

**Montrose School District No. 43-2**

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

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

**Montrose School District No. 43-2**

School District Officials

June 30, 2023

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Board Members

Brian Smith ----- Board President

Jason McAreavey-----Vice President

Cody Katzer ----- Member

Jackie Jandl ----- Member

Jill Johnson----- Member

Lonny Johnson -----Superintendent

Makenzi Miles -----Business Manager

Montrose School District No. 43-2

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

School Board  
Montrose School District No. 43-2  
McCook County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montrose School District No. 43-2, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 4, 2024 which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2023-001 to be a material weakness.

## **Report on Compliance and Other Matters**

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

## **School District's Response to Findings**

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

## **Purpose of this Report**

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



Elk Point, South Dakota  
March 4, 2024

**Montrose School District No. 43-2**  
Schedule of Prior and Current Audit Findings  
June 30, 2023

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**Prior Audit Findings:**

**Finding Number 2022-001 – Compliance Finding**

A material weakness was reported for budgeted expenditures exceeding the budgeted total means of finance for the Special Education Fund. This finding has since been corrected.

**Current Audit Findings:**

**Finding 2023-001**

Material Weakness

Internal Control Over Year-end Closing Procedures Including Preparation of the Financial Statements

Criteria: Montrose School District No. 43-2 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2023. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Condition: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes.

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.

Auditor's Recommendation: This circumstance is not unusual in an organization of this 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. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

View of Management: Management agrees with the finding



## Independent Auditor's Report

School Board  
Montrose School District No. 43-2  
McCook County, South Dakota

### Report on the Audit of the Financial Statements

#### Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montrose School District No. 43-2, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montrose School District No. 43-2 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Qualified and Unmodified Opinions

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

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

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, Schedule of Changes in Total OPEB Liability, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota  
March 4, 2024

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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This section of Montrose School District 43-2's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

**Financial Highlights**

- The School's net position from governmental and business-type activities (government-wide statements) was \$6,274,187 this is an increase of \$182,987 from prior year.

**Overview of the Financial Statements**

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
  1. The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
  2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like a business. The only proprietary funds operated by the school are the Food Service Operation and Other Enterprise Fund.
  3. Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

**Required Components of Montrose School's Annual Financial Report**

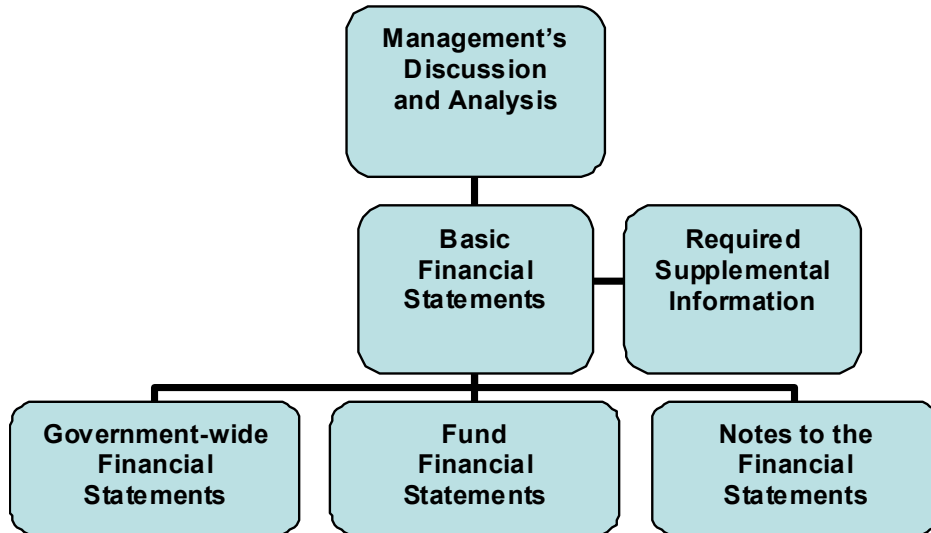


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Montrose School District No. 43-2**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

Figure A-2

Major Features of Montrose School District's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation other enterprise.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Changes in Net Position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Government-Wide Statements**

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

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, etc.) debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service and Other Enterprise Funds are the only business-type activities of the School.

**Fund Financial Statements**

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

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

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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The School has three generic kinds of funds:

- **Governmental Funds** - Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short and long-term financial information. The Food Service and Enterprise Funds are proprietary funds maintained by the school.
- **Fiduciary Funds** - The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

**Montrose School District No. 43-2**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

**Financial Analysis of the School as a Whole**

**Net Position**

The School's combined net position increased as follows:

Table A-1  
Montrose School District 43-2  
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 2,995,756	\$ 2,676,094	\$ 125,518	\$ 92,318	\$ 3,121,274	\$ 2,768,412	-11.31%
Capital Assets (Net of Depreciation)	4,232,217	4,390,347	22,838	21,668	4,255,055	4,412,015	3.69%
Total Assets	7,227,973	7,066,441	148,356	113,986	7,376,329	7,180,427	-2.66%
OPEB Related Deferred Outflows	5,723	4,802	--	--	5,723	4,802	-16.09%
Pension Related Deferred Outflows	770,509	681,311	--	--	770,509	681,311	-11.58%
Total Deferred Outflows or Resources	776,232	686,113	--	--	776,232	686,113	-11.61%
Long-Term Liabilities Outstanding	79,820	77,859	--	--	79,820	77,859	-2.46%
Other Liabilities	263,519	421,146	42,304	42,169	305,823	463,315	51.50%
Total Liabilities	343,339	499,005	42,304	42,169	385,643	541,174	40.33%
Taxes Levied for Future Period	586,601	625,935	--	--	586,601	625,935	6.71%
OPEB Related Deferred Inflows	18,070	22,147	--	--	18,070	22,147	22.56%
Pension Related Deferred Inflows	1,071,047	403,097	--	--	1,071,047	403,097	-62.36%
Total Deferred Inflows of Resources	1,675,718	1,051,179	--	--	1,675,718	1,051,179	-37.27%
Net Investment in Capital Assets	4,232,217	4,390,347	22,838	21,668	4,255,055	4,412,015	3.69%
Restricted	1,095,634	1,012,685	--	--	1,095,634	1,012,685	-7.57%
Unrestricted	657,297	799,338	83,214	50,149	740,511	849,487	14.72%
Total Net Position	5,985,148	6,202,370	106,052	71,817	6,091,200	6,274,187	3.00%
Beginning Net Position	5,864,213	5,985,148	69,344	106,052	5,933,557	6,091,200	2.66%
Increase (Decrease) in Net Position	\$ 120,935	\$ 217,222	\$ 36,708	\$ (34,235)	\$ 157,643	\$ 182,987	-16.08%
Percentage of Increase (Decrease) in Net Position	2.06%	3.63%	52.94%	-32.28%	2.66%	3.00%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of other post-employment benefits and accrued compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Changes in Net Position**

The School's total revenues totaled \$3,816,042. Approximately 41% of the School's revenue comes from property taxes, with approximately another 47% coming from State Aid . (See Table A-2).

Table A-2  
Montrose School District 43-2  
Sources of Revenues  
Fiscal Year 2022-2023

Taxes	\$ 1,549,843	40.61%
State Sources	1,786,859	46.82%
Operating Grants & Contributions	248,691	6.52%
Charges For Services	150,415	3.94%
Other General Revenues	69,326	1.82%
Unrestricted Investment Earnings	10,908	0.29%
<b>Total Revenue</b>	<b>\$ 3,816,042</b>	<b>100.00%</b>

The School's expenses totaled \$3,633,055 and covered a range of services, including instruction, support services, interest on long-term debt, co-curricular activities, food service, and other enterprise (See Table A-3).

Table A-3  
Montrose School District 43-2  
Statement of Expenditures  
Fiscal Year 2022-2023

Instruction	\$ 1,928,015	53.07%
Support Services	1,300,455	35.80%
Interest - on Long-Term Debt	4,618	0.13%
Cocurricular Activities	138,509	3.81%
Food Service	197,359	5.43%
Other Enterprise	64,099	1.76%
<b>Total Expenditures</b>	<b>\$ 3,633,055</b>	<b>100.00%</b>



**Montrose School District No. 43-2**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

**Governmental and Business-Type Activities**

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

Table A-4  
Montrose School District 43-2  
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 149,879	\$ 36,132	\$ 68,112	\$ 114,283	\$ 217,991	\$ 150,415	-31.00%
Operating Grants/ Contributions	259,978	179,611	243,908	69,080	503,886	248,691	-50.65%
General Revenues							
Taxes	1,495,065	1,549,843	--	--	1,495,065	1,549,843	3.66%
Revenue State Sources	1,565,493	1,786,859	--	--	1,565,493	1,786,859	14.14%
Other general revenues	116,250	69,326	--	--	116,250	69,326	-40.36%
Unrestricted Investment Earnings	4,973	10,908	--	--	4,973	10,908	119.34%
	<u>3,591,638</u>	<u>3,632,679</u>	<u>312,020</u>	<u>183,363</u>	<u>3,903,658</u>	<u>3,816,042</u>	<u>-2.24%</u>
Expenses							
Instruction	2,015,429	1,928,015	--	--	2,015,429	1,928,015	-4.34%
Support Services	1,331,404	1,300,455	--	--	1,331,404	1,300,455	-2.32%
Non-programmed Charges	235	--	--	--	235	--	-100.00%
Interest on long-term debt	4,674	4,618	--	--	4,674	4,618	-1.20%
Co-curricular Activities	118,961	138,509	--	--	118,961	138,509	16.43%
Food Service	--	--	183,177	197,359	183,177	197,359	7.74%
Other Enterprise	--	--	92,135	64,099	92,135	64,099	-30.43%
	<u>3,470,703</u>	<u>3,371,597</u>	<u>275,312</u>	<u>261,458</u>	<u>3,746,015</u>	<u>3,633,055</u>	<u>-3.02%</u>
Excess (Deficiency)							
Before Transfers	120,935	261,082	36,708	(78,095)	157,643	182,987	16.08%
Transfers	--	(43,860)	--	43,860	--	--	0.00%
Increase (Decrease) in Net Position	120,935	217,222	36,708	(34,235)	157,643	182,987	16.08%
Beginning Net Position	<u>5,864,213</u>	<u>5,985,148</u>	<u>69,344</u>	<u>106,052</u>	<u>5,933,557</u>	<u>6,091,200</u>	<u>2.66%</u>
Ending Net Position	<u>\$ 5,985,148</u>	<u>\$ 6,202,370</u>	<u>\$ 106,052</u>	<u>\$ 71,817</u>	<u>\$ 6,091,200</u>	<u>\$ 6,274,187</u>	<u>3.00%</u>

**Governmental Activities**

Revenues for the governmental activities stayed relatively consistent with prior year with a slight increase in state aid. Expenses decreased by approximately 3%.

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Business Type Activities**

Revenues of the School’s business-type activities decreased by 41.2% due to a large decrease in operating grants and contributions and expenses decreased by 5%.

**Financial Analysis of the School’s Funds**

Fund balances changed as follows: General Fund increased \$128,708 mainly due to a large increase in state and federal grants while keeping expenditures at a similar amount compared to prior year. The Capital Outlay Fund decreased \$110,890 mainly due to large decreases in federal aid. The Special Education Fund increased \$4,436 due to an increase in state aid that surpassed the increases in expenditures in the current year.

**Budgetary Highlights**

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

**Capital Asset Administration**

At the end of 2023, the School had the following changes in Capital Assets (See Table A-5).

Table A-5  
Capital Assets  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 54,631	\$ 54,631	\$ --	\$ --	\$ --	0.00%
Construction in progress	197,921	397,824	--	--	199,903	101.00%
Buildings & Improvements	3,618,515	3,624,002	--	--	5,487	0.15%
Machinery & Equipment	326,787	282,712	22,838	21,668	(45,245)	-12.94%
Library Books	34,363	31,178	--	--	(3,185)	-9.27%
Total Capital Assets	<u>\$ 4,232,217</u>	<u>\$ 4,390,347</u>	<u>\$ 22,838</u>	<u>\$ 21,668</u>	<u>\$ 156,960</u>	<u>3.69%</u>

Some of this year’s major capital asset purchases were roof repairs, new parking lot improvements, new shop garage door, new sidewalk repairs, gym rood balance, part of a new gym speaker, and a few other repairs.

**Montrose School District No. 43-2**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Long-Term Debt**

The Montrose School District had \$77,859 in outstanding debt and obligations see individual balances on Table A-6. This is a 2.46% decrease from last year as shown on Table A-6.

Table A-6  
Outstanding Debt and Obligations

	<b>Governmental Activities</b>		<b>Total Dollar Change</b>	<b>Total % Change</b>
	<b>2022</b>	<b>2023</b>		
Other Post Employment Benefits	\$ 63,260	\$ 64,850	\$ 1,590	2.51%
Accrued Compensated Absences - Governmental Funds	16,560	13,009	(3,551)	-21.44%
<b>Total Outstanding Debt</b>	<b>\$ 79,820</b>	<b>\$ 77,859</b>	<b>\$ (1,961)</b>	<b>-2.46%</b>

**Economic Factors and Next Year’s Budgets and Rates**

The School's current economic position is strong as overall net position increased by \$182,987 from \$6,091,200 to \$6,274,187.

**Contacting the School’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Montrose School District’s Business Office, 309 S Church Ave, Montrose, SD 57048.

**Montrose School District No. 43-2**  
Statement of Net Position – Government-Wide  
June 30, 2023

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 867,433	\$ 84,524	\$ 951,957
Investments-certificates of deposit	1,055,282	--	1,055,282
Accounts receivable	--	816	816
Taxes receivable	641,825	--	641,825
Due from other government	104,645	--	104,645
Inventories	--	6,978	6,978
Net pension asset	6,909	--	6,909
Capital assets:			
Land and construction in progress	452,455	--	452,455
Other capital assets, net of depreciation	3,937,892	21,668	3,959,560
<b>Total Assets</b>	<b>7,066,441</b>	<b>113,986</b>	<b>7,180,427</b>
<b>Deferred Outflows of Resources:</b>			
OPEB-related deferred outflows	4,802		4,802
Pension-related deferred outflows	681,311	--	681,311
<b>Total Deferred Outflows of Resources</b>	<b>686,113</b>	<b>--</b>	<b>686,113</b>
<b>Liabilities:</b>			
Accounts payable	190,934	--	190,934
Unearned revenue	--	25,233	25,233
Other current liabilities	230,212	16,936	247,148
Long-term liabilities:			
Due within one year	3,500	--	3,500
Due in more than one year	74,359	--	74,359
<b>Total Liabilities</b>	<b>499,005</b>	<b>42,169</b>	<b>541,174</b>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future periods	625,935	--	625,935
Pension related deferred inflows	403,097	--	403,097
OBEP-related deferred inflows	22,147	--	22,147
<b>Total Deferred Inflows of Resources</b>	<b>1,051,179</b>	<b>--</b>	<b>1,051,179</b>
<b>Net Position:</b>			
Net investment in capital assets	4,390,347	21,668	4,412,015
Restricted for:			
Capital outlay	462,736	--	462,736
Special education	66,485	--	66,485
Library	55,217	--	55,217
Physics & chemistry	143,124	--	143,124
SDRS pension purposes	285,123	--	285,123
Unrestricted	799,338	50,149	849,487
<b>Total Net Position</b>	<b>\$ 6,202,370</b>	<b>\$ 71,817</b>	<b>\$ 6,274,187</b>

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

**Montrose School District No. 43-2**  
Statement of Activities – Government-Wide  
June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
				<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
Instruction	\$ 1,928,015	\$ --	\$ 178,943	\$ (1,749,072)	\$ --	\$ (1,749,072)
Support services	1,300,455	29,502	668	(1,270,285)	--	(1,270,285)
Interest on long-term debt	4,618	--	--	(4,618)	--	(4,618)
Cocurricular activities	138,509	6,630	--	(131,879)	--	(131,879)
Total Governmental Activities	<u>3,371,597</u>	<u>36,132</u>	<u>179,611</u>	<u>(3,155,854)</u>	<u>--</u>	<u>(3,155,854)</u>
Business-Type Activities:						
Food service	197,359	93,493	68,880	--	(34,986)	(34,986)
Driver's education	64,099	20,790	200	--	(43,109)	(43,109)
Total Business Type Activities	<u>261,458</u>	<u>114,283</u>	<u>69,080</u>	<u>--</u>	<u>(78,095)</u>	<u>(78,095)</u>
Total Primary Government	<u>\$ 3,633,055</u>	<u>\$ 150,415</u>	<u>\$ 248,691</u>	<u>(3,155,854)</u>	<u>(78,095)</u>	<u>(3,233,949)</u>
General Revenues:						
Taxes:						
Property taxes				1,483,079	--	1,483,079
Utility taxes				66,764	--	66,764
Revenue from State Sources:						
State aid				1,786,859	--	1,786,859
Unrestricted investment earnings				10,908	--	10,908
Contributions and donations				2,825	--	2,825
Other general revenues				66,501	--	66,501
Transfers				(43,860)	43,860	--
Total General Revenues				<u>3,373,076</u>	<u>43,860</u>	<u>3,416,936</u>
Change in Net Position				217,222	(34,235)	182,987
<b>Net Position - Beginning of Year</b>				<u>5,985,148</u>	<u>106,052</u>	<u>6,091,200</u>
<b>Net Position - End of Year</b>				<u>\$ 6,202,370</u>	<u>\$ 71,817</u>	<u>\$ 6,274,187</u>

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

**Montrose School District No. 43-2**  
Balance Sheet – Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics &amp; Chemistry</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Cash and cash equivalents	\$ 588,742	\$ 140,024	\$ 134,024	\$ 4,643	\$ --	\$ 867,433
Investments-certificates of deposit	414,065	447,519	--	50,574	143,124	1,055,282
Taxes receivable - current	200,432	273,734	151,769	--	--	625,935
Taxes receivable - delinquent	6,285	6,059	3,546	--	--	15,890
Due from other governments	104,645	--	--	--	--	104,645
Total Assets	<u>\$ 1,314,169</u>	<u>\$ 867,336</u>	<u>\$ 289,339</u>	<u>\$ 55,217</u>	<u>\$ 143,124</u>	<u>\$ 2,669,185</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 22,188	\$ 130,866	\$ 37,880	\$ --	\$ --	\$ 190,934
Contracts payable	159,518	--	900	--	--	160,418
Payroll deductions and withholding and employer matching payable	37,489	--	225	--	--	37,714
Due to other governments	--	--	32,080	--	--	32,080
Total Liabilities	<u>219,195</u>	<u>130,866</u>	<u>71,085</u>	<u>--</u>	<u>--</u>	<u>421,146</u>
Deferred Inflows of Resources:						
Unavailable Revenue	200,432	273,734	151,769	--	--	625,935
Delinquent taxes not available	6,285	6,059	3,546	--	--	15,890
Total Deferred Inflows of Resources	<u>206,717</u>	<u>279,793</u>	<u>155,315</u>	<u>--</u>	<u>--</u>	<u>641,825</u>
<b>Fund Balances:</b>						
Restricted:						
For capital outlay	--	456,677	--	--	--	456,677
For special education	--	--	62,939	--	--	62,939
For library fund	--	--	--	55,217	--	55,217
For physics & chemistry	--	--	--	--	143,124	143,124
Assigned for unemployment	9,972	--	--	--	--	9,972
Unassigned	878,285	--	--	--	--	878,285
Total Fund Balances	<u>888,257</u>	<u>456,677</u>	<u>62,939</u>	<u>55,217</u>	<u>143,124</u>	<u>1,606,214</u>
Total Liabilities and Fund Balances	<u>\$ 1,314,169</u>	<u>\$ 867,336</u>	<u>\$ 289,339</u>	<u>\$ 55,217</u>	<u>\$ 143,124</u>	<u>\$ 2,669,185</u>

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

**Montrose School District No. 43-2**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2023

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Total Fund Balances - Governmental Funds		\$ 1,606,214
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,390,347
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the		
Other post employment benefits	(64,850)	
Accrued Leave	<u>(13,009)</u>	(77,859)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:		
Delinquent Property Taxes Receivable		15,890
Proportionate Share of Net Pension Asset		6,909
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(425,244)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not		<u>686,113</u>
Net Position - Governmental Activities		<u><u>\$ 6,202,370</u></u>

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

**Montrose School District No. 43-2**

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

June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics &amp; Chemistry</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 484,522	\$ 634,683	\$ 354,105	\$ --	\$ --	\$ 1,473,310
Prior years' ad valorem taxes	77	83	47			207
Utility taxes	66,764	--	--	--	--	66,764
Penalties and interest on taxes	1,391	637	358	--	--	2,386
Earnings on Investments and Deposits	5,028	5,147	--	474	259	10,908
Cocurricular Activities:						
Admissions	6,630	--	--	--	--	6,630
Other Revenue from Local Sources:						
Rentals	14,448	--	--	--	--	14,448
Contributions and donations	825	2,000	--	--	--	2,825
Charges for services	7,561	--	11,661	--	--	19,222
Other	15,361	--	--	--	--	15,361
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	15,030	--	--	--	--	15,030
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	1,515,632	--	--	--	--	1,515,632
Restricted grants-in-aid	135	--	271,092	--	--	271,227
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid received from federal government through an intermediate source	668	--	--	--	--	668
Restricted grants-in-aid received from federal government through the state	145,642	--	--	--	--	145,642
Other Federal Revenue	--	33,301	--	--	--	33,301
Total Revenues	<u>\$ 2,279,714</u>	<u>\$ 675,851</u>	<u>\$ 637,263</u>	<u>\$ 474</u>	<u>\$ 259</u>	<u>\$ 3,593,561</u>

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



**Montrose School District No. 43-2**

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

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics &amp; Chemistry</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>						
Instructional Services:						
Regular Programs:						
Elementary	\$ 624,472	\$ 2,448	\$ --	\$ --	\$ --	\$ 626,920
Middle/junior high	248,742	1,139	--	--	--	249,881
High school	383,802	52,466	--	--	--	436,268
Special Programs:						
Programs for special education	--	--	515,191	--	--	515,191
Educationally deprived	47,953	--	--	--	--	47,953
Support Services:						
Students:						
Guidance	69,245	--	--	--	--	69,245
Psychological	--	--	1,260	--	--	1,260
Health	26,869	--	--	--	--	26,869
Speech pathology	--	--	44,918	--	--	44,918
Instructional Staff:						
Educational media	116,308	40,927	189	--	--	157,424
General Administration:						
Board of education	11,530	--	2,970	--	--	14,500
Executive administration	143,798	1,565	--	--	--	145,363
School Administration:						
Office of the principal	105,665	--	--	--	--	105,665
Other	408	--	--	--	--	408
Business:						
Fiscal services	116,604	--	4,284	--	--	120,888
Operation and maintenance of plant	274,234	60,045	--	--	--	334,279
Student transportation	113,957	--	--	--	--	113,957

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

**Montrose School District No. 43-2**  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics &amp; Chemistry</u>	<u>Total Governmental Funds</u>
Special Education:						
Administrative costs	--	--	33,316	--	--	33,316
Transportation costs	--	--	30,699	--	--	30,699
Debt Services:	--	4,618	--	--	--	4,618
Cocurricular Activities:						
Male activities	31,764	--	--	--	--	31,764
Female activities	26,304	--	--	--	--	26,304
Combined activities	51,098	10,508	--	--	--	61,606
Capital Outlay	--	329,858	--	--	--	329,858
Total Expenditures	<u>2,392,753</u>	<u>503,574</u>	<u>632,827</u>	<u>--</u>	<u>--</u>	<u>3,529,154</u>
Excess of Revenue Over (Under) Expenditures	(113,039)	172,277	4,436	474	259	64,407
<b>Other Financing Sources (Uses):</b>						
Transfer in	285,607	--	--	--	--	285,607
Transfer out	(43,860)	(285,607)	--	--	--	(329,467)
Compensation for loss of general capital assets	--	2,440	--	--	--	2,440
Total Other Financing Sources (Uses)	<u>241,747</u>	<u>(283,167)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(41,420)</u>
Net Change in Fund Balances	128,708	(110,890)	4,436	474	259	22,987
<b>Fund Balance, Beginning of Year</b>	<u>759,549</u>	<u>567,567</u>	<u>58,503</u>	<u>54,743</u>	<u>142,865</u>	<u>1,583,227</u>
<b>Fund Balance, End of Year</b>	<u>\$ 888,257</u>	<u>\$ 456,677</u>	<u>\$ 62,939</u>	<u>\$ 55,217</u>	<u>\$ 143,124</u>	<u>\$ 1,606,214</u>

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

**Montrose School District No. 43-2**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
June 30, 2023

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Net Change in Fund Balances - Total Governmental Funds \$ 22,987

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 329,858

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (171,728)

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 7,176

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 3,551

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 31,966

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. (6,588)

Change in net position of governmental activities \$ 217,222

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

**Montrose School District No. 43-2**  
Statement of Net Position – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	
<b>Assets:</b>			
Current Assets:			
Cash and cash equivalents	\$ 66,729	\$ 17,795	\$ 84,524
Accounts receivable, net	816	--	816
Inventory - supplies	365	--	365
Inventory - stores for resale	1,363	--	1,363
Inventory of donated food	5,250	--	5,250
Total Current Assets	<u>74,523</u>	<u>17,795</u>	<u>92,318</u>
Noncurrent Assets:			
Machinery and equipment - local funds	115,082	--	115,082
Less accumulated depreciation	<u>(93,414)</u>	<u>--</u>	<u>(93,414)</u>
Total Noncurrent Assets	<u>21,668</u>	<u>--</u>	<u>21,668</u>
<b>Total Assets</b>	<u><u>\$ 96,191</u></u>	<u><u>\$ 17,795</u></u>	<u><u>\$ 113,986</u></u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts payable	\$ 159	\$ --	\$ 159
Contracts payable	5,691	8,082	13,773
Payroll deductions and withholdings and employer matching payable	759	2,245	3,004
Unearned revenue	<u>25,233</u>	<u>--</u>	<u>25,233</u>
Total Current Liabilities	<u>31,842</u>	<u>10,327</u>	<u>42,169</u>
<b>Net Position:</b>			
Net investment in capital assets	21,668	--	21,668
Unrestricted net position	<u>42,681</u>	<u>7,468</u>	<u>50,149</u>
<b>Total Net Position</b>	<u><u>\$ 64,349</u></u>	<u><u>\$ 7,468</u></u>	<u><u>\$ 71,817</u></u>

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

**Montrose School District No. 43-2**  
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Operating Revenue:</b>			
Food Sales:			
Student	\$ 88,787	\$ --	\$ 88,787
Adult	4,266	--	4,266
Other charges for goods and services	440	20,790	21,230
Total Operating Revenue	<u>93,493</u>	<u>20,790</u>	<u>114,283</u>
<b>Operating Expenses:</b>			
Food Service:			
Salaries	82,400	48,492	130,892
Employee benefits	18,696	14,038	32,734
Purchased services	6,425	1,148	7,573
Supplies	2,997	421	3,418
Cost of sales - purchased	76,557	--	76,557
Cost of sales - donated	8,465	--	8,465
Other	649	--	649
Depreciation	1,170	--	1,170
Total Operating Expenses	<u>197,359</u>	<u>64,099</u>	<u>261,458</u>
Operating (Loss)	(103,866)	(43,309)	(147,175)
<b>Nonoperating Revenues/Expenses:</b>			
Other local revenue	--	200	200
State grants	355	--	355
Federal grants	55,844	--	55,844
Donations and contributions	12,681	--	12,681
Total Nonoperating Revenue/ (Expenses)	<u>68,880</u>	<u>200</u>	<u>69,080</u>
Income (Loss) Before Transfers	(34,986)	(43,109)	(78,095)
Transfers in	750	43,110	43,860
Change in Net Position	(34,236)	1	(34,235)
<b>Net Position - Beginning of Year</b>	<u>98,585</u>	<u>7,467</u>	<u>106,052</u>
<b>Net Position - End of Year</b>	<u>\$ 64,349</u>	<u>\$ 7,468</u>	<u>\$ 71,817</u>

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

**Montrose School District No. 43-2**  
Statement of Cash Flows – Proprietary Funds  
June 30, 2023

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>Other Enterprise Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Cash receipts from customers	\$ 105,630	\$ 20,790	\$ 126,420
Cash payments to suppliers	(87,285)	(1,569)	(88,854)
Cash payments to employees	(104,358)	(72,514)	(176,872)
Net Cash (Used) by Operating Activities	<u>(86,013)</u>	<u>(53,293)</u>	<u>(139,306)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers In	750	43,110	43,860
Other local revenue	--	200	200
Cash reimbursements - state	355	--	355
Cash reimbursements - federal	55,844	--	55,844
Net Cash Provided by Noncapital Financing Activities	<u>56,949</u>	<u>43,310</u>	<u>100,259</u>
<b>Net Change in Cash and Cash Equivalents</b>	(29,064)	(9,983)	(39,047)
<b>Cash and Cash Equivalents, Beginning of Year</b>	95,793	27,778	123,571
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 66,729</u>	<u>\$ 17,795</u>	<u>\$ 84,524</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>			
Operating (Loss)	\$ (103,866)	\$ (43,309)	\$ (147,175)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	1,170	--	1,170
Value of commodities used	8,465	--	8,465
Change in Assets and Liabilities:			
Accounts receivable	(815)	--	(815)
Inventory	(816)	--	(816)
Deferred revenue	12,952	--	12,952
Contracts payable	466	(2,447)	(1,981)
Accrued payroll expenses	(3,728)	(7,537)	(11,265)
Accounts payable	159	--	159
Net cash (used) by operating activities:	<u>\$ (86,013)</u>	<u>\$ (53,293)</u>	<u>\$ (139,306)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
Value of commodities received	<u>\$ 12,681</u>	<u>\$ --</u>	<u>\$ 12,681</u>

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

**Montrose School District No. 43-2**  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private -Purpose Trust Funds</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ --	\$ 64,904
Investments-certificates of deposit	34,038	--
Accounts receivable	--	443
Total Assets	\$ 34,038	\$ 65,347
<b>Liabilities:</b>		
Amounts held for others	\$ --	\$ 65,347
Total Liabilities	\$ --	\$ 65,347
<b>Net Position:</b>		
Scholarships	34,038	
Total Net Position	\$ 34,038	

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

**Montrose School District No. 43-2**  
Statement of Changes in Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Private-Purpose Trust Funds</b>
<b>Additions:</b>	
Interest	<u>\$          593</u>
 Total Additions	 <u>                  593</u>
 Change in Net Position	 <u>                  593</u>
 <b>Net Position - Beginning</b>	 <u>                  33,445</u>
<b>Net Position - Ending</b>	<u><u>                  \$          34,038</u></u>

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



## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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#### 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 Montrose School District No. 43-2, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

##### b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

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

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

Fund Financial Statements:

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

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

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

**Governmental Funds:**

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

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

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

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

## Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

Physics & Chemistry Fund – A fund established for the purpose of acquisition of equipment for the physics and chemistry laboratories which the school might not otherwise be able to acquire. This is a major fund.

Library Fund – A fund established for the purpose of library costs over and above the normal costs of library operations. This is a major fund.

#### Proprietary Funds:

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

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

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education instruction and out of school program. This fund is financed by user charges. This is a major fund.

#### Fiduciary Funds:

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

Private Purpose Trust Funds – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains several scholarship 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.

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

c. Measurement Focus and Basis of Accounting:

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

**Measurement Focus:**

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

**Basis of Accounting:**

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2023 are amounts due from other governments for grants and utility taxes and amounts receivable for meals.

## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

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

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

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

#### d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

#### e. Deposits and Investments:

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

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

#### 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.

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

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

Government-Wide Financial Statements:

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than three percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by prior records at cost or historical costs. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost.

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

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

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land*	All	NA	NA
Buildings	\$ 5,000	Straight-line	45-75 years
Improvements	\$ 5,000	Straight-line	20 years
Machinery and Equipment	\$ 5,000	Straight-line	5-25 years
Food Service Machinery and Equipment	\$ 500	Straight-line	12 years

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

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences and other postemployment benefits payable.

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. The accounting for proprietary fund long-term debt is the accrual basis, the same in the fund statements as it is in the government-wide statements.

##### h. Leases:

The School District does not have any leases to be reported. If the School District had any leases, it would recognize a lease liability and intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$40,000 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.

## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

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

##### i. Subscription-Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITA's) with vendors to use the vendor-provided information technology to be reported. If School District had any, it would recognize a subscription liability and intangible right-to-use asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

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



## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### j. Program Revenues:

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

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

##### k. Deferred Inflows and Deferred Outflows of Resources:

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

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

##### l. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

##### m. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Montrose School District No. 43-2**

Notes to the Financial Statements

June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

The School District has an assigned balance of \$9,972 for unemployment claims.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Taxes
Special Education Fund	Taxes
Library Fund	Donations
Physics and Chemistry Fund	Donations

q. Pensions:

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

**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. The implementation of this standard had no effect on beginning net position.

## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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

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

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

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

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

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

**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 deposits and investment to the General Fund, except for the Physics and Chemistry, Library, and private purpose trust funds which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Interest earned was immaterial to the individual governmental funds and proprietary funds and was recorded directly in the General Fund.

## Montrose School District No. 43-2

### Notes to the Financial Statements

June 30, 2023

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#### 4. Receivables and Payables:

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

#### 5. Inventory:

Inventory held for consumption is stated at cost.

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

In the government-wide financial statements and in the enterprise fund financial statements, Food Service Fund 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. No material inventories were on hand as of June 30, 2023 in the governmental funds.

#### 6. Property Tax:

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

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

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

**7. Changes in Capital Assets:**

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

	<u>6/30/2022</u>			<u>6/30/2023</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 54,631	\$ --	\$ --	\$ 54,631
Construction in progress	197,921	199,903	--	397,824
Total capital assets not being depreciated	<u>252,552</u>	<u>199,903</u>	<u>--</u>	<u>452,455</u>
Capital assets being depreciated:				
Buildings	4,850,528	109,973	--	4,960,501
Improvements	335,762	--	--	335,762
Machinery & Equipment	782,441	19,221	--	801,662
Library Books	78,154	761	--	78,915
Total capital assets being depreciated	<u>6,046,885</u>	<u>129,955</u>	<u>--</u>	<u>6,176,840</u>
Less accumulated depreciation for:				
Buildings	1,432,750	85,808	--	1,518,558
Improvements	135,025	18,678	--	153,703
Machinery & Equipment	455,654	63,296	--	518,950
Library Books	43,791	3,946	--	47,737
Total accumulated depreciation	<u>2,067,220</u>	<u>171,728</u>	<u>--</u>	<u>2,238,948</u>
Total capital assets being depreciated, net	<u>3,979,665</u>	<u>(41,773)</u>	<u>--</u>	<u>3,937,892</u>
Net Capital Assets	<u>\$ 4,232,217</u>	<u>\$ 158,130</u>	<u>\$ --</u>	<u>\$ 4,390,347</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 51,801
Support services	101,092
Co-curricular activities	18,835
Total Depreciation Expense	<u>\$ 171,728</u>

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

**7. Changes in Capital Assets: (Continued)**

	<u>6/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 115,082	\$ --	\$ --	\$ 115,082
Less accumulated depreciation for:				
Machinery & Equipment	92,244	1,170	--	93,414
Total capital assets, net	\$ 22,838	\$ (1,170)	\$ --	\$ 21,668

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	\$ 1,170

Construction in progress consisted of the following as of June 30, 2023:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Through 6/30/2023</u>	<u>Committed</u>	<u>Required Future Financing</u>
Parking lot	\$ 800,000	\$ 397,824	\$ --	\$ --

**8. Long-Term Liabilities:**

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

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	\$ 16,560	\$ 3,250	\$ 6,801	\$ 13,009	\$ 3,500
Other Post Employment Benefits	63,260	11,232	9,642	64,850	--
Total Long-Term Liabilities	\$ 79,820	\$ 14,482	\$ 16,443	\$ 77,859	\$ 3,500

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**8. Long-Term Liabilities: (Continued)**

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

Liabilities payable at June 30, 2023 are comprised of the following:

Compensated Absences –		
Payable from the fund to which payroll expenditures are charged	\$	13,009
Other Post Employment Benefits --		
Payable from the fund to which payroll expenditures are charged	\$	64,850

**9. Restricted Net Position:**

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 462,736
Special Education	Law	66,485
Physics & chemistry	Donor Stipulation	143,124
Library	Donor Stipulation	55,217
SDRS Pension Purposes	Law	285,123
Total		\$ 1,012,685

**10. Interfund Transfers:**

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

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds.	\$ 285,607
Transfer from General Fund to the Food Service Fund for operations.	\$ 750
Transfer from the General Fund to the Other Enterprise Fund for operations.	\$ 43,110



**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Pension Plan:**

Plan Information:

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

Benefits Provided:

SDRS has four classes of employees, Class A general members, Class B public safety and judicial members, and 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.

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

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Pension Plan: (Continued)**

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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 107,216
2022	104,751
2021	98,443

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Pension Plan: (Continued)**

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

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

Proportionate share of pension liability	\$ 10,321,225
Less proportionate share of net pension restricted for pension benefits	<u>10,328,134</u>
Proportionate share of net pension (asset)	<u><u>\$ (6,909)</u></u>

At June 30, 2023, the School District reported an asset of (\$6,909) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.07311400%, which is an increase of 0.0024334% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of (\$31,966). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 131,532	\$ 449
Changes in assumption	439,161	384,866
Net difference between projected and actual earnings on pension plan investments	--	16,559
Changes in proportion and difference between district contributions and proportionate share of contributions	3,402	1,223
District contributions subsequent to the measurement date	<u>107,216</u>	<u>--</u>
Total	<u><u>\$ 681,311</u></u>	<u><u>\$ 403,097</u></u>

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Pension Plan: (Continued)**

\$107,216 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:

<b>Year Ended</b>	
<b>June 30,</b>	
2024	\$ 48,105
2025	95,934
2026	(109,795)
2027	136,754
Total	<u>\$ 170,998</u>

Actuarial Assumptions:

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

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

**Mortality Rates:**

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

**Active and Terminated Vested Members:**

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

**Retired Members:**

- Teachers, Certified Regents, and Judicial Retirees, PubT-2010, 108% of rates above 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 at all ages

**Beneficiaries:**

- PubG-2010 contingent survivor mortality table

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Pension Plan: (Continued)**

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2011.

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

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

Discount Rate:

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

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**11. Pension Plan: (Continued)**

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	\$ 1,434,742	\$ (6,909)	\$ (1,185,120)

Pension Plan Fiduciary Net Position:

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

**12. Other Post Employment Benefits:**

*Plan Description:* Montrose School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any School District to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the District. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Montrose School District, 309 S Church Ave, Montrose, SD 57058 or by calling (605) 363-5025.

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

Employees covered by benefit terms: At June 30, 2023, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	0
Active employees	38
	38

**Montrose School District No. 43-2**

Notes to the Financial Statements

June 30, 2023

**12. Other Post Employment Benefits: (Continued)**

*Actuarial Methods and Assumptions:* Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2021 Actuarial Valuation Report. See Note 11 – Pension Note.

**Changes in the Total OPEB Liability:**

Beginning of Year Balances	\$ 63,260
Service Cost	9,671
Interest	1,561
Effect on assumptions, changes or inputs	(8,357)
Benefit payments	<u>(1,285)</u>
End of Year Balances	<u>\$ 64,850</u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.54%

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 70,823	\$ 64,850	\$ 59,339

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District’s total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
\$ 56,142	\$ 64,850	\$ 75,209

For the year ended June 30, 2023, the School District recognized OPEB expense of \$7,873. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 4,802	\$ (22,147)

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

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**12. Other Post Employment Benefits: (Continued)**

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

<b>Year Ended June 30,</b>		
2024	\$	(3,359)
2025		(3,359)
2026		(3,091)
2027		(2,839)
2028		(2,172)
Thereafter		<u>(2,570)</u>
Total	\$	<u><u>(17,390)</u></u>

**13. Joint Ventures:**

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

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

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

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



**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**13. Joint Ventures: (Continued)**

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

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

**14. Risk Management:**

The School District is exposed to various risks of loss related to 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 Northern Plains Insurance Pool. This is a Joint Power Authority authorized by SDCL. To be eligible for membership, an applicant must be a governmental unit and a member of the pool. The objective of the pool is to formulate, develop, and administer on behalf of the member organizations, a program of health coverage through pooling risks, self-insurance and joint purchases of insurance.

The pool's contract with its members requires that the members meet an annual participation requirement of seventy five percent of total eligible employees as defined by the benefits plan or plans. A member may voluntarily terminate participation in a plan funded through the pool effective as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

The School District pay a monthly premium to the pool to provide health insurance coverage for its employees. The coverage offered is on the occurrence basis which provides for the payment of claims that occur during the period of coverage regardless of when the claim is reported.

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials, injuries to employees and natural disasters from a commercial insurance carrier.

During the year ended June 30, 2023, one claim was filed in the amount of \$2,440. As of June 30, 2023, it is not anticipated that any additional material claims for these matters will be filed.

**Montrose School District No. 43-2**  
Notes to the Financial Statements  
June 30, 2023

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**14. Risk Management: (Continued)**

Worker's Compensation:

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

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has an assigned fund balance in the General Fund in the amount of \$9,972 for the payment of future unemployment benefits.

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

**15. Subsequent Events:**

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

## **Required Supplementary Information**

**Montrose School District No. 43-2**

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 475,758	\$ 475,758	\$ 484,522	\$ 8,764
Prior years' ad valorem taxes	--	--	77	77
Utility taxes	40,000	40,000	66,764	26,764
Penalties and interest on taxes	1,400	1,400	1,391	(9)
Earnings on Investments and Deposits	7,000	7,000	5,028	(1,972)
Cocurricular Activities:				
Admissions	5,500	5,500	6,630	1,130
Other Revenue from Local Sources:				
Rentals	14,000	14,000	14,448	448
Contributions and donations	--	--	825	825
Charges for services	5,000	5,000	7,561	2,561
Other	13,000	13,000	15,361	2,361
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	10,500	10,500	15,030	4,530
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,459,076	1,459,076	1,515,632	56,556
Restricted grants-in-aid	--	--	135	135
Other State Revenue	96,688	96,688	--	(96,688)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	34,332	34,332	--	(34,332)
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	668	668
Restricted grants-in-aid received from federal government through the state	28,204	28,204	145,642	117,438
Johnson O'Malley Funds	2,000	2,000	--	(2,000)
Other Federal Revenue	20,467	20,467	--	(20,467)
<b>Total Revenues</b>	<b>\$ 2,212,925</b>	<b>\$ 2,212,925</b>	<b>\$ 2,279,714</b>	<b>\$ 66,789</b>

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

**Montrose School District No. 43-2**

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis  
June 30, 2023 (Continued)

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 596,467	\$ 596,467	\$ 624,472	\$ (28,005)
Middle/junior high	261,241	261,241	248,742	12,499
High school	387,123	387,123	383,802	3,321
Special Programs:				
Educationally deprived	45,992	47,953	47,953	--
Support Services:				
Students:				
Guidance	66,678	69,245	69,245	--
Health	28,335	28,335	26,869	1,466
Instructional Staff:				
Educational media	117,279	117,295	116,308	987
General Administration:				
Board of education	16,499	16,694	11,530	5,164
Executive administration	149,160	149,160	143,798	5,362
School Administration:				
Office of the principal	104,296	105,663	105,665	(2)
Other	--	408	408	--
Business:				
Fiscal services	112,046	112,046	116,604	(4,558)
Operation and maintenance of plant	284,754	295,328	274,234	21,094
Student transportation	132,000	132,000	113,957	18,043
Cocurricular Activities:				
Male activities	43,878	44,119	31,764	12,355
Female activities	29,677	31,807	26,304	5,503
Combined activities	56,202	67,817	51,098	16,719
Contingencies	20,000	20,000	--	20,000
Total Expenditures	<u>2,451,627</u>	<u>2,482,701</u>	<u>2,392,753</u>	<u>89,948</u>
Excess of Revenues Over Expenditures	<u>(238,702)</u>	<u>(269,776)</u>	<u>(113,039)</u>	<u>156,737</u>
<b>Other Financing Sources:</b>				
Operating transfers in	293,896	293,896	285,607	(8,289)
Operating transfers out	--	--	(43,860)	(43,860)
Total Other Financing Sources:	<u>293,896</u>	<u>293,896</u>	<u>241,747</u>	<u>(52,149)</u>
Net Change in Fund Balances	55,194	24,120	128,708	104,588
<b>Fund Balance, Beginning of Year</b>	<u>759,549</u>	<u>759,549</u>	<u>759,549</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 814,743</u>	<u>\$ 783,669</u>	<u>\$ 888,257</u>	<u>\$ 104,588</u>

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

## Montrose School District No. 43-2

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis  
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 655,053	\$ 655,053	\$ 634,683	\$ (20,370)
Prior years' ad valorem taxes	--	--	83	83
Penalties and interest on taxes	--	--	637	637
Earnings on Investments & Deposits	--	--	5,147	5,147
Other Revenue from Local Sources:				
Contributions and donations	--	--	2,000	2,000
Revenue from Federal Sources:				
Other Federal Revenue	46,966	46,966	33,301	(13,665)
Total Revenues	<u>702,019</u>	<u>702,019</u>	<u>675,851</u>	<u>(26,168)</u>
<b>Expenditures</b>				
Instructional Services:				
Regular Programs:				
Elementary	4,000	4,000	2,448	1,552
Middle/junior high	4,000	4,000	1,139	2,861
High school	51,000	53,989	52,466	1,523
Support Services:				
Instructional Staff:				
Educational media	62,000	62,000	41,688	20,312
General Administration:				
Executive administration	--	20,786	20,786	--
Business:				
Operation and maintenance of plant	262,003	369,921	369,921	--
Student transportation	10,000	10,000	--	10,000
Debt Services:	5,120	5,120	4,618	502
Cocurricular Activities:				
Combined activities	10,000	10,508	10,508	--
Total Expenditures	<u>408,123</u>	<u>540,324</u>	<u>503,574</u>	<u>36,750</u>
Excess of Revenue Over (Under)				
Expenditures	<u>293,896</u>	<u>161,695</u>	<u>172,277</u>	<u>10,582</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(293,896)	(293,896)	(285,607)	8,289
Compensation for loss of general capital assets	--	--	2,440	2,440
Total Other Financing Sources (Uses)	<u>(293,896)</u>	<u>(293,896)</u>	<u>(283,167)</u>	<u>10,729</u>
Net Change in Fund Balances	--	(132,201)	(110,890)	21,311
<b>Fund Balance, Beginning of Year</b>	<u>567,567</u>	<u>567,567</u>	<u>567,567</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 567,567</u>	<u>\$ 435,366</u>	<u>\$ 456,677</u>	<u>\$ 21,311</u>

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

**Montrose School District No. 43-2**  
Required Supplementary Information – Budgetary Comparison  
Schedule – Special Education Fund – Budgetary Basis  
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 305,324	\$ 305,324	\$ 354,105	\$ 48,781
Prior years' ad valorem taxes	--	--	47	47
Penalties and interest on taxes	--	--	358	358
Other Revenue from Local Sources:				
Charges for services	16,600	16,600	11,661	(4,939)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	266,255	266,255	271,092	4,837
Total Revenues	<u>588,179</u>	<u>588,179</u>	<u>637,263</u>	<u>49,084</u>
<b>Expenditures</b>				
Instructional Services:				
Special Programs:				
Programs for special education	495,366	697,037	515,191	181,846
Support Services:				
Students:				
Psychological	1,260	1,260	1,260	--
Speech pathology	44,918	44,918	44,918	--
Support Services- Instructional staff:				
Educational Media	--	189	189	--
General Administration:				
Board of education	2,970	2,970	2,970	--
Business:				
Fiscal services	4,284	4,284	4,284	--
Special Education:				
Administrative costs	39,381	39,381	33,316	6,065
Transportation costs	--	28,667	30,699	(2,032)
Total Expenditures	<u>588,179</u>	<u>818,706</u>	<u>632,827</u>	<u>185,879</u>
Net Change in Fund Balance	--	(230,527)	4,436	234,963
<b>Fund Balance, Beginning of Year</b>	<u>58,503</u>	<u>58,503</u>	<u>58,503</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 58,503</u>	<u>\$ (172,024)</u>	<u>\$ 62,939</u>	<u>\$ 234,963</u>

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

**Montrose School District No. 43-2**  
 Required Supplementary Information – Budgetary Comparison  
 Schedule – Physics and Chemistry Fund – Budgetary Basis  
 June 30, 2023

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Earnings on Investments & Deposits	\$ --	\$ --	\$ 259	\$ 259
Total Revenues	<u>--</u>	<u>--</u>	<u>259</u>	<u>259</u>
 Net Change in Fund Balance	 --	 --	 259	 259
 <b>Fund Balance, Beginning of Year</b>	 142,865	 142,865	 142,865	 --
<b>Fund Balance, End of Year</b>	<u>\$ 142,865</u>	<u>\$ 142,865</u>	<u>\$ 143,124</u>	<u>\$ 259</u>

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



**Montrose School District No. 43-2**  
 Required Supplementary Information – Budgetary Comparison  
 Schedule – Library Fund – Budgetary Basis  
 June 30, 2023

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Revenue from Local Sources:				
Taxes:				
Earnings on Investments & Deposits	\$       --	\$       --	\$       474	\$       474
Total Revenues	--	--	474	474
 Net Change in Fund Balance	 --	 --	 474	 474
 <b>Fund Balance, Beginning of Year</b>	 54,743	 54,743	 54,743	 --
<b>Fund Balance, End of Year</b>	\$   54,743	\$   54,743	\$   55,217	\$       474

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

**Montrose School District No. 43-2**  
Notes to the Required Supplementary Information  
June 30, 2023

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**1. Budgets and Budgetary Accounting:**

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

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

**2. USGAAP/Budgetary Accounting Basis Differences:**

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

**Montrose School District No. 43-2**  
**Schedule of Changes in Total OPEB Liability**  
**For the Year Ended June 30, 2023**

<u>Total OPEB Liability</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 9,671	\$ 8,412	\$ 7,231	\$ 7,345	\$ 7,374
Interest on total OPEB liability	1,561	1,531	1,937	2,321	1,905
Effect of economic/demographic gains or losses	--	(1,041)	--	--	--
Effect of assumption changes or inputs	(8,357)	(5,419)	5,068	(12,988)	(1,497)
Benefit payments	(1,285)	(2,106)	(912)	(1,516)	(444)
Net change in total OPEB liability	1,590	1,377	13,324	(4,838)	7,338
Total OPEB liability, beginning	63,260	61,883	48,559	53,397	46,059
Total OPEB liability, ending	<u>\$ 64,850</u>	<u>\$ 63,260</u>	<u>\$ 61,883</u>	<u>\$ 48,559</u>	<u>\$ 53,397</u>

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years which information is available.

**Montrose School District No. 43-2**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0731140%	0.0723000%	0.0706806%	0.0727250%	0.0769075%	0.0741660%	0.0656897%	0.0607652%	0.0600132%
District's proportionate share of net pension liability (asset)	\$ (6,909)	\$ (553,695)	\$ (3,070)	\$ (7,707)	\$ (1,794)	\$ (6,731)	\$ 221,893	\$ (257,723)	\$ (432,371)
District's covered-employee payroll	\$ 1,745,851	\$ 1,640,713	\$ 1,551,595	\$ 1,546,831	\$ 1,598,829	\$ 1,506,896	\$ 1,248,936	\$ 1,109,279	\$ 1,047,281
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.77%	23.23%	41.29%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

**Montrose School District No. 43-2**

Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 107,216	\$ 104,751	\$ 98,443	\$ 93,074	\$ 92,777
Contributions in relation to the contractually-required contribution	<u>107,216</u>	<u>104,751</u>	<u>98,443</u>	<u>93,074</u>	<u>92,777</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,786,935	\$ 1,745,851	\$ 1,640,713	\$ 1,551,595	\$ 1,546,831
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 95,930	\$ 90,414	\$ 74,951	\$ 66,564	\$ 62,837
Contributions in relation to the contractually-required contribution	<u>95,930</u>	<u>90,414</u>	<u>74,951</u>	<u>66,564</u>	<u>62,837</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,598,829	\$ 1,506,896	\$ 1,248,936	\$ 1,109,279	\$ 1,047,281
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%

## Montrose School District No. 43-2

### Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023

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

**Montrose School District No. 43-2**  
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)  
and Schedule of Pension Contributions  
For the Year Ended June 30, 2023 (Continued)

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

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

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

**Actuarial Method Changes**

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