

Montrose School District No. 43-2

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

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

Montrose School District No. 43-2

School District Officials

June 30, 2022

Board Members

Brian Smith ----- Board President
Jason McAreavey-----Vice President
Cody Katzer----- Member
Tori Lindstrom ----- 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, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated June 30, 2023, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Prior and Current Audit Findings as item 2022-001.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit. The School District's response to the findings identified in our audit are described in the accompanying Schedule of Prior and Current Audit Findings. 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
June 30, 2023

Montrose School District No. 43-2
Schedule of Prior and Current Audit Findings
June 30, 2022

Prior Audit Findings:

Finding Number 2021-001 – Compliance Finding

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

Current Audit Findings:

Finding Number 2022-001 – Compliance Finding

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

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

Recommendation: We recommend that Montrose School District officials be aware of and adhere to the budgetary requirements and supplement the budgets when necessary in the future.

Management's Response: In the future, when monitoring the budgets, if expenditures are anticipated to exceed the annual appropriation and/or the fund balance, the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to maximum allowable.



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, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montrose School District No. 43-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 June 30, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elk Point LLC". The signature is written in a cursive, slightly slanted style.

Elk Point, South Dakota
June 30, 2023

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2022

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, 2022. 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 \$6,094,530 this is an increase of \$160,973 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, 2022

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

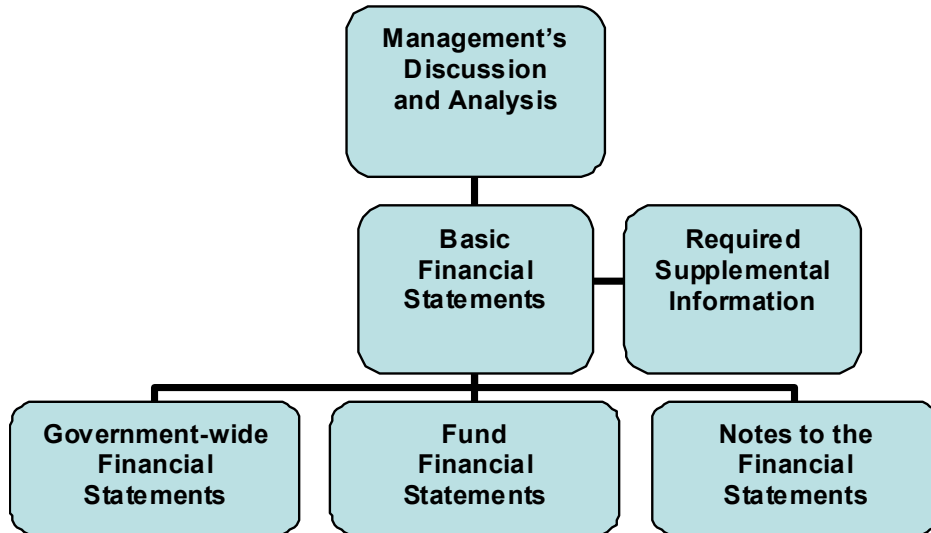


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of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

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2022

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.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the 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, 2022

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, 2022

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
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 2,877,092	\$ 2,995,756	\$ 81,152	\$ 125,517	\$ 2,958,244	\$ 3,121,273	5.51%
Capital Assets (Net of Depreciation)	3,774,817	4,232,217	9,056	22,839	3,783,873	4,255,056	12.45%
Total Assets	<u>6,651,909</u>	<u>7,227,973</u>	<u>90,208</u>	<u>148,356</u>	<u>6,742,117</u>	<u>7,376,329</u>	<u>9.41%</u>
OPEB Related Deferred Outflows	6,644	5,723	--	--	6,644	5,723	-13.86%
Pension Related Deferred Outflows	509,191	770,509	--	--	509,191	770,509	51.32%
Total Deferred Outflows or Resources	<u>515,835</u>	<u>776,232</u>	<u>--</u>	<u>--</u>	<u>515,835</u>	<u>776,232</u>	<u>50.48%</u>
Long-Term Liabilities Outstanding	76,098	79,820	--	--	76,098	79,820	4.89%
Other Liabilities	195,956	263,519	20,864	42,304	216,820	305,823	41.05%
Total Liabilities	<u>272,054</u>	<u>343,339</u>	<u>20,864</u>	<u>42,304</u>	<u>292,918</u>	<u>385,643</u>	<u>31.66%</u>
Taxes Levied for Future Period	606,621	586,601	--	--	606,621	586,601	-3.30%
OPEB Related Deferred Inflows	14,847	18,070	--	--	14,847	18,070	21.71%
Pension Related Deferred Inflows	410,009	1,071,047	--	--	410,009	1,071,047	161.23%
Total Deferred Inflows of Resources	<u>1,031,477</u>	<u>1,675,718</u>	<u>--</u>	<u>--</u>	<u>1,031,477</u>	<u>1,675,718</u>	<u>62.46%</u>
Net Investment in Capital Assets	3,774,817	4,232,217	9,056	22,839	3,783,873	4,255,056	12.45%
Restricted	1,353,953	1,095,634	--	--	1,353,953	1,095,634	-19.08%
Unrestricted	<u>735,443</u>	<u>657,297</u>	<u>60,288</u>	<u>83,213</u>	<u>795,731</u>	<u>740,510</u>	<u>-6.94%</u>
Total 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>
Beginning Net Position	5,967,010	5,864,213	27,241	69,344	5,994,251	5,933,557	-1.01%
Increase (Decrease) in Net Position	<u>\$ (102,797)</u>	<u>\$ 120,935</u>	<u>\$ 42,103</u>	<u>\$ 36,708</u>	<u>\$ (60,694)</u>	<u>\$ 157,643</u>	<u>359.73%</u>
Percentage of Increase (Decrease) in Net Position	<u>-1.72%</u>	<u>2.06%</u>	<u>154.56%</u>	<u>52.94%</u>	<u>-1.01%</u>	<u>2.66%</u>	

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, 2022

Changes in Net Position

The School's total revenues totaled \$3,903,658 (See table A-4). Approximately 38% of the School's revenue comes from property taxes, with another 40% coming from State Aid . (See Table A-2).

Table A-2
Montrose School District 43-2
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 1,495,065	38.30%
State Sources	1,565,493	40.10%
Operating Grants & Contributions	503,886	12.91%
Charges For Services	217,991	5.58%
Other General Revenues	116,250	2.98%
Unrestricted Investment Earnings	4,973	0.13%
Total Revenue	\$ 3,903,658	100.00%

The School's expenses totaled \$3,746,015 (see table A-4) and covered a range of services, including instruction, support services, interest on long-term debt, co-curricular activities, food service, nonprogrammed charges, and other enterprise (See Table A-3).

Table A-3
Montrose School District 43-2
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 2,015,429	53.80%
Support Services	1,331,404	35.54%
Interest - on Long-Term Debt	4,674	0.12%
Cocurricular Activities	118,961	3.18%
Food Service	183,177	4.89%
Nonprogrammed Charges	235	0.01%
Other Enterprise	92,135	2.46%
Total Expenditures	\$ 3,746,015	100.00%

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental and Business-Type Activities

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

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

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 5,161	\$ 149,879	\$ 29,893	\$ 68,112	\$ 35,054	\$ 217,991	521.87%
Operating Grants/ Contributions	269,052	259,978	151,731	243,908	420,783	503,886	19.75%
General Revenues							
Taxes	1,464,842	1,495,065	--	--	1,464,842	1,495,065	2.06%
Revenue State Sources	1,286,486	1,565,493	--	--	1,286,486	1,565,493	21.69%
Other general revenues	110,225	116,250	--	--	110,225	116,250	5.47%
Unrestricted Investment Earnings	18,561	4,973	--	--	18,561	4,973	-73.21%
	<u>3,154,327</u>	<u>3,591,638</u>	<u>181,624</u>	<u>312,020</u>	<u>3,335,951</u>	<u>3,903,658</u>	<u>17.02%</u>
Expenses							
Instruction	1,866,217	2,015,429	--	--	1,866,217	2,015,429	8.00%
Support Services	1,275,358	1,331,404	--	--	1,275,358	1,331,404	4.39%
Non-programmed Charges	151	235	--	--	151	235	55.63%
Interest on long-term debt	--	4,674	--	--	--	4,674	100.00%
Co-curricular Activities	100,398	118,961	--	--	100,398	118,961	18.49%
Food Service	--	--	133,191	183,177	133,191	183,177	37.53%
Other Enterprise	--	--	21,330	92,135	21,330	92,135	331.95%
	<u>3,242,124</u>	<u>3,470,703</u>	<u>154,521</u>	<u>275,312</u>	<u>3,396,645</u>	<u>3,746,015</u>	<u>10.29%</u>
Excess (Deficiency)							
Before Transfers	(87,797)	120,935	27,103	36,708	(60,694)	157,643	-359.73%
Transfers	(15,000)	--	15,000	--	--	--	0.00%
Increase (Decrease) in Net Position	(102,797)	120,935	42,103	36,708	(60,694)	157,643	-359.73%
Beginning Net Position	5,967,010	5,864,213	27,241	69,344	5,994,251	5,933,557	-1.01%
Ending 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>

Governmental Activities

Revenues for the governmental activities increased by 13.9% due to an increase in charges for services and state aid. Expenses increased by 7%.

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Business Type Activities

Revenues of the School’s business-type activities increased by 71.8% and expenses increased by 78.2%.

Financial Analysis of the School’s Funds

Fund balances changed as follows: General Fund decreased \$71,340 as a result of expenditures exceeding revenues. The Capital Outlay Fund decreased \$429,493 as a result of expenditures exceeding revenues. The Special Education Fund increased \$20,035 as a result of revenues exceeding expenditures.

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 2022, the School had the following changes in Capital Assets (See Table A-5).

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 54,631	\$ 54,631	\$ --	\$ --	\$ --	0.00%
Construction in progress	--	197,921	--	--	197,921	100.00%
Buildings & Improvements	3,377,710	3,618,515	--	--	240,805	7.13%
Machinery & Equipment	305,480	326,787	9,056	22,838	35,089	11.16%
Library Books	36,995	34,363	--	--	(2,632)	-7.11%
Total Capital Assets	<u>\$ 3,774,816</u>	<u>\$ 4,232,217</u>	<u>\$ 9,056</u>	<u>\$ 22,838</u>	<u>\$ 471,183</u>	<u>12.45%</u>

Some of this year’s major capital asset purchases were bipolar ionization, new entrance doors, a ceiling coating, a new gym roof, scoreboards, a new mower, phone installation, and new library books.

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

The Montrose School District had \$79,820 in outstanding debt and obligations see individual balances on Table A-6. This is a 4.89% increase from last year as shown on Table A-6.

Table A-6
 Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2021	2022		
Other Post Employment Benefits	\$ 61,883	\$ 63,260	\$ 1,377	2.23%
Accrued Compensated Absences - Governmental Funds	14,215	16,560	2,345	16.50%
Total Outstanding Debt	\$ 76,098	\$ 79,820	\$ 3,722	4.89%

Economic Factors and Next Year’s Budgets and Rates

The School's current economic position is still strong since overall net position increased by \$157,643.

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, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 523,004	\$ 123,571	\$ 646,575
Investments-certificates of deposit	1,177,083	--	1,177,083
Taxes receivable	595,315	--	595,315
Due from other government	116,950	--	116,950
Inventories	--	1,946	1,946
Deposits	13,759	--	13,759
Other assets	15,950	--	15,950
Net pension asset	553,695	--	553,695
Capital assets:			
Land and construction in progress	252,552	--	252,552
Other capital assets, net of depreciation	3,979,665	22,839	4,002,504
Total Assets	7,227,973	148,356	7,376,329
Deferred Outflows of Resources:			
OPEB-related deferred outflows	5,723		5,723
Pension-related deferred outflows	770,509	--	770,509
Total Deferred Outflows of Resources	776,232	--	776,232
Liabilities:			
Accounts payable	75,270	--	75,270
Unearned revenue	--	12,281	12,281
Other current liabilities	188,249	30,023	218,272
Long-term liabilities:			
Due within one year	2,345	--	2,345
Due in more than one year	77,475	--	77,475
Total Liabilities	343,339	42,304	385,643
Deferred Inflows of Resources:			
Taxes levied for future periods	586,601	--	586,601
Pension related deferred inflows	1,071,047	--	1,071,047
OBEP-related deferred inflows	18,070	--	18,070
Total Deferred Inflows of Resources	1,675,718	--	1,675,718
Net Position:			
Net investment in capital assets	4,232,217	22,839	4,255,056
Restricted for:			
Capital outlay	570,707	--	570,707
Special education	44,453	--	44,453
Library	54,743	--	54,743
Physics & chemistry	142,865	--	142,865
Insurance purposes	29,709	--	29,709
SDRS pension purposes	253,157	--	253,157
Unrestricted	657,297	83,213	740,510
Total Net Position	\$ 5,985,148	\$ 106,052	\$ 6,091,200

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, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 2,015,429	\$ --	\$ 258,673	\$ (1,756,756)	\$ --	\$ (1,756,756)
Support services	1,331,404	144,597	1,305	(1,185,502)	--	(1,185,502)
Nonprogrammed Charges	235	--	--	(235)	--	(235)
Interest on long-term debt	4,674	--	--	(4,674)	--	(4,674)
Cocurricular activities	118,961	5,282	--	(113,679)	--	(113,679)
Total Governmental Activities	3,470,703	149,879	259,978	(3,060,846)	--	(3,060,846)
Business-Type Activities:						
Food service	183,177	23,445	210,746	--	51,014	51,014
Driver's education	92,135	44,667	33,162	--	(14,306)	(14,306)
Total Business Type Activities	275,312	68,112	243,908	--	36,708	36,708
Total Primary Government	\$ 3,746,015	\$ 217,991	\$ 503,886	(3,060,846)	36,708	(3,024,138)
General Revenues:						
Taxes:						
				1,428,697	--	1,428,697
				66,368	--	66,368
Revenue from State Sources:						
				1,565,493	--	1,565,493
				4,973	--	4,973
				10,000	--	10,000
				106,250	--	106,250
				3,181,781	--	3,181,781
				120,935	36,708	157,643
				5,864,213	69,344	5,933,557
				\$ 5,985,148	\$ 106,052	\$ 6,091,200

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, 2022

	General	Capital Outlay	Special Education	Library Fund	Physics & Chemistry	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 404,797	\$ 4,034	\$ 109,530	\$ 4,643	\$ --	\$ 523,004
Investments-certificates of deposit	413,831	568,727	--	50,100	144,425	1,177,083
Taxes receivable - current	188,874	254,426	143,301	--	--	586,601
Taxes receivable - delinquent	3,674	3,140	1,900	--	--	8,714
Due from other governments	116,950	--	--	--	--	116,950
Deposits NPIP Reserve	13,759	--	--	--	--	13,759
Prepaid items	--	--	15,950	--	--	15,950
Total Assets	<u>\$ 1,141,885</u>	<u>\$ 830,327</u>	<u>\$ 270,681</u>	<u>\$ 54,743</u>	<u>\$ 144,425</u>	<u>\$ 2,442,061</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 8,643	\$ 5,194	\$ 59,873	\$ --	\$ 1,560	\$ 75,270
Contracts payable	149,645	--	649	--	--	150,294
Payroll deductions and withholding and employer matching payable	31,500	--	4,577	--	--	36,077
Due to other fund	--	--	1,878	--	--	1,878
Total Liabilities	<u>189,788</u>	<u>5,194</u>	<u>66,977</u>	<u>--</u>	<u>1,560</u>	<u>263,519</u>
Deferred Inflows of Resources:						
Unavailable Revenue	188,874	254,426	143,301	--	--	586,601
Delinquent taxes not available	3,674	3,140	1,900	--	--	8,714
Total Deferred Inflows of Resources	<u>192,548</u>	<u>257,566</u>	<u>145,201</u>	<u>--</u>	<u>--</u>	<u>595,315</u>
Fund Balances:						
Nonspendable - deposits and prepaids	13,759	--	15,950	--	--	29,709
Restricted:						
For capital outlay	--	567,567	--	--	--	567,567
For special education	--	--	42,553	--	--	42,553
For library fund	--	--	--	54,743	--	54,743
For physics & chemistry	--	--	--	--	142,865	142,865
Assigned	10,207	--	--	--	--	10,207
Unassigned	735,583	--	--	--	--	735,583
Total Fund Balances	<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>
Total Liabilities and Fund Balances	<u>\$ 1,141,885</u>	<u>\$ 830,327</u>	<u>\$ 270,681</u>	<u>\$ 54,743</u>	<u>\$ 144,425</u>	<u>\$ 2,442,061</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, 2022

Total Fund Balances - Governmental Funds \$ 1,583,227

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. 4,232,217

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

Early Retirement Payable	(63,260)	
Accrued Leave	<u>(16,560)</u>	(79,820)

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 8,714

Proportionate Share of Net Pension Asset 553,695

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,089,117)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not 776,232

Net Position - Governmental Activities \$ 5,985,148

Montrose School District No. 43-2

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

June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics & Chemistry</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 475,308	\$ 594,038	\$ 353,311	\$ --	\$ --	\$ 1,422,657
Prior years' ad valorem taxes	1,092	523	321			1,936
Utility taxes	66,368	--	--	--	--	66,368
Penalties and interest on taxes	1,451	584	207	--	--	2,242
Earnings on Investments and Deposits	3,981	--	--	945	47	4,973
Cocurricular Activities:						
Admissions	5,282	--	--	--	--	5,282
Other Revenue from Local Sources:						
Rentals	14,173	--	--	--	--	14,173
Contributions and donations	10,000	--	--	--	--	10,000
Charges for services	4,937	--	14,823	--	--	19,760
Other	19,459	--	168	--	--	19,627
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	13,690	--	--	--	--	13,690
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	1,336,145	--	--	--	--	1,336,145
Restricted grants-in-aid	--	--	229,348	--	--	229,348
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid received from federal government through an intermediate source	304	640	361	--	--	1,305
Restricted grants-in-aid received from federal government through the state	60,710	197,963	--	--	--	258,673
Total Revenues	<u>\$ 2,012,900</u>	<u>\$ 793,748</u>	<u>\$ 598,539</u>	<u>\$ 945</u>	<u>\$ 47</u>	<u>\$ 3,406,179</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, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics & Chemistry</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>						
Instructional Services:						
Regular Programs:						
Elementary	\$ 667,992	\$ 51,679	\$ --	\$ --	\$ --	\$ 719,671
Middle/junior high	255,486	53,025	--	--	--	308,511
High school	365,575	45,779	--	--	1,560	412,914
Preschool	195	--	--	--	--	195
Special Programs:						
Programs for special education	--	--	469,725	--	--	469,725
Educationally deprived	52,387	--	--	--	--	52,387
Support Services:						
Students:						
Guidance	63,053	--	--	--	--	63,053
Psychological	--	--	2,895	--	--	2,895
Health	27,766	--	--	--	--	27,766
Speech pathology	--	--	39,557	--	--	39,557
Instructional Staff:						
Educational media	115,243	72,653	--	--	--	187,896
General Administration:						
Board of education	15,490	--	2,640	--	--	18,130
Executive administration	62,897	--	--	--	--	62,897
School Administration:						
Office of the principal	151,739	--	--	--	--	151,739
Other	455	--	--	--	--	455
Business:						
Fiscal services	108,703	--	4,252	--	--	112,955
Operation and maintenance of plant	258,107	126,111	--	--	--	384,218
Student transportation	103,787	--	--	--	--	103,787
Other	--	5,000	--	--	--	5,000

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, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Library Fund</u>	<u>Physics & Chemistry</u>	<u>Total Governmental Funds</u>
Special Education:						
Administrative costs	--	--	29,158			29,158
Transportation costs	--	--	30,277	--	--	30,277
Nonprogrammed Charges:						--
Payments to State - Unemployment	235	--	--	--	--	235
Debt Services:	--	4,674	--	--	--	4,674
Cocurricular Activities:						
Male activities	31,490	--	--	--	--	31,490
Female activities	24,498	--	--	--	--	24,498
Combined activities	46,695	3,747	--	--	--	50,442
Capital Outlay	--	632,020	--	--	--	632,020
Total Expenditures	<u>2,351,793</u>	<u>994,688</u>	<u>578,504</u>	<u>--</u>	<u>1,560</u>	<u>3,926,545</u>
Excess of Revenue Over (Under) Expenditures	(338,893)	(200,940)	20,035	945	(1,513)	(520,366)
Other Financing Sources (Uses):						
Transfer in	267,553	--	--	--	--	267,553
Transfer out	--	(267,553)	--	--	--	(267,553)
Sale of Surplus Property	--	39,000	--	--	--	39,000
Total Other Financing Sources (Uses)	<u>267,553</u>	<u>(228,553)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>39,000</u>
Net Change in Fund Balances	(71,340)	(429,493)	20,035	945	(1,513)	(481,366)
Fund Balance, Beginning of Year	<u>830,889</u>	<u>997,060</u>	<u>38,468</u>	<u>53,798</u>	<u>144,378</u>	<u>2,064,593</u>
Fund Balance, End of Year	<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>

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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$	(481,366)
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.		632,020
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.		(174,619)
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		1,862
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.		(2,345)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		150,904
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.		<u>(5,521)</u>
Change in net position of governmental activities	\$	<u>120,935</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 – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 95,793	\$ 27,778	\$ 123,571
Inventory - supplies	166	--	166
Inventory - stores for resale	746	--	746
Inventory of donated food	1,034	--	1,034
Total Current Assets	<u>97,739</u>	<u>27,778</u>	<u>125,517</u>
Noncurrent Assets:			
Machinery and equipment - local funds	115,083	--	115,083
Less accumulated depreciation	<u>(92,244)</u>	<u>--</u>	<u>(92,244)</u>
Total Noncurrent Assets	<u>22,839</u>	<u>--</u>	<u>22,839</u>
Total Assets	<u>\$ 120,578</u>	<u>\$ 27,778</u>	<u>\$ 148,356</u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 5,225	\$ 10,529	\$ 15,754
Payroll deductions and withholdings and employer matching payable	4,487	9,782	14,269
Unearned revenue	<u>12,281</u>	<u>--</u>	<u>12,281</u>
Total Current Liabilities	<u>21,993</u>	<u>20,311</u>	<u>42,304</u>
Net Position:			
Net investment in capital assets	22,839	--	22,839
Unrestricted net position	<u>75,746</u>	<u>7,467</u>	<u>83,213</u>
Total Net Position	<u>\$ 98,585</u>	<u>\$ 7,467</u>	<u>\$ 106,052</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, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 18,385	\$ --	\$ 18,385
Adult	5,060	--	5,060
Other charges for goods and services	--	44,667	44,667
Total Operating Revenue	23,445	44,667	68,112
Operating Expenses:			
Food Service:			
Salaries	72,891	70,335	143,226
Employee benefits	15,824	17,085	32,909
Purchased services	3,950	4,715	8,665
Supplies	3,220	--	3,220
Cost of sales - purchased	74,573	--	74,573
Cost of sales - donated	11,549	--	11,549
Depreciation	1,170	--	1,170
Total Operating Expenses	183,177	92,135	275,312
Operating (Loss)	(159,732)	(47,468)	(207,200)
Nonoperating Revenues/Expenses:			
Other local revenue	--	33,162	33,162
State grants	387	--	387
Federal grants	198,810	--	198,810
Donated food	11,549	--	11,549
Total Nonoperating Revenue/ (Expenses)	210,746	33,162	243,908
Change in Net Position	51,014	(14,306)	36,708
Net Position - Beginning Of Year	47,571	21,773	69,344
Net Position - End of Year	\$ 98,585	\$ 7,467	\$ 106,052

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, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 23,445	\$ 44,667	\$ 68,112
Cash payments to suppliers	(81,743)	(4,715)	(86,458)
Cash payments to employees	(87,585)	(67,109)	(154,694)
Net Cash (Used) by Operating Activities	<u>(145,883)</u>	<u>(27,157)</u>	<u>(173,040)</u>
Cash Flows from Noncapital Financing Activities:			
Other local revenue	--	33,162	33,162
Cash reimbursements - state	387	--	387
Cash reimbursements - federal	198,810	--	198,810
Net Cash Provided by Noncapital Financing Activities	<u>199,197</u>	<u>33,162</u>	<u>232,359</u>
Cash Flows from Capital and related Financing Activities:			
Purchase of capital assets	(14,954)	--	(14,954)
Net Cash Provided by Noncapital Financing Activities	<u>(14,954)</u>	<u>--</u>	<u>(14,954)</u>
Net Change in Cash and Cash Equivalents	38,360	6,005	44,365
Cash and Cash Equivalents, Beginning of Year	57,433	21,773	79,206
Cash and Cash Equivalents, End of Year	<u>\$ 95,793</u>	<u>\$ 27,778</u>	<u>\$ 123,571</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (159,732)	\$ (47,468)	\$ (207,200)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	1,170	--	1,170
Value of commodities used	11,549	--	11,549
Change in Assets and Liabilities:			
Contracts payable	225	10,529	10,754
Accrued payroll expenses	905	9,782	10,687
Net cash (used) by operating activities:	<u>\$ (145,883)</u>	<u>\$ (27,157)</u>	<u>\$ (173,040)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 11,549</u>	<u>\$ --</u>	<u>\$ 11,549</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, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ --	\$ 61,426
Investments-certificates of deposit	33,445	--
Accounts receivable	--	93
Total Assets	\$ 33,445	\$ 61,519
Liabilities:		
Amounts held for others	\$ --	\$ 61,519
Total Liabilities	\$ --	\$ 61,519
Net Position:		
Scholarships	33,445	
Total Net Position	\$ 33,445	

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, 2022

	<u>Private-Purpose Trust Funds</u>
Additions:	
Interest	<u>\$ 1,142</u>
Total Additions	<u>1,142</u>
Deductions:	
Private Purpose Trust	<u>--</u>
Total Deductions	<u>--</u>
Change in Net Position	<u>1,142</u>
Net Position - Beginning	<u>32,303</u>
Net Position - Ending	<u><u>\$ 33,445</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, 2022

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of 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, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

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, 2022

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, 2022 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, 2022

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, 2022

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, 2022 balance of capital assets for governmental activities includes approximately less than two 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, 2022 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, while 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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, 2022

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. 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.

i. 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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. 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.

k. 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.

l. 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.

m. 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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

The School District has an assigned balance of \$10,207 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

o. Pensions:

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

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

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

The School District is prohibited by statute from spending in excess of appropriated amounts and/or estimated fund balance available at the fund level. The Special Education Fund for the 2022 fiscal year was budgeted to spend \$32,375 more than the available fund balance. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

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

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); 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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

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

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

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, 2022 in the governmental funds.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

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."

7. Changes in Capital Assets:

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

	6/30/2021			6/30/2022
	Balance	Increases	Decreases	Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 54,631	\$ --	\$ --	\$ 54,631
Construction in progress	--	197,921	--	197,921
Total capital assets not being depreciated	<u>54,631</u>	<u>197,921</u>	<u>--</u>	<u>252,552</u>
Capital assets being depreciated:				
Buildings	4,510,735	339,793	--	4,850,528
Improvements	335,762	--	--	335,762
Machinery & Equipment	744,342	93,030	54,931	782,441
Library Books	78,292	1,276	1,414	78,154
Total capital assets being depreciated	<u>5,669,131</u>	<u>434,099</u>	<u>56,345</u>	<u>6,046,885</u>
Less accumulated depreciation for:				
Buildings	1,352,440	80,310	--	1,432,750
Improvements	116,347	18,678	--	135,025
Machinery & Equipment	438,862	71,723	54,931	455,654
Library Books	41,297	3,908	1,414	43,791
Total accumulated depreciation	<u>1,948,946</u>	<u>174,619</u>	<u>56,345</u>	<u>2,067,220</u>
Total capital assets being depreciated, net	<u>3,720,185</u>	<u>259,480</u>	<u>--</u>	<u>3,979,665</u>
Net Capital Assets	<u>\$ 3,774,816</u>	<u>\$ 457,401</u>	<u>\$ --</u>	<u>\$ 4,232,217</u>

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

7. Changes in Capital Assets: (Continued)

Depreciation expense was charged to functions as follows:

Instruction	\$ 52,025
Support services	110,063
Co-curricular activities	<u>12,531</u>
Total Depreciation Expense	<u>\$ 174,619</u>

	<u>6/30/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 100,130	\$ 14,952	\$ --	\$ 115,082
Less accumulated depreciation for:				
Machinery & Equipment	<u>91,074</u>	<u>1,170</u>	<u>--</u>	<u>92,244</u>
Total capital assets, net	<u>\$ 9,056</u>	<u>\$ 13,782</u>	<u>\$ --</u>	<u>\$ 22,838</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$ 1,170</u>

8. Long-Term Liabilities:

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

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 14,215	\$ 2,345	\$ --	\$ 16,560	\$ 2,345
Other Post Employment Benefits	<u>61,883</u>	<u>9,943</u>	<u>8,566</u>	<u>63,260</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$ 76,098</u>	<u>\$ 12,288</u>	<u>\$ 8,566</u>	<u>\$ 79,820</u>	<u>\$ 2,345</u>

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

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, 2022 are comprised of the following:

Compensated Absences –		
Payable from the fund to which payroll expenditures are charged	\$	16,560
Other Post Employment Benefits --		
Payable from the fund to which payroll expenditures are charged	\$	63,260

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 570,707
Special Education	Law	44,453
Insurance Purposes	Law	29,709
Physics & chemistry	Donor Stipulation	142,865
Library	Donor Stipulation	54,743
SDRS Pension Purposes	Law	253,157
Total		<u>\$ 1,095,634</u>

10. Interfund Transfers:

Transfers to/from other funds at June 30, 2022, 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.	\$	267,553
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Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan:

Plan Information:

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

Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B 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.

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, 2022

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 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 104,751
2021	\$ 98,443
2020	\$ 93,074

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

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

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate 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, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 10,025,385
Less proportionate share of net pension restricted for pension benefits	<u>10,579,080</u>
Proportionate share of net pension (asset)	<u><u>\$ (553,695)</u></u>

At June 30, 2022, the School District reported an asset of (\$553,695) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.07230000%, which is an increase of 0.0016194% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized reduction of pension expense of (\$150,905). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 19,879	\$ 1,452
Changes in assumption	636,743	277,282
Net difference between projected and actual earnings on pension plan investments	--	790,963
Changes in proportion and difference between district contributions and proportionate share of contributions	9,136	1,350
District contributions subsequent to the measurement date	<u>104,751</u>	<u>--</u>
Total	<u><u>\$ 770,509</u></u>	<u><u>\$ 1,071,047</u></u>

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

\$104,751 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

	Year Ended	
	June 30,	
	2023	\$ (97,375)
	2024	(66,335)
	2025	(19,068)
	2026	(222,511)
	Total	<u>\$ (405,289)</u>

Actuarial Assumptions:

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

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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

The following presents the School District's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension (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>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	<u>\$ 896,569</u>	<u>\$ (553,695)</u>	<u>\$ (1,730,970)</u>

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

11. Pension Plan: (Continued)

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, 2021, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	0
Active employees	<u>38</u>
	<u>38</u>

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, 2020 Actuarial Valuation Report. See Note 11 – Pension Note.

Changes in the Total OPEB Liability:	
Beginning of Year Balances	\$ 61,883
Service Cost	8,412
Interest	1,531
Effect on assumptions, changes or inputs	(6,460)
Benefit payments	<u>(2,106)</u>
End of Year Balances	<u>\$ 63,260</u>

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2022

12. Other Post Employment Benefits: (Continued)

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 2.16%

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 54,390	\$ 63,260	\$ 73,823

For the year ended June 30, 2022, the School District recognized OPEB expense of \$7,627. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 5,723	\$ (18,070)

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

Year Ended June 30,		
2023	\$	(2,316)
2024		(2,316)
2025		(2,316)
2026		(2,048)
2027		(1,796)
Thereafter		(1,555)
Total	\$	(12,347)

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

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

The 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.

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

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

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, 2022, 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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2022

14. Risk Management: (Continued)

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, 2022, one claim was filed in the amount of \$39,000. As of June 30, 2022, it is not anticipated that any additional material claims for these matters will be filed.

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 \$10,207 for the payment of future unemployment benefits.

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

15. Significant Contingencies – Litigation:

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

16. 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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 461,482	\$ 461,482	\$ 475,308	\$ 13,826
Prior years' ad valorem taxes	--	--	1,092	1,092
Utility taxes	50,000	50,000	66,368	16,368
Penalties and interest on taxes	2,000	2,000	1,451	(549)
Earnings on Investments and Deposits	7,000	7,000	3,981	(3,019)
Cocurricular Activities:				
Admissions	5,500	5,500	5,282	(218)
Other Revenue from Local Sources:				
Rentals	11,000	11,000	14,173	3,173
Contributions and donations	--	--	10,000	10,000
Charges for services	5,000	5,000	4,937	(63)
Other	5,000	5,000	19,459	14,459
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	10,000	10,000	13,690	3,690
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,365,182	1,365,182	1,336,145	(29,037)
Other state revenues	84,368	84,368	--	(84,368)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	64,664	64,664	--	(64,664)
Unrestricted grants-in-aid received from federal government through intermediate	--	--	304	304
Restricted grants-in-aid received from federal government through the state	138,121	138,121	60,710	(77,411)
Johnson O'Malley Funds	2,000	2,000	--	(2,000)
Total Revenues	\$ 2,211,317	\$ 2,211,317	\$ 2,012,900	\$ (198,417)

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, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 667,992	\$ 667,992	\$ 667,992	\$ --
Middle/junior high	268,967	268,967	255,486	13,481
High school	378,740	378,740	365,575	13,165
Preschool	195	195	195	--
Special Programs:				
Educationally deprived	56,168	56,168	52,387	3,781
Support Services:				
Students:				
Guidance	73,179	73,179	63,053	10,126
Health	--	--	27,766	(27,766)
Instructional Staff:				
Educational media	120,954	120,954	115,243	5,711
General Administration:				
Board of education	17,499	17,499	15,490	2,009
Executive administration	150,838	150,838	62,897	87,941
School Administration:				
Office of the principal	151,739	151,739	151,739	--
Other	455	455	455	--
Business:				
Fiscal services	125,529	125,529	108,703	16,826
Operation and maintenance of plant	265,456	265,456	258,107	7,349
Student transportation	103,787	103,787	103,787	--
Nonprogrammed Charges:				
Unemployment	235	235	235	--
Cocurricular Activities:				
Male activities	39,228	39,228	31,490	7,738
Female activities	27,291	27,291	24,498	2,793
Combined activities	60,335	60,335	46,695	13,640
Contingencies	20,000	20,000	--	20,000
Total Expenditures	<u>2,528,587</u>	<u>2,528,587</u>	<u>2,351,793</u>	<u>176,794</u>
Excess of Revenues Over Expenditures	<u>(317,270)</u>	<u>(317,270)</u>	<u>(338,893)</u>	<u>(21,623)</u>
Other Financing Sources:				
Operating transfers in	<u>256,827</u>	<u>256,827</u>	<u>267,553</u>	<u>10,726</u>
Total Other Financing Sources:	<u>256,827</u>	<u>256,827</u>	<u>267,553</u>	<u>10,726</u>
Net Change in Fund Balances	(60,443)	(60,443)	(71,340)	(10,897)
Fund Balance, Beginning of Year	<u>830,889</u>	<u>830,889</u>	<u>830,889</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 770,446</u>	<u>\$ 770,446</u>	<u>\$ 759,549</u>	<u>\$ (10,897)</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 625,053	\$ 625,053	\$ 594,038	\$ (31,015)
Prior years' ad valorem taxes	--	--	523	523
Penalties and interest on taxes	--	--	584	584
Earnings on Investments & Deposits	--	--	--	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	264,226	264,226	--	(264,226)
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	640	640
Restricted grants-in-aid received from federal government through the state	--	--	197,963	197,963
Other	21,391	21,391	--	(21,391)
Total Revenues	<u>910,670</u>	<u>910,670</u>	<u>793,748</u>	<u>(116,922)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	52,667	52,667	51,679	988
Middle/junior high	53,024	53,024	53,025	(1)
High school	103,859	103,859	45,779	58,080
Support Services:				
Instructional Staff:				
Educational media	90,474	90,474	73,929	16,545
General Administration:				
Executive administration	15,000	15,000	--	15,000
Business:				
Fiscal services	1,390	1,390	--	1,390
Facilities acquisition and construction	63,601	63,601	63,601	--
Operation and maintenance of plant	662,966	662,966	659,179	3,787
Student transportation	10,000	10,000	--	10,000
Other	5,000	5,000	5,000	--
Debt Services:	5,000	5,000	4,674	326
Cocurricular Activities:				
Combined activities	53,750	53,750	37,822	15,928
Total Expenditures	<u>1,116,731</u>	<u>1,116,731</u>	<u>994,688</u>	<u>122,043</u>
Excess of Revenue Over (Under)				
Expenditures	(206,061)	(206,061)	(200,940)	5,121
Other Financing Sources (Uses):				
Transfers out	(282,174)	(282,174)	(267,553)	14,621
Compensation for Loss of General Cap Assets	--	--	39,000	39,000
Total Other Financing Sources (Uses)	<u>(282,174)</u>	<u>(282,174)</u>	<u>(228,553)</u>	<u>53,621</u>
Net Change in Fund Balances	(488,235)	(488,235)	(429,493)	58,742
Fund Balance, Beginning of Year	<u>997,060</u>	<u>997,060</u>	<u>997,060</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 508,825</u>	<u>\$ 508,825</u>	<u>\$ 567,567</u>	<u>\$ 58,742</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 322,292	\$ 322,292	\$ 353,311	\$ 31,019
Prior years' ad valorem taxes	--	--	321	321
Penalties and interest on taxes	--	--	207	207
Other Revenue from Local Sources:				
Charges for services	20,500	20,500	14,823	(5,677)
Other	--	--	168	168
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	190,832	190,832	229,348	38,516
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	361	361
Total Revenues	<u>533,624</u>	<u>533,624</u>	<u>598,539</u>	<u>64,915</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	497,385	497,385	469,725	27,660
Support Services:				
Students:				
Psychological	2,895	2,895	2,895	--
Speech pathology	41,137	41,137	39,557	1,580
General Administration:				
Board of education	2,640	2,640	2,640	--
Business:				
Fiscal services	4,252	4,252	4,252	--
Special Education:				
Administrative costs	29,158	29,158	29,158	--
Transportation costs	27,000	27,000	30,277	(3,277)
Total Expenditures	<u>604,467</u>	<u>604,467</u>	<u>578,504</u>	<u>25,963</u>
Net Change in Fund Balance	(70,843)	(70,843)	20,035	90,878
Fund Balance, Beginning of Year	<u>38,468</u>	<u>38,468</u>	<u>38,468</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ (32,375)</u>	<u>\$ (32,375)</u>	<u>\$ 58,503</u>	<u>\$ 90,878</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on Investments & Deposits	\$ --	\$ --	\$ 47	\$ 47
Total Revenues	<u>--</u>	<u>--</u>	<u>47</u>	<u>47</u>
Expenditures				
Instruction				
Regular programs				
High school	1,560	1,560	1,560	--
Total Expenditures	<u>1,560</u>	<u>1,560</u>	<u>1,560</u>	<u>--</u>
Net Change in Fund Balance	(1,560)	(1,560)	(1,513)	47
Fund Balance, Beginning of Year	144,378	144,378	144,378	--
Fund Balance, End of Year	<u>\$ 142,818</u>	<u>\$ 142,818</u>	<u>\$ 142,865</u>	<u>\$ 47</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Earnings on Investments & Deposits	\$ --	\$ --	\$ --	\$ --
Total Revenues	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Expenditures				
Instruction				
Regular programs				
High school	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total Expenditures	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Net Change in Fund Balance	--	--	--	--
Fund Balance, Beginning of Year	<u>53,798</u>	<u>53,798</u>	<u>53,798</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 53,798</u>	<u>\$ 53,798</u>	<u>\$ 53,798</u>	<u>\$ --</u>

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, 2022

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except 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, 2022

Total OPEB Liability

Service cost	\$ 8,412
Interest on total OPEB liability	1,531
Effect of economic/demographic gains or losses	(1,041)
Effect of assumption changes or inputs	(5,419)
Benefit payments	<u>(2,106)</u>
Net change in total OPEB liability	1,377
Total OPEB liability, beginning	<u>61,883</u>
Total OPEB liability, ending	<u><u>\$ 63,260</u></u>

Montrose School District No. 43-2

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0723000%	0.0706806%	0.0727250%	0.0769075%	0.0741660%	0.0656897%	0.0607652%	0.0600132%
District's proportionate share of net pension liability (asset)	\$ (553,695)	\$ (3,070)	\$ (7,707)	\$ (1,794)	\$ (6,731)	\$ 221,893	\$ (257,723)	\$ (432,371)
District's covered-employee payroll	\$ 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	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)	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 104,751	\$ 98,443	\$ 93,074	\$ 92,777	\$ 95,930	\$ 90,414	\$ 74,951	\$ 66,564	\$ 62,837
Contributions in relation to the contractually-required contribution	<u>104,751</u>	<u>98,443</u>	<u>93,074</u>	<u>92,777</u>	<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>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
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
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Montrose School District No. 43-2

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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