>3,721,661</u>
DEFERRED INFLOWS OF RESOURCES:	
Taxes levied for future period	672,178
Pension related deferred inflows	<u>1,142,453</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,814,631</u>
NET POSITION:	
Net investment in capital assets	10,504,193
Restricted for:	
SDRS pension purposes	792,074
Capital outlay purposes	7,775
Special education purposes	154,827
Food service purposes	35,147
Johnson O'Malley purposes	18,247
Unrestricted	<u>10,034,211</u>
TOTAL NET POSITION	<u>\$ 21,546,474</u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 4,262,133	\$ -	\$ 2,616,544	\$ -	\$ (1,645,589)
Support services	5,331,590	108,486	334,740	4,442,446	(445,918)
Nonprogrammed charges	6,897	-	-	-	(6,897)
*Interest on long-term debt	43,382	-	-	-	(43,382)
Cocurricular activities	<u>451,644</u>	<u>19,036</u>	<u>-</u>	<u>-</u>	<u>(432,608)</u>
Total Governmental Activities	\$ <u>10,095,646</u>	\$ <u>127,522</u>	\$ <u>2,951,284</u>	\$ <u>4,442,446</u>	<u>(2,574,394)</u>

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

General Revenues:

Taxes:	
Property taxes	1,563,698
Utility taxes	67,744
Revenue from State Sources:	
State aid	2,585,577
Other	59,056
Revenue from Federal Sources	3,857,605
Unrestricted investment earnings	28,574
Other general revenues	<u>33,795</u>
Total General Revenues	<u>8,196,049</u>
Change in Net Position	<u>5,621,655</u>
Net Position - Beginning	15,936,976
Adjustments:	
Prior period restatement (See Note 16)	<u>(12,157)</u>
Adjusted Net Position - Beginning	<u>15,924,819</u>
Net Position - Ending	\$ <u>21,546,474</u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 9,017,819	\$ 512,608	\$ 230,910	\$ 40,495	\$ 9,801,832
Taxes receivable - current	212,774	284,685	156,231	-	653,690
Taxes receivable - delinquent	9,342	7,775	4,651	-	21,768
Judgments receivable	43,859	-	-	-	43,859
Due from other funds	1,248,279	-	-	-	1,248,279
Due from federal government	394,059	1,053,981	44,773	1,045	1,493,858
Due from state government	42,665	-	-	-	42,665
Due from county government	25,079	-	-	-	25,079
Inventories-stores for resale	5,184	-	-	4,395	9,579
Inventory of donated food	-	-	-	548	548
Prepaid expenses	57,401	-	-	-	57,401
Restricted cash and cash equivalents	18,247	-	-	-	18,247
TOTAL ASSETS	<u>\$ 11,074,708</u>	<u>\$ 1,859,049</u>	<u>\$ 436,565</u>	<u>\$ 46,483</u>	<u>\$ 13,416,805</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ -	\$ 701,059	\$ 36,328	\$ -	\$ 737,387
Contracts payable	436,723	-	51,699	2,132	490,554
Due to other funds	-	1,229,759	18,520	-	1,248,279
Payroll deductions and withholdings and employer matching payable	57,483	-	7,037	143	64,663
TOTAL LIABILITIES	<u>494,206</u>	<u>1,930,818</u>	<u>113,584</u>	<u>2,275</u>	<u>2,540,883</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	9,342	7,775	4,651	-	21,768
Taxes levied for future period	197,611	306,413	168,154	-	672,178
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>206,953</u>	<u>314,188</u>	<u>172,805</u>	<u>-</u>	<u>693,946</u>
FUND BALANCES:					
Nonspendable:					
Restitution receivable, net	43,859	-	-	-	43,859
Prepaid expenses	57,401	-	-	-	57,401
Inventory	5,184	-	-	4,943	10,127
Restricted:					
Johnson O'Malley purposes	18,247	-	-	-	18,247
Special education purposes	-	-	150,176	-	150,176
Food service purposes	-	-	-	39,265	39,265
Assigned:					
American Indian Education	4,153	-	-	-	4,153
Mac Shack	6,738	-	-	-	6,738
Unassigned	10,237,967	(385,957)	-	-	9,852,010
TOTAL FUND BALANCES	<u>10,373,549</u>	<u>(385,957)</u>	<u>150,176</u>	<u>44,208</u>	<u>10,181,976</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 11,074,708</u>	<u>\$ 1,859,049</u>	<u>\$ 436,565</u>	<u>\$ 46,483</u>	<u>\$ 13,416,805</u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balances - Governmental Funds		\$ 10,181,976
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		19,184
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		12,979,711
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		1,915,343
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease liability	\$ 136,011	
Bonds	1,905,137	
Early retirement	151,672	
Compensated absences	131,610	
Horizon financial	43,304	
Energy loan	<u>61,323</u>	(2,429,057)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		
Taxes receivable	\$ <u>21,770</u>	21,770
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(1,142,453)</u>
Net Position - Governmental Activities		\$ <u><u>21,546,474</u></u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 491,835	\$ 657,505	\$ 363,296	\$ -	\$ 1,512,636
Prior years' ad valorem taxes	6,944	9,447	5,812	-	22,203
Tax deed revenue	6,143	10,907	6,067	-	23,117
Utility taxes	67,744	-	-	-	67,744
Penalties and interest on taxes	2,303	3,650	2,085	-	8,038
Earnings on investments and deposits	27,261	1,313	-	-	28,574
Food service	-	-	-	9,958	9,958
Cocurricular activities:					
Admissions	19,036	-	-	-	19,036
Other revenue from local sources:					
Rentals	600	-	-	-	600
Contributions and donations	1,833	-	-	-	1,833
Refund of prior years' expenditures	2,125	-	-	-	2,125
Judgments	800	-	-	-	800
Charges for services	52,816	-	3,493	-	56,309
Other	41,019	-	1,200	-	42,219
Revenue from Intermediate Sources:					
County sources:					
County apportionment	23,243	-	-	-	23,243
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	2,644,141	-	-	492	2,644,633
Restricted grants-in-aid	26,427	-	821,203	-	847,630
State cash reimbursement	1,586	-	-	-	1,586
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	3,693,599	43,695	86,486	-	3,823,780
Restricted grants-in-aid received directly from federal government	62,493	-	-	-	62,493
Restricted grants-in-aid received from federal government through the state	1,507,968	4,442,446	197,653	-	6,148,067
Johnson O'Malley funds	33,825	-	-	-	33,825
Federal cash reimbursements	-	-	-	312,262	312,262
Federal donated food	-	-	-	22,478	22,478
TOTAL REVENUES	<u>8,713,741</u>	<u>5,168,963</u>	<u>1,487,295</u>	<u>345,190</u>	<u>15,715,189</u>

	General Fund	Capital Outlay Fund	Special Education Fund	Other Governmental Fund	Total Governmental Funds
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	1,141,423	800	-	-	1,142,223
Middle/Junior high	479,450	-	-	-	479,450
High school	697,715	-	-	-	697,715
Preschool services	3,838	-	-	-	3,838
Other regular programs	6,172	-	-	-	6,172
Special programs:					
Programs for special education	-	-	812,627	-	812,627
Educationally deprived	1,022,421	2,420	-	-	1,024,841
Support Services:					
Students:					
Attendance and social work	270,678	-	-	-	270,678
Guidance	97,384	-	-	-	97,384
Health	82,808	-	-	-	82,808
Psychological	-	-	50,523	-	50,523
Speech pathology	-	-	103,665	-	103,665
Student therapy services	-	-	66,974	-	66,974
Instructional staff:					
Improvement of instruction	269,635	-	2,087	-	271,722
Educational media	145,371	173,400	-	-	318,771
General administration:					
Board of education	347,469	-	-	-	347,469
Executive administration	218,247	-	-	-	218,247
School administration:					
Office of the principal	487,400	-	-	-	487,400
Title I program administration	5,070	-	-	-	5,070
Other	3,102	-	-	-	3,102
Business:					
Fiscal services	211,143	-	-	-	211,143
Facilities acquisition and construction	-	240,722	-	-	240,722
Operation and maintenance of plant	890,821	26,617	-	-	917,438
Student transportation	347,587	-	-	-	347,587
Food services	15,707	119,781	-	382,878	518,366
Central:					
Staff	2,710	-	-	-	2,710
Special education:					
Administrative costs	-	-	135,955	-	135,955
Transportation costs	-	-	24,353	-	24,353
Other special education costs	-	-	102,287	-	102,287
Nonprogrammed Charges:					
Early retirement payments	62,419	-	-	-	62,419
Debt Services	-	504,803	-	-	504,803

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Cocurricular Activities:					
Male activities	94,712	1,027	-	-	95,739
Female activities	94,467	12,959	-	-	107,426
Transportation	24,676	-	-	-	24,676
Combined activities	215,298	6,556	-	-	221,854
Capital Outlay	<u>2,004</u>	<u>4,532,382</u>	<u>-</u>	<u>-</u>	<u>4,534,386</u>
TOTAL EXPENDITURES	<u>7,239,727</u>	<u>5,621,467</u>	<u>1,298,471</u>	<u>382,878</u>	<u>14,542,543</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,474,014</u>	<u>(452,504)</u>	<u>188,824</u>	<u>(37,688)</u>	<u>1,172,646</u>
OTHER FINANCING SOURCES:					
Sale of surplus property	160	-	-	-	160
Compensation for loss of general capital assets	<u>4,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,408</u>
TOTAL OTHER FINANCING SOURCES	<u>4,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,568</u>
NET CHANGE IN FUND BALANCES	1,478,582	(452,504)	188,824	(37,688)	1,177,214
FUND BALANCE - BEGINNING	<u>8,894,967</u>	<u>66,547</u>	<u>(38,648)</u>	<u>81,896</u>	<u>9,004,762</u>
FUND BALANCE - ENDING	<u>\$ 10,373,549</u>	<u>\$ (385,957)</u>	<u>\$ 150,176</u>	<u>\$ 44,208</u>	<u>\$ 10,181,976</u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 1,177,214

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 4,534,386

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (636,958)

This amount represents the current year amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (61,872)

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

Bond payable	\$ 297,014		
Leases	61,758		
Energy loan	61,322		
Horizon financial	<u>41,326</u>		461,420

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". (2,295)

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.

Compensated absences	\$ (9,061)		
Early retirement	<u>55,523</u>		46,462

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense) 100,223

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 3,075

Change in Net Position of Governmental Activities \$ 5,621,655

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$ -	\$ 25,346
Investments, at fair value	<u>8,064</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 8,064</u>	<u>\$ 25,346</u>
NET POSITION:		
Restricted for:		
Amounts held for others	\$ -	\$ 25,346
Scholarships	<u>8,064</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 8,064</u>	<u>\$ 25,346</u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Earnings from deposits and investments	\$ -	\$ 89
Other additions	<u>-</u>	<u>63,890</u>
TOTAL ADDITIONS	<u>-</u>	<u>63,979</u>
DEDUCTIONS:		
Other deductions	<u>-</u>	<u>60,637</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>60,637</u>
CHANGE IN NET POSITION	-	3,342
NET POSITION - BEGINNING	<u>8,064</u>	<u>22,004</u>
NET POSITION - ENDING	<u>\$ 8,064</u>	<u>\$ 25,346</u>

The notes to the financial statements are an integral part of this statement.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 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 McLaughlin School District No. 15-2 (School District), 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 one 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 Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. 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 fund are at least 10 percent of the corresponding total for all funds of that category or type, or
2. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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 Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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 not a major fund and is the only fund included in the Other Governmental Funds column in the financial statements.

Fiduciary Funds:

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

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

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 one private-purpose trust fund for the purpose of providing scholarships.

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:

Governmental-Wide Financial Statements:

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

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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 fiduciary fund types.

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental 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 for the School District is 60 days. The revenues which are accrued at June 30, 2023, are reimbursements for federal program expenditures and miscellaneous receivables.

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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

f. Capital Assets:

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

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations 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 95% for which costs were determined by estimates of the original costs. These estimated original costs were established by appraisal.

For governmental activities capital assets, 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 methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	All	N/A	N/A
Improvements	\$ 5,000	Straight-line	15 - 25 years
Buildings	\$ 5,000	Straight-line	75 - 100 years
Machinery and Equipment	\$ 5,000	Straight-line	5 - 20 years
Library Books	All	Straight-line	5 years
Intangible Lease Assets	\$ 1,000	Straight-line	5 years
Intangible Subscription Assets	\$ 1,000	Straight-line	5 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

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.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, early retirement, bond payable, energy note payable, a direct borrowing/financed purchase for a motor coach bus from Horizon Financial and copier lease from Marco.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

h. Leases:

Lessee:

The School District is a lessee for a noncancellable lease of copy machines and printers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$1,000 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.

- 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.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

i. Program Revenues:

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

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

j. Deferred Inflows and Deferred Outflows of Resources:

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

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

k. 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 does 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. Fiduciary fund equity is reported as restricted net position.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - (Continued)

l. Application of Net Position:

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

m. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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 or 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 Nonspendable Fund Balance is comprised of inventory, prepaids, and amounts not in cash form such as long-term restitution receivable.

The School Board has not committed any portion of the School District's fund balance.

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 Government does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund

Special Education Fund
Capital Outlay Fund

Revenue Source

Grants and Property Taxes
Grants and Property Taxes

n. 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.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. This statement changed the way that subscription-based information technology arrangements are reported. The effect of the implementation of this standard had no effect on the financial statements.

NOTE 3 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The School District had significant overdrafts of expenditures compared to appropriations in the Capital Outlay Fund and Food Service Fund in the amounts of \$113,739 and \$14,949, respectively. The Governing Board plans to more closely monitor the budget-to-actual expenditures, revenue, and fund balances and ensure the necessary budget supplements are prepared for Board of Education consideration on an as-needed basis..

NOTE 4 - DEFICIT FUND BALANCE/NET POSITION OF INDIVIDUAL NONMAJOR FUND

As of June 30, 2023, the Capital Outlay Fund had a deficit fund balance in the amount of \$385,957. The Governing Board plans to make an operating transfer to correct the deficit.

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

As of June 30, 2023 the School District did not have any investments.

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.

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.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - (Continued)

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

NOTE 6 - RESTRICTED CASH AND INVESTMENTS

Assets in the amount of \$18,247 are restricted to use for Johnson O'Malley through segregation of balances in separate accounts.

NOTE 7 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables, except restitution receivables described in Note 8, to be collected within one year.

NOTE 8 - RESTITUTION RECEIVABLE

There was one restitution receivable at the year ended June 30, 2023. The restitution receivable is stated at its outstanding principal balance adjusted for the allowance of losses.

The receivable is due in monthly installments of \$300 and does not bear interest. The allowance is reported based on management's estimate of the receivable that will not be collected. The allowance for losses of \$149,771 netted with the restitution receivable of \$193,630 results in a net receivable balance of \$43,859 at June 30, 2023.

NOTE 9 - INVENTORY

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

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

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

NOTE 10 - 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 inflow of resources - property taxes levied for future period in

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - (Continued)

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".

NOTE 11 - CHANGES IN CAPITAL ASSETS

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

PRIMARY GOVERNMENT

	Balance 7/1/2023	Restatement	Increases	Decreases	Balance 6/30/2024
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 48,505	\$ -	\$ -	\$ -	\$ 48,505
Construction/Development in progress	<u>-</u>	<u>380,013</u>	<u>3,060,814</u>	<u>-</u>	<u>3,440,827</u>
Total, not being depreciated/amortized	<u>48,505</u>	<u>380,013</u>	<u>3,060,814</u>	<u>-</u>	<u>3,489,332</u>
Capital assets, being depreciated/amortized:					
Improvements	394,605	-	-	-	394,605
Buildings	12,427,307	(380,013)	1,423,198	-	13,470,492
Intangible lease asset	309,354	-	-	-	309,354
Machinery and equipment	<u>2,441,273</u>	<u>-</u>	<u>50,374</u>	<u>-</u>	<u>2,491,647</u>
Total, being depreciated/amortized	<u>15,572,539</u>	<u>(380,013)</u>	<u>1,473,572</u>	<u>-</u>	<u>16,666,098</u>
Less accumulated depreciation/amortization for:					
Improvements	184,975	-	13,340	-	198,315
Buildings	4,941,932	-	408,321	-	5,350,253
Intangible lease asset	111,585	12,157	61,871	-	185,613
Machinery and equipment	<u>1,226,240</u>	<u>-</u>	<u>215,298</u>	<u>-</u>	<u>1,441,538</u>
Total accumulated depreciation/amortization	<u>6,464,732</u>	<u>12,157</u>	<u>698,830</u>	<u>-</u>	<u>7,175,719</u>
Total capital assets, being depreciated/amortized, net	<u>9,107,807</u>	<u>(392,170)</u>	<u>774,742</u>	<u>-</u>	<u>9,490,379</u>
Total governmental activity capital assets, net	<u>\$ 9,156,312</u>	<u>\$ (12,157)</u>	<u>\$ 3,835,556</u>	<u>\$ -</u>	<u>\$12,979,711</u>

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 157,855
Support Services	535,400
Cocurricular Activities	<u>5,575</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 698,830</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 122,550	\$ 175,952	\$ 166,892	\$ 131,610	\$ 59,225
Early Retirement Benefits	207,195	8,136	63,659	151,672	63,659
2020 Certificates of Participation - Truist	2,202,152	-	297,014	1,905,138	303,758
Horizon Financial Bank	84,629	-	41,325	43,304	43,304
Energy Efficiency and Conservation Loan	122,645	-	61,322	61,323	61,323
Marco Copier Lease	<u>197,769</u>	<u>-</u>	<u>61,758</u>	<u>136,011</u>	<u>62,397</u>
Totals	<u>\$ 2,936,940</u>	<u>\$ 184,088</u>	<u>\$ 691,970</u>	<u>\$ 2,429,058</u>	<u>\$ 593,666</u>

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

Early Retirement Benefits

The School District maintains an early retirement program. Eligible employees at least 55 years of age with 20 years of service to the School District may elect early retirement benefits. The payment will be 30% of the current year's negotiated base salary until reaching the age of 66. Early retirement benefits payable for the governmental activities typically have been liquidated from the General Fund. The annual payment requirements to maturity for all early retirement benefits payable outstanding as of June 30, 2023, are as follows:

<u>Year Ending June 30:</u>	<u>Total</u>
2024	\$ 63,659
2025	56,325
2026	24,181
2027	<u>7,507</u>
Total	<u>\$ 151,672</u>

Series 2020 Certificates of Participation

Series 2020 Certificates of Participation are due August 1, 2028, and bear interest at 1.860%. Series 2020 Certificates of Participation typically have been liquidated from the Capital Outlay Fund. The annual payment requirements to maturity for all Certificates of Participation outstanding as of June 30, 2023, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 303,758	\$ 32,611	\$ 336,369
2024	309,821	26,904	336,725
2026	315,206	21,092	336,298
2027	319,929	15,185	335,114
2028	324,010	9,196	333,206
2029	<u>332,414</u>	<u>3,091</u>	<u>335,505</u>
Totals	<u>\$ 1,905,138</u>	<u>\$ 108,079</u>	<u>\$ 2,013,217</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - (Continued)

Horizon Financial Bank

Horizon Financial Bank has a maturity date of November 20, 2023, and bears interest at 4.40%. Horizon Financial Bank governmental activities typically have been liquidated from the Capital Outlay Fund. The purchase price was \$241,750 of principal and \$26,750 of interest for a total cost of \$268,500. The annual payment requirements to maturity for all payments outstanding as of June 30, 2023, are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 43,304	\$ 1,446	\$ 44,750

Energy Efficiency School Loan

The Energy Efficiency School Loan is an interest free loan from the State of South Dakota maturing July 31, 2023. Loan payments typically have been liquidated from the Capital Outlay Fund. The annual payment requirements to maturity as of June 30, 2023, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 61,323	\$ -	\$ 61,323

NOTE 13 - LEASES

The School District has a lease for 73 copiers and printers through Marco Technologies, LLC, for 5 years with an interest rate of 1.030% beginning August 1, 2020. The School District paid a total of \$63,504 for the copier lease from the Capital Outlay Fund for the year ended June 30, 2023.

The future principal and interest lease payments as of June 30, 2023, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 62,397	\$ 1,107	\$ 63,504
2025	63,043	461	63,504
2026	<u>10,571</u>	<u>14</u>	<u>10,585</u>
Total	\$ <u>136,011</u>	\$ <u>1,582</u>	\$ <u>137,593</u>

NOTE 14 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2023, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,248,279	\$ -
Capital Outlay Fund	-	1,229,759
Special Education Fund	<u>-</u>	<u>18,520</u>
	\$ <u>1,248,279</u>	\$ <u>1,248,279</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2023, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
SDRS Pension Purposes	Law	\$ 792,074
Special Education Purposes	Law	154,827
Capital Outlay Purposes	Law	7,775
Other Purposes:		
Johnson O'Malley Purposes	Law	18,247
Food Service Purposes	Federal Regulations	<u>35,147</u>
Total Restricted Net Position		\$ <u><u>1,008,070</u></u>

These balances are restricted due to federal grant and statutory requirements.

NOTE 16 - ADJUSTMENTS TO AND RESTATEMENT OF BEGINNING BALANCES

During fiscal year 2023, accounting changes and error corrections resulted in adjustments to and restatement of beginning net position and fund net position in the amount of \$12,157. This was due to intangible lease asset being reported incorrectly in the governmental activities capital assets.

NOTE 17 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the 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 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 classes of members: 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 Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - (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 earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 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 the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% 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 fiscal years ended June 30, 2023, 2022, and 2021, were \$293,899, \$290,824, and \$309,870, respectively, equal to the required contributions each year.

Pension 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 share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this 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	\$ 28,655,184
Less proportionate share of net pension restricted for pension benefits	<u>28,674,368</u>
Proportionate share of net pension liability (asset)	<u>\$ (19,184)</u>

At June 30, 2023, the School District reported an asset of (\$19,184) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was based on a

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - (Continued)

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 .202989%, which is a decrease of .02459% from its proportion measured as June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of (\$103,298). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 365,177	\$ 1,246
Changes in assumption	1,219,259	1,068,518
Net difference between projected and actual earnings on pension plan investments	-	45,973
Changes in proportion and difference between School District contributions and proportionate share of contributions	37,008	26,716
School District contribution subsequent to the measurement date	<u>293,899</u>	<u>-</u>
TOTAL	<u>\$ 1,915,343</u>	<u>\$ 1,142,453</u>

\$293,899 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 Ending June 30:	Amount
2024	\$ 116,816
2025	270,791
2026	(292,933)
2027	<u>384,317</u>
TOTAL	<u>\$ 478,991</u>

Actuarial Assumptions:

The total pension 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, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - (Continued)

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 age 65

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0 %	3.7 %
Fixed Income	30.0 %	1.1 %
Real Estate	10.0 %	2.6 %
Cash	<u>2.0 %</u>	0.4 %
Total	<u><u>100 %</u></u>	

Discount Rate:

The discount rate used to measure the total pension liability (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 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).

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - (Continued)

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

The following presents the School District's proportionate share of net pension asset using the discount rate of 6.50%, as well as what as School District'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%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 3,983,326	\$ (19,184)	\$ (3,290,292)

Pension Plan Fiduciary Net Position:

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

NOTE 18 - JOINT VENTURES

The School District participates in two joint ventures known as Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative. These are cooperative service units formed for the purpose of providing education services in the area of special education, adult education, in-service training and other educational services to the member school districts.

Northwest Area Schools Multi-District

The members of the Northwest Area Schools Multi-District and their relative percentage participation are as follows:

Harding County School District No. 31-1	13.04 %
Faith School District No. 46-2	13.04 %
Dupree School District No. 64-2	13.04 %
Timber Lake School District No. 20-3	13.04 %
McLaughlin School District No. 15-2	13.04 %
McIntosh School District No. 15-1	13.04 %
Smee School District No. 15-3	13.04 %
Tiospaye Topa School District	8.72 %

Northwest Area Schools Multi-District's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget. The School District retains equity in the net position and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above. Separate financial statements for this joint venture are available from Northwest Area Schools Multi-District.

Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative are combined for financial reporting purposes. At June 30, 2023, the combined joint ventures had total assets of \$2,026,736, deferred outflows of resources of \$386,520, total liabilities of \$209,924, deferred inflows of resources of \$221,667 and net position of \$1,981,665.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 19 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2023, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund.. This is a public entity risk pool currently operating as a common risk management and insurance program for 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 reinsurance coverage with the premiums it receives from the members. There is no lifetime maximum payment per person.

The School District does not carry additional health insurance coverage to pay claims in excess of the 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.

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has not assigned any amount of fund balance for the payment of future unemployment benefits.

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

NOTE 20 - LITIGATION

At June 30, 2023, the School District was not involved in any litigation.

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 24, 2025, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 392,356	\$ 392,356	\$ 491,835	\$ 99,479
Prior years' ad valorem taxes	-	-	6,944	6,944
Tax deed revenue	-	-	6,143	6,143
Utility taxes	70,000	70,000	67,744	(2,256)
Penalties and interest on taxes	-	-	2,303	2,303
Earnings on investments and deposits	8,400	8,400	27,261	18,861
Cocurricular activities:				
Admissions	13,270	13,270	19,036	5,766
Other revenue from local sources:				
Rentals	600	600	600	-
Contributions and donations	-	-	1,833	1,833
Refund of prior years' expenditures	-	-	2,125	2,125
Judgments	-	-	800	800
Charges for services	52,800	52,800	52,816	16
Other	15,000	17,000	41,019	24,019
Revenue from Intermediate Sources:				
County sources:				
County apportionment	20,000	20,000	23,243	3,243
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	2,689,838	2,689,838	2,644,141	(45,697)
Restricted grants-in-aid	-	65,059	26,427	(38,632)
Other state revenue	-	-	1,586	1,586
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	94,150	94,150	62,493	(31,657)
Restricted grants-in-aid received from federal government through the state	1,138,563	1,593,164	1,507,968	(85,196)
Johnson O'Malley funds	24,080	48,313	33,825	(14,488)
TOTAL REVENUES	4,519,057	5,064,950	5,020,142	(44,808)
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	1,173,717	1,199,041	1,141,423	57,618
Middle/Junior high	384,022	407,871	479,450	(71,579)
High school	829,825	859,124	697,715	161,409
Preschool services	8,274	8,274	3,838	4,436
Other regular programs	18,000	18,000	6,172	11,828
Special programs:				
Educationally deprived	861,674	1,098,849	1,022,421	76,428

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Support Services:				
Students:				
Attendance and social work	269,411	281,411	270,678	10,733
Guidance	97,930	102,930	97,384	5,546
Health	86,535	89,035	82,808	6,227
Instructional staff:				
Improvement of instruction	167,447	230,972	269,635	(38,663)
Educational media	184,933	184,933	147,375	37,558
General administration:				
Board of education	394,928	431,663	347,469	84,194
Executive administration	221,920	221,920	218,247	3,673
School administration:				
Office of the principal	511,841	511,841	487,400	24,441
Title I program administration	4,600	9,900	8,172	1,728
Business:				
Fiscal services	213,751	213,751	211,143	2,608
Operation and maintenance of plant	962,517	1,052,517	890,821	161,696
Student transportation services	296,774	340,972	347,587	(6,615)
Food services	12,000	12,000	15,707	(3,707)
Central:				
Staff	3,500	3,500	2,710	790
Nonprogrammed Charges:				
Early retirement payments	65,966	65,966	62,419	3,547
Cocurricular Activities:				
Male activities	110,515	110,515	94,712	15,803
Female activities	107,329	107,329	94,467	12,862
Transportation	47,332	47,332	24,676	22,656
Combined activities	<u>238,461</u>	<u>252,949</u>	<u>215,298</u>	<u>37,651</u>
TOTAL EXPENDITURES	<u>7,273,202</u>	<u>7,862,595</u>	<u>7,239,727</u>	<u>622,868</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,754,145)</u>	<u>(2,797,645)</u>	<u>(2,219,585)</u>	<u>578,060</u>
OTHER FINANCING SOURCES:				
Transfers in	2,754,145	2,797,645	-	(2,797,645)
Sale of surplus property	-	-	160	160
Compensation for loss of general capital assets	<u>-</u>	<u>-</u>	<u>4,408</u>	<u>4,408</u>
TOTAL OTHER FINANCING SOURCES	<u>2,754,145</u>	<u>2,797,645</u>	<u>4,568</u>	<u>(2,793,077)</u>
NET CHANGE IN FUND BALANCES	-	-	(2,215,017)	(2,215,017)
FUND BALANCE - BEGINNING	<u>1,702,011</u>	<u>1,702,011</u>	<u>1,702,011</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,702,011</u>	<u>\$ 1,702,011</u>	<u>\$ (513,006)</u>	<u>\$ (2,215,017)</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 617,191	\$ 617,191	\$ 657,505	\$ 40,314
Prior years' ad valorem taxes	-	-	9,447	9,447
Tax deed revenue	-	-	10,907	10,907
Penalties and interest on taxes	-	-	3,650	3,650
Earnings on investments and deposits	-	-	1,313	1,313
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	-	-	43,695	43,695
Restricted grants-in-aid received from federal government through the state	-	4,009,443	4,442,446	433,003
TOTAL REVENUES	617,191	4,626,634	5,168,963	542,329
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	59,500	59,500	800	58,700
Middle/Junior high	31,500	31,500	-	31,500
High school	95,500	95,500	-	95,500
Other regular programs	20,000	20,000	-	20,000
Special programs:				
Educationally deprived	-	25,000	2,420	22,580
Support Services:				
Instructional staff:				
Educational media	283,300	283,300	173,400	109,900
Business:				
Facilities acquisition and construction	-	2,963,316	3,301,536	(338,220)
Operation and maintenance of plant	96,000	1,518,757	1,449,815	68,942
Student transportation services	-	48,370	48,370	-
Food services	-	-	119,781	(119,781)
Debt Services	441,285	441,285	504,803	(63,518)
Cocurricular Activities:				
Male activities	-	-	1,027	(1,027)
Female activities	13,500	13,500	12,959	541
Combined activities	7,700	7,700	6,556	1,144
TOTAL EXPENDITURES	1,048,285	5,507,728	5,621,467	(113,739)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(431,094)</u>	<u>(881,094)</u>	<u>(452,504)</u>	<u>428,590</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>495,594</u>	<u>945,594</u>	<u>-</u>	<u>(945,594)</u>
TOTAL OTHER FINANCING SOURCES	<u>495,594</u>	<u>945,594</u>	<u>-</u>	<u>(945,594)</u>
NET CHANGE IN FUND BALANCES	64,500	64,500	(452,504)	(517,004)
FUND BALANCE - BEGINNING	<u>66,547</u>	<u>66,547</u>	<u>66,547</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 131,047</u>	<u>\$ 131,047</u>	<u>\$ (385,957)</u>	<u>\$ (517,004)</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 334,470	\$ 334,470	\$ 363,296	\$ 28,826
Prior years' ad valorem taxes	-	-	5,812	5,812
Tax deed revenue	-	-	6,067	6,067
Penalties and interest on taxes	-	-	2,085	2,085
Other revenue from local sources:				
Charges for services	4,500	4,500	3,493	(1,007)
Other	-	-	1,200	1,200
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	731,504	731,504	821,203	89,699
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	77,694	77,694	86,486	8,792
Restricted grants-in-aid received from federal government through the state	<u>200,990</u>	<u>200,990</u>	<u>197,653</u>	<u>(3,337)</u>
TOTAL REVENUES	<u>1,349,158</u>	<u>1,349,158</u>	<u>1,487,295</u>	<u>138,137</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	956,374	956,374	812,627	143,747
Support Services:				
Students:				
Psychological	51,300	51,300	50,523	777
Speech pathology	106,600	106,600	103,665	2,935
Student therapy services	72,080	72,080	66,974	5,106
Instructional staff:				
Improvement of instruction	5,400	5,400	2,087	3,313
Special education:				
Administrative costs	136,565	136,565	135,955	610
Transportation costs	22,270	22,270	24,353	(2,083)
Other special education costs	<u>141,492</u>	<u>141,492</u>	<u>102,287</u>	<u>39,205</u>
TOTAL EXPENDITURES	<u>1,492,081</u>	<u>1,492,081</u>	<u>1,298,471</u>	<u>193,610</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(142,923)</u>	<u>(142,923)</u>	<u>188,824</u>	<u>331,747</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>142,923</u>	<u>142,923</u>	<u>-</u>	<u>(142,923)</u>
TOTAL OTHER FINANCING SOURCES	<u>142,923</u>	<u>142,923</u>	<u>-</u>	<u>(142,923)</u>

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	-	-	188,824	188,824
FUND BALANCE - BEGINNING	<u>(38,648)</u>	<u>(38,648)</u>	<u>(38,648)</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ (38,648)</u></u>	<u><u>\$ (38,648)</u></u>	<u><u>\$ 150,176</u></u>	<u><u>\$ 188,824</u></u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
AND FOR EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2023

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

1. 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 Student Transportation related expenditures.
2. The financial statements prepared in conformity with USGAAP do not recognize the Impact Aid Fund as a special revenue fund. The fund has specific revenue, but does not require it be spent on the special purpose. According to SDCL 13-16-31, the School District should maintain a separate Impact Aid Fund. So to comply with USGAAP and state law, the Impact Aid Fund is blended with the General Fund in the Basic Financial Statements, however, the Budgetary RSI Schedule shows the General Fund separate from the Impact Aid Fund.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 9 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.2029890 %	0.2275790 %	0.2229041 %	0.1815601 %	0.1797766 %	0.1863451 %	0.1881563 %	0.1851255 %	0.1736430 %
District's proportionate share of net pension liability (asset)	\$ (19,184)	\$ (1,742,866)	\$ (9,681)	\$ (19,240)	\$ (4,193)	\$ (16,911)	\$ 635,573	\$ (785,170)	\$ (1,251,027)
District's covered payroll	\$ 4,847,065	\$ 5,164,495	\$ 4,892,074	\$ 3,860,340	\$ 3,737,368	\$ 3,784,836	\$ 3,577,791	\$ 3,379,892	\$ 3,036,538
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.40 %	33.75 %	0.20 %	0.50 %	0.11 %	0.45 %	17.76 %	23.23 %	41.20 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	101 %	106 %	100 %	100 %	100 %	100 %	97 %	104 %	107 %

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 293,899	\$ 290,824	\$ 309,870	\$ 293,525	\$ 231,621	\$ 224,243	\$ 227,169	\$ 214,668	\$ 202,792	\$ 182,192
Contributions in relation to the contractually required contribution	\$ 293,899	\$ 290,824	\$ 309,870	\$ 293,525	\$ 231,621	\$ 224,243	\$ 227,169	\$ 214,668	\$ 202,792	\$ 182,192
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,898,320	\$ 4,847,065	\$ 5,164,495	\$ 4,892,074	\$ 3,860,340	\$ 3,737,368	\$ 3,784,836	\$ 3,577,791	\$ 3,379,891	\$ 3,036,538
Contributions as a percentage of covered payroll	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF
PENSION CONTRIBUTIONS
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%.

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.

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF
PENSION CONTRIBUTIONS
JUNE 30, 2023
(Continued)

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

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identification Number	Federal Assistance Listing Number	Total Federal Expenditures 2023
<u>Child Nutrition Cluster:</u>			
U.S. Department of Agriculture Pass-Through Programs From:			
S.D. Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	Unknown	10.555	\$ 32,414
Cash Assistance:			
School Breakfast Program (Note 3)	Unknown	10.553	68,526
National School Lunch Program (Note 3)	Unknown	10.555	243,737
Fresh Fruit and Vegetable Program	Unknown	10.582	<u>13,835</u>
Total for Child Nutrition Cluster			<u>358,512</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>358,512</u>
U.S. Department of Interior - Pass-Through Programs From:			
Standing Rock Sioux Tribe:			
Indian Education - Assistance to Schools (Note 3)	S060A220725	15.130	<u>30,066</u>
TOTAL U.S. DEPARTMENT OF INTERIOR			<u>30,066</u>
<u>Special Education Cluster:</u>			
U.S. Department of Education - Pass-Through Programs From:			
S.D. Department of Education:			
Special Education - Grants to States (IDEA, part B)	Unknown	84.027	185,358
Special Education - Preschool Grants (IDEA Preschool)	Unknown	84.173	<u>12,245</u>
Total for Special Education Cluster			<u>197,603</u>
U.S. Department of Education - Direct Programs:			
Impact Aid (Title VIII of ESEA)		84.041	130,181
Indian Education - Grants to Local Educational Agencies		84.060	<u>62,493</u>
Subtotal for U.S. Department of Education - Direct Programs			<u>192,674</u>
U.S. Department of Education - Pass-Through Programs From:			
S.D. Department of Education:			
Title I Grants to Local Educational Agencies	S010A220041	84.010	984,044
Supporting Effective Instruction State Grants	S367A220039	84.367	127,139
School Support and Academic Enrichment Grants	S424A220043	84.424	107,042
Rural Education	Unknown	84.358	12,270
American Rescue Plan Elementary and Secondary School Emergency Relief (Note 4)	S425U210050	84.425U	<u>4,572,042</u>
Subtotal for U.S. Department of Education - Pass-Through Programs			<u>5,802,537</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>6,192,814</u>
GRAND TOTAL			<u>\$ 6,581,392</u>

MCLAUGHLIN SCHOOL DISTRICT NO. 15-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023
(Continued)

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 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 the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Federal Reimbursement

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

NOTE 4 - Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.