

NEWELL SCHOOL DISTRICT NO. 9-2

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023



NEWELL SCHOOL DISTRICT NO. 9-2

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INDEPENDENT AUDITOR'S REPORT

School Board
Newell School District No. 9-2
Newell, South Dakota

Report on the Financial Statements

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 Newell School District No. 9-2 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse and Unmodified Opinions* section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities of the District as of June 30, 2023, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse and Unmodified Opinions

We conducted our audit 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. 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 District and to meet our 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 unmodified and adverse audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain capital assets in the governmental activities and has not recorded depreciation expense on any capital assets of the governmental activities. Accounting principles generally accepted in the United States of America require that capital expenditures be recorded as assets and depreciated, which would increase assets, net position, and expenses in the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

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 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 there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards 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 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 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 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 other internal control matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison schedules, schedule of the district's proportionate share of the net pension asset (liability), and schedule of the District contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024 on our consideration of the 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 22, 2024

NEWELL SCHOOL DISTRICT NO. 9-2

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Investments	\$ 2,391,141	\$ 68,323	\$ 2,459,464
Taxes Receivable	965,239	-	965,239
Receivables	381,686	457	382,143
Internal Balances	71,781	(71,781)	-
Inventories	-	5,843	5,843
Net Pension Asset	7,143	158	7,301
Capital Assets:			
Land	24,544	-	24,544
Other Capital Assets	11,480,884	-	11,480,884
Equipment, Net of Depreciation	-	1,493	1,493
TOTAL ASSETS	15,322,418	4,493	15,326,911
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows of Resources	694,389	15,379	709,768
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,016,807	\$ 19,872	\$ 16,036,679
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 328,563	\$ 4,217	\$ 332,780
Unearned Revenue	-	14,824	14,824
Long-Term Liabilities:			
Due within One Year	458,733	545	459,278
Due in More than One Year	1,880,372	-	1,880,372
TOTAL LIABILITIES	2,667,668	19,586	2,687,254
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for Future Period	933,419	-	933,419
Pension Related Deferred Inflows of Resources	415,423	9,201	424,624
TOTAL DEFERRED INFLOWS OF RESOURCES	1,348,842	9,201	1,358,043
NET POSITION			
Net Investment in Capital Assets	9,258,582	1,493	9,260,075
Restricted for:			
Capital Outlay	1,260,956	-	1,260,956
Special Education	139,726	-	139,726
Pension-SDRS	286,109	6,336	292,445
Music, Athletics, and Library	2,446	-	2,446
Athletics and Playground	11,487	-	11,487
Unrestricted (Deficit)	1,040,991	(16,744)	1,024,247
TOTAL NET POSITION (DEFICIT)	12,000,297	(8,915)	11,991,382
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 16,016,807	\$ 19,872	\$ 16,036,679

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business- Type Activities	
<i>Governmental Activities:</i>						
Instruction	\$ 1,890,237	\$ -	\$ 787,337	\$ (1,102,900)	\$ -	\$ (1,102,900)
Support Services	1,803,035	-	-	(1,803,035)	-	(1,803,035)
Community Services	655	-	-	(655)	-	(655)
Co-Curricular Activities	182,146	48,466	-	(133,680)	-	(133,680)
Interest on Long-Term Debt *	30,401	-	-	(30,401)	-	(30,401)
Total Governmental Activities	3,906,474	48,466	787,337	(3,070,671)	-	(3,070,671)
<i>Business-Type Activities:</i>						
Food Service	142,285	54,199	89,636	-	1,550	1,550
Total Primary Government	\$ 4,048,759	\$ 102,665	\$ 876,973	(3,070,671)	1,550	(3,069,121)
<i>General Revenues</i>						
Taxes:						
Property Taxes				2,292,083	-	2,292,083
Gross Receipts Taxes				107,071	-	107,071
Revenue from State Sources:						
State Aid				1,464,644	-	1,464,644
Revenue from Federal Sources				62,932	-	62,932
Unrestricted Investment Earnings				177	-	177
Miscellaneous Revenues				87,858	-	87,858
Transfers In (Out)				(18,000)	18,000	-
Total General Revenues				3,996,765	18,000	4,014,765
Change in Net Position				926,094	19,550	945,644
Net Position (Deficit) -- Beginning				11,074,203	(28,465)	11,045,738
Net Position (Deficit) -- Ending				\$ 12,000,297	\$ (8,915)	\$ 11,991,382

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

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,062,028	\$ 1,135,506	\$ 193,607	\$ 2,391,141
Taxes Receivable -- Current	361,739	338,769	238,638	939,146
Taxes Receivable -- Delinquent	16,631	6,168	3,294	26,093
Advance from Other Funds	71,781	-	-	71,781
Due from State Government	163,908	216,573	1,205	381,686
Total Assets	\$ 1,676,087	\$ 1,697,016	\$ 436,744	\$ 3,809,847
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 169,629	\$ 99,207	\$ 59,727	\$ 328,563
Total Liabilities	169,629	99,207	59,727	328,563
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for Future Periods	359,275	336,853	237,291	933,419
Unavailable Revenue - Property Taxes	16,631	6,168	3,294	26,093
Total Deferred Inflows of Resources	375,906	343,021	240,585	959,512
FUND BALANCES				
Nonspendable - Advance to Other Funds	71,781	-	-	71,781
Restricted - Capital Outlay	-	1,254,788	-	1,254,788
Restricted - Special Education	-	-	136,432	136,432
Restricted - Music, Athletics, and Library	2,446	-	-	2,446
Restricted - Athletics and Playground	11,487	-	-	11,487
Assigned - Wood and Metal, Fine Arts, and Library	5,233	-	-	5,233
Unassigned	1,039,605	-	-	1,039,605
Total Fund Balances	1,130,552	1,254,788	136,432	2,521,772
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,676,087	\$ 1,697,016	\$ 436,744	\$ 3,809,847

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances - Governmental Funds \$ 2,521,772

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 11,505,428

Long-term liabilities, including capital outlay certificates payable, unamortized premium on certificates, and accrued leave payable, are not due in the current period and therefore are not reported in the funds. (2,339,105)

Assets, such as taxes receivable, that are not available to pay for current period expenditures are deferred in the funds. 26,093

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 7,143

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. 694,389

Pension related deferred inflows are components of pension asset and therefore are not reported in the funds. (415,423)

Net Position - Governmental Funds \$ 12,000,297

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 854,282	\$ 830,625	\$ 575,102	\$ 2,260,009
1120 Prior Years' Ad Valorem Taxes	12,057	8,395	5,753	26,205
1140 Gross Receipts Taxes	107,071	-	-	107,071
1190 Penalties and Interest on Taxes	3,667	1,422	960	6,049
1500 Earnings on Investments and Deposits	177	-	-	177
<i>1700 Cocurricular Activities:</i>				
1710 Admissions	13,439	-	-	13,439
1740 Cocurricular Activities	3,300	-	-	3,300
1790 Other Pupil Activity	31,727	-	-	31,727
<i>1900 Other Revenue from Local Sources:</i>				
1910 Rentals	1,240	-	-	1,240
1920 Contributions and Donations	500	-	-	500
1990 Other	27,429	-	19,878	47,307
2110 County Apportionment	22,952	-	-	22,952
<i>3000 Revenue from State Sources:</i>				
3110 Unrestricted Grants-in-Aid	1,464,644	-	-	1,464,644
3120 Restricted Grants-In-Aid	-	-	36,863	36,863
<i>4000 Revenue from Federal Sources:</i>				
4120 Unrestricted Grants-in-Aid Received from Federal Government Through State	62,932	-	-	62,932
4150-4199 Restricted Grants-in-Aid Received from Federal Government through State	242,132	469,796	38,546	750,474
Total Revenues	2,847,549	1,310,238	677,102	4,834,889

Expenditures:

1100 Instruction - Regular Programs:

1110 Elementary	438,995	37,432	-	476,427
1120 Middle/Junior High	273,901	6,398	-	280,299
1130 High School	415,211	8,145	-	423,356
1140 Preschool	46,507	-	-	46,507

1200 Instruction - Special Programs:

1220 Programs for Special Education	-	-	512,059	512,059
1273 Educationally Deprived	145,122	-	-	145,122

2100 Support Services - Pupils:

2120 Guidance	33,815	-	-	33,815
2130 Health	-	-	47,742	47,742
2170 Student Therapy Services	-	-	54,321	54,321

2200 Support Services - Instructional Staff:

2210 Improvement of Instruction	10,689	-	-	10,689
2220 Educational Media	76,803	10,234	-	87,037

2300 Support Services - General:

2310 Board of Education	161,800	-	-	161,800
2320 Executive Administration	162,044	-	-	162,044

2400 Support Services - School:

2410 Office of the Principal	120,833	-	-	120,833
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NEWELL SCHOOL DISTRICT NO. 9-2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	107,838	210,166	-	318,004
2530 Facilities Acquisition and Construction	-	119,850	-	119,850
2540 Operation and Maintenance of Plant	423,259	-	-	423,259
2550 Pupil Transportation	158,130	-	-	158,130
2560 Food Services	10,389	-	-	10,389
2570 Internal Services	-	13,333	-	13,333
<i>2700 Support Services - Special Education:</i>				
2730 Transportation Costs	-	-	11,271	11,271
2750 Other Special Education Costs	-	-	78,143	78,143
<i>3000 Community Services:</i>				
3500 Custody and Care of Children	655	-	-	655
5000 Debt Service	-	391,875	-	391,875
<i>6000 Cocurricular Activities:</i>				
6900 Combined Activities	175,503	7,372	-	182,875
7000 Capital Outlay	-	223,151	-	223,151
Total Expenditures	2,761,494	1,027,956	703,536	4,492,986
Excess of Revenues over (under) Expenditures	86,055	282,282	(26,434)	341,903
Other Financing Sources (Uses)				
5130 Sale of Surplus Property	-	6,215	-	6,215
5140 Compensation for Loss of General Capital Assets	74,644	-	-	74,644
5110 Transfers In	202,435	169,301	-	371,736
8110 Transfers Out	(187,301)	(202,435)	-	(389,736)
Total Other Financing Sources (Uses)	89,778	(26,919)	-	62,859
Net Change in Fund Balances	175,833	255,363	(26,434)	404,762
Fund Balances - Beginning	954,719	999,425	162,866	2,117,010
Fund Balances -- Ending	\$ 1,130,552	\$ 1,254,788	\$ 136,432	\$ 2,521,772

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ 404,762

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets should be allocated over their estimated useful lives and reported as depreciation expense. 223,151

The governmental funds reflect proceeds from capital asset sales, if any, while the Statement of Activities reports a gain or loss on sale or disposal of capital assets. (65,000)

The fund financial statement property tax accruals differ from the government wide statement property tax accruals as the fund financial statements require the amounts to be "available." (180)

Governmental funds recognize expenditures for amounts of compensated absences with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the governmental funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. (28,513)

Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Government-wide statements. 353,275

Premium on bond issue is a revenue in the fund statements but is capitalized and recognized as interest expense in the Statement of Activities. 8,199

Changes in the pension related deferred outflows/inflows and pension asset, and related pension expenses/revenues. 30,400

Change in Net Position of Governmental Activities \$ 926,094

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**PROPRIETARY FUNDS BALANCE SHEET
JUNE 30, 2023**

	Food Service Fund
ASSETS	
Current Assets:	
Cash	\$ 68,323
Accounts Receivable	457
Inventory of Supplies	1,414
Inventory of Food Purchased for Resale	3,295
Inventory of Donated Food	1,134
Total Current Assets	74,623
Noncurrent Assets:	
Net Pension Asset	158
Capital Assets:	
Equipment	59,011
Less Accumulated Depreciation	(57,518)
Total Noncurrent Assets	1,651
TOTAL ASSETS	76,274
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	15,379
TOTAL ASSETS	\$ 91,653
LIABILITIES	
Current Liabilities:	
Payroll Deductions and Withholdings	\$ 4,217
Accrued Leave Payable	545
Unearned Revenue	14,824
Advance from General Fund	71,781
Total Liabilities	91,367
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferred Inflows	9,201
NET POSITION	
Net Investment in Capital Assets	1,493
Restricted Pension	6,336
Deficit Net Position	(16,744)
Total Net Position (Deficit)	(8,915)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 91,653

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Food Service Fund</u>
Operating Revenue	
<i>Sales:</i>	
To Pupils	\$ 48,700
To Adults	5,499
Total Operating Revenue	54,199
Operating Expenses	
Cost of Sales - Purchased Food	58,466
Salaries	48,010
Employee Benefits	16,359
Cost of Sales - Donated Food	7,052
Purchased Services	7,143
Supplies	4,873
Depreciation - Local Funds	382
Total Operating Expenses	142,285
Operating Loss	(88,086)
Nonoperating Revenue	
<i>Federal Sources:</i>	
Cash Reimbursements	82,384
Donated Food	7,252
Total Nonoperating Revenue	89,636
Income Before Transfers	1,550
Transfers In	18,000
Change in Net Position	19,550
Net Position (Deficit) -- Beginning	(28,465)
Net Position (Deficit) -- Ending	\$ (8,915)

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 61,870
Payments to Suppliers	(70,357)
Payments to Employees	(60,684)
Net Cash Used in Operating Activities	(69,171)
Cash Flows from Noncapital Financing Activities	
Operating Subsidies	82,384
Transfers In	18,000
Net Cash Provided by Noncapital Financing Activities	100,384
Cash Flows Used in Capital and Related Financing Activities	
Purchase of Equipment	(450)
Net Change in Cash	30,763
Cash -- Beginning	37,560
Cash -- Ending	\$ 68,323
Reconciliation of Operating Loss to Net Cash Flows	
Used in Operating Activities	
Operating Loss	(88,086)
<i>Adjustments to Reconcile Operating Loss to Net Cash</i>	
<i>Used in Operating Activities:</i>	
Cost of Sales - Donated Food	7,052
Depreciation - Local Funds	382
<i>Change in Assets and Liabilities:</i>	
Inventories	125
Pension Asset	12,685
Pension Related Deferred Inflows and Outflows	(8,297)
Accrued Leave and Payroll Deductions Payable	(703)
Unearned Revenue	7,671
Net Cash Used in Operating Activities	\$ (69,171)
Noncash Investing, Capital and Financing Activities	
Value of Commodities Received	\$ 7,252

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	Private-Purpose Trust Fund	Custodial Funds
<u>ASSETS</u>		
Cash and Investments	\$ 10,667	\$ 49,755
<u>NET POSITION</u>		
Restricted:		
Individuals and Organizations	\$ -	\$ 49,755
Scholarships	10,667	-

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Private- Purpose Trust Fund	Custodial Funds
ADDITIONS		
Member Contributions	\$ -	\$ 100,214
DEDUCTIONS		
Payments to Individuals and Organizations	-	92,304
Change in Net Position	-	7,910
Net Position - Beginning	10,667	41,845
Net Position - Ending	\$ 10,667	\$ 49,755

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(1) Summary of Significant Accounting Policies

Reporting Entity

The reporting entity of the District consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The funds included in this report are controlled by or dependent upon the District's Board of Education. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

Basis of Presentation

Government-Wide Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 balance sheet form (assets equal liabilities plus 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 District and for each function of the 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 are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. 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 District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures 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 of the individual governmental or enterprise fund are at least five 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.

NEWELL SCHOOL DISTRICT NO. 9-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

The funds of the financial reporting entity are described below:

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. The General Fund is always a major fund. It is used to account for all financial resources except those accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted or committed to expenditure for specific purposes. Fund equity of these funds is restricted by law.

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.

Proprietary Funds:

Enterprise Funds – Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 and is the only enterprise fund maintained by the District.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains one private-purpose trust fund, which is a scholarship fund that was established by a donation made to the District for payment of scholarships to District students.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

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

Measurement Focus and Basis of Accounting

Measurement focus is a term 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, and expenses and related liabilities are recorded when an obligation is incurred.

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 does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

Basis of Accounting:

Fund Financial Statements:

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. Reported deferred inflows are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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:

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, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in Advances to asset accounts) are equally offset by a non-spendable fund balance designation, which indicates that they do not constitute available spendable resources since they are not a component of net current assets. Current portions of interfund loans receivable (reported in Due from asset accounts) are considered available, spendable resources.

Capital Assets

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

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

Government-wide Statements:

The District does not have subsidiary records to support its governmental capital asset balance. In addition, capital asset additions and deletions have not been consistently or accurately recorded since 1994. No accumulated depreciation or depreciation expense is recorded in the government-wide statements for governmental activities.

NEWELL SCHOOL DISTRICT NO. 9-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Capital Assets

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 the proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

The estimated useful lives of equipment reported in the proprietary funds are 5 to 15 years.

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 payable, energy efficient loans, capital outlay certificates, and related premiums.

In the governmental 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 on the accrual basis, the same in the fund statements as in the government-wide statements.

Funding for compensated absences is expended in the general, special revenue, and food service funds.

Program Revenues

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

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

Proprietary Funds Revenue and Expense Classifications

In the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position, 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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

NEWELL SCHOOL DISTRICT NO. 9-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Inventory

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

Inventory in the enterprise fund consists of food and supplies held for consumption. Inventory is recorded at the time individual inventory items are purchased and expensed when consumed.

There are no significant amounts of governmental supplies inventory maintained by the District.

Deposits and Investments

The 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 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 that 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 better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

As of June 30, 2023, the District’s cash and investments consisted of checking accounts and non-negotiable certificates of deposit. The bank balances at June 30, 2023 are as follows:

	Bank Balance
Insured - FDIC	\$ 250,000
Uninsured, collateralized in accordance with SDCL 4-6A-3	2,345,245
Total Deposits	\$ 2,595,245

Credit Risk:

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

Interest Rate Risk:

The 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.

Custodial Credit Risk:

The risk that, in the event of a depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, none of the District’s deposits were exposed to custodial credit risk.

NEWELL SCHOOL DISTRICT NO. 9-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Deposits and Investments

State law allows income from deposits to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits to the fund making the investment.

Deferred Inflows and Outflows of Resources and Unearned Revenue

In addition to assets, a separate section for deferred outflows of resources is reported. 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. Deferred outflows of resources consist of pension activity.

In addition to liabilities, a separate section for deferred inflows of resources is reported. 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. Deferred inflows of resources consist of property taxes and pension activity. Unearned revenues are resources obtained prior to revenue recognition and consist of account credits for student meals not yet used.

Pensions

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

Cash and Cash Equivalents

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

Equity Classifications

Government-wide 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.

It is the 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.

NEWELL SCHOOL DISTRICT NO. 9-2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

(1) Summary of Significant Accounting Policies

Equity Classifications

Fund Financial Statements:

Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position held in trust for other purposes.

The 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, Superintendent and Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories.

The District uses restricted 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 District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Emerging Accounting Standard

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The statement is effective for the District's year ending June 30, 2025. The District is currently evaluating the impact this statement will have on the financial statements.

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, *Certain Risk Disclosures*, which expands the disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt. A disclosure shall be made in the notes to the financial statements if all of the following criteria are met: a concentration or constraint is known, the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and an event related to the concentration or constraint that could have a substantial impact has occurred or is expected to occur within twelve months of the date the financial statements are issued. The statement is effective for the District's year ending June 30, 2025. The District is currently evaluating the impact this statement will have on the financial statements.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(1) Summary of Significant Accounting Policies

Subsequent Events

Subsequent events were evaluated through March 22, 2024, which is the date which the financial statements were available to be issued.

(2) Property Taxes

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, 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 District's taxes and remits them to the District.

District property tax revenues are recognized to the extent 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 is not susceptible to accrual, has been reported as deferred inflows in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the fiscal period or within the "availability period."

(3) Due from State Government

Amounts due from state governments include grant reimbursements and gross receipts taxes due from the State of South Dakota.

(4) Changes in Capital Assets

Changes in capital assets used in governmental activities were as follows (see Note 1):

	Balance June 30, 2022	Additions	Transfers/ Retirements	Balance June 30, 2023
Governmental Activities				
Land	\$ 24,544	\$ -	\$ -	24,544
Buildings	4,809,495	-	-	4,809,495
Improvements Other than Building	4,576,871	-	-	4,576,871
Equipment -- Local Funds	1,288,721	61,481	65,000	1,285,202
Equipment -- Federal Funds	479,336	183,302	-	662,638
Construction in Progress	168,310	146,678	168,310	146,678
Governmental Activities Capital Assets	\$ 11,347,277	\$ 391,461	\$ 233,310	\$ 11,505,428

Changes in capital assets used in business-type activities were as follows:

	Balance June 30, 2022	Additions	Transfers/ Retirements	Balance June 30, 2023
Business-Type Activities				
Equipment	\$ 58,561	\$ 450	\$ -	\$ 59,011
Less Accumulated Depreciation	(57,136)	(382)	-	(57,518)
Business -Type Activities Capital Assets, Net	\$ 1,425	\$ 68	\$ -	\$ 1,493

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(5) Long-Term Debt

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2023:

	Balance			Balance	Due Within
	June 30, 2022	Additions	Reductions	June 30, 2023	One Year
Governmental Activities					
Capital Outlay Certificates	\$ 1,980,000	\$ -	\$ (190,000)	\$ 1,790,000	\$ 195,000
Premium on Refunding					
Certificates	85,405	-	(8,199)	77,206	8,199
Notes Payable	542,915	-	(163,275)	379,640	163,275
Compensated Absences Payable	63,746	45,538	(17,025)	92,259	92,259
Governmental Activities Long-Term Liabilities	\$ 2,672,066	\$ 45,538	\$ (378,499)	\$ 2,339,105	\$ 458,733
Business-Type Activities					
Compensated Absences Payable	\$ 1,722	\$ 423	\$ (1,600)	\$ 545	\$ 545

The governmental compensated absences will be paid from the General Fund and Special Education Fund.

Long-term liabilities are comprised of the following at June 30, 2023:

Capital Outlay Certificates:

Limited Tax General Obligation Capital Outlay Refunding Certificates, Series 2020, due in variable payments, including interest at 2.00 percent through December 2033; paid from the Capital Outlay Fund. \$ 1,790,000

Unamortized deferred premium on Limited Tax General Obligation Capital Outlay Refunding Certificates, Series 2020 77,206

Total Capital Outlay Certificates **1,867,206**

Notes Payable:

South Dakota Energy Efficiency School Loan, requires variable annual installments, is non-interest bearing through July 2024; paid from the Capital Outlay Fund. 300,000

South Dakota Energy Efficiency School Loan, requires variable annual installments, is non-interest bearing through July 2029; paid from the Capital Outlay Fund. 79,640

Total Notes Payable **379,640**

Compensated Absences Payable **92,259**

\$ 2,339,105

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(5) Long Term Debt

The annual requirements to amortize all debt outstanding as of June 30, 2023, excluding compensated absences and unamortized bond premiums, are as follows:

Year Ending June 30,	Capital Outlay Certificates		Notes Payable	Total Principal	Total Interest
	Principal	Interest	Principal		
2024	195,000	33,850	163,275	358,275	33,850
2025	195,000	29,950	163,275	358,275	29,950
2026	190,000	26,100	13,275	203,275	26,100
2027	200,000	20,200	13,275	213,275	20,200
2028	205,000	18,150	13,275	218,275	18,150
2029-2033	665,000	47,950	13,265	678,265	47,950
2034-2038	140,000	1,400	-	140,000	1,400
	\$ 1,790,000	\$ 177,600	\$ 379,640	\$ 2,169,640	\$ 177,600

(6) Donor Restrictions

The restricted fund balance in the General Fund at June 30, 2023 of **\$13,933** is restricted for music, athletics, library, and playground in accordance with donor restrictions.

(7) Risk Management

The 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 year ended June 30, 2023, the District managed its risks as follows:

Property/Liability Insurance

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

Workmen's Compensation

The 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.

Health Insurance

The District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. During the year ended June 30, 2023, the coverage provided a deductible of \$1,000 per person up to \$5,000 per family. The plan also provides for coinsurance of 80 percent up to \$10,000. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(7) Risk Management

Unemployment Benefits

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

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

(8) Interfund Activity

Included in Advance To/From Other Funds, the Food Service Fund borrowed **\$71,781** from the General Fund for operations at June 30, 2023. The Food Service Fund does not currently have plans to repay the General Fund.

(9) Pension Plan

All employees working more than 20 hours per week during the school year participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid, defined benefit pension plan administered by SDRS, established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has four classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(9) Pension Plan

Benefits Provided:

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

Legislation enacted in 2017 established the current Cost-of-Living Adjustment (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 percent.
- 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 percent and no greater than 3.5 percent.
- 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 percent and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the COLA.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent 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 percent 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 fiscal years ended June 30, 2023, 2022, and 2021 were **\$106,768**, \$108,799, and \$109,002, respectively, equal to the required contributions each year.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

(9) Pension Plan

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

At June 30, 2022, SDRS is 100.10 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2023 are as follows:

Proportionate Share of Net Position Restricted for Pension Benefits	\$	10,912,813
Less: Proportionate Share of Total Pension Asset		10,905,512
Proportionate Share of Net Pension Asset	\$	7,301

At June 30, 2023, the District reported an asset of **\$7,301** for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the District's proportion was 0.077253 percent, which is a decrease of 0.0037950 percent from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the District recognized pension revenue of **\$82,637**. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 138,978	\$ 474
Changes in Assumption	464,022	406,654
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	17,496
District Contributions Subsequent to the Measurement Date	106,768	-
Total	\$ 709,768	\$ 424,624

Deferred outflows of resources include **\$106,768** resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(revenue) by the Plan as follows:

2024	\$ 47,973
2025	101,391
2026	(115,633)
2027	144,645
	\$ 178,376

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

(9) Pension Plan

Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	4.0%
	<u>100.0%</u>	

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

(9) Pension Plan

Discount Rate:

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

Sensitivity of Asset to Changes in the Discount Rate:

The following presents the District's proportionate share of net pension (asset)/liability, calculated using the discount rate of 6.50 percent, as well as what the District'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 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability/(Asset)	\$ 1,515,963	\$ (7,301)	\$ (1,252,210)

Pension Plan Fiduciary Net Position:

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

SINGLE AUDIT SECTION

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Assistance Listing Numbers	Grant Identifying Number	Amount
<i>U.S. Department of Agriculture:</i>			
Pass-Through the S.D. Department of Education:			
<i>Child Nutrition Cluster:</i>			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	10.555	N/A	\$ 7,251
Cash Assistance (Note 3):			
National School Lunch Program	10.555	N/A	66,202
National School Breakfast Program	10.553	N/A	14,907
Fresh Fruit and Vegetable Program	10.582	N/A	8,469
Total Child Nutrition Cluster			96,829
Farm to School Grant	10.575	N/A	1,004
Total U.S. Department of Agriculture			97,833
<i>U.S. Department of the Interior:</i>			
Pass-Through the S.D. Department of Education:			
Taylor Grazing (Note 3)	15.226	N/A	12,426
National Mineral Leasing (Note 3)	15.227	N/A	50,506
Total U.S. Department of the Interior			62,932
<i>U.S. Department of Education:</i>			
Pass-Through the S.D. Department of Education:			
Title I Programs	84.010	N/A	147,590
Title II/REAP	84.367	N/A	29,466
Title IV Transfer	84.424A	N/A	16,386
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210050	26,325
American Rescue Plan Elementary and Secondary School Emergency Relief	84.425U	S425U210050	363,355
CTE Perkins Consortium	84.048	N/A	27,991
Special Education Cluster:			
Special Education -- State Grants (IDEA Part B)	84.027A	N/A	37,341
Special Education -- Preschool Grants (IDEA Preschool)	84.173A	N/A	1,205
Total Special Education Cluster			38,546
Total U.S. Department of Education			649,659
<i>U.S. Department of Homeland Security:</i>			
Pass-Through the S.D. Department of Public Safety,			
Office of Homeland Security:			
State Homeland Security Program Grant	97.067	N/A	7,814
Total U.S. Department of Homeland Security			7,814
Total			\$ 818,238

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Cash Reimbursement

These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursement for specific expenditures.

Note 4 – Non-Monetary Assistance

These amounts include non-monetary assistance which is reported at fair market value of the commodities received and disbursed.



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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
Newell School District No. 9-2
Newell, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newell School District No. 9-2 (the District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 22, 2024, in which an adverse opinion was expressed on the governmental activities and an unmodified opinion on the business-type activities, each major fund, and the aggregate remaining fund information. The governmental activities are adverse due to a lack of recording certain capital assets and depreciation expense.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2023-001 through #2023-005, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The 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 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 22, 2024



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

School Board
Newell School District No. 9-2
Newell, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Newell School District No. 9-2's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually, or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items #2023-003 and #2023-004 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

School Board
Newell School District No. 9-2

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



KETEL THORSTENSON, LLP
Certified Public Accountants

March 22, 2024

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS
JUNE 30, 2023**

A. Summary of Audit Results

1. The Independent Auditor’s Report expresses an adverse opinion on the governmental activities and an unmodified opinion on the business-type activities, each major fund, and aggregate remaining fund information of Newell School District No. 9-2 (the District).
2. Material weaknesses were disclosed during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the District’s financial statements were disclosed during the audit.
4. Material weaknesses disclosed during the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for the District expresses unmodified opinions on all major programs, as listed in #7.
6. Audit finding relative to the major federal award program for the District is reported in Part C of this schedule.
7. The programs tested as major programs include the following:

Major Programs

ALN’s

U.S. Department of Education:

Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D/84.425U
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8. The threshold for distinguishing type A and B programs was \$750,000.
9. The District was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

2023-001 FINDING: Internal Controls

Federal Program Affected: None

Compliance Requirement: Not Applicable

Questioned Costs: None

Condition and Cause: Monthly check registers are not produced from the software system and given to the superintendent, high school secretary, or a School Board member to review for validity and check number sequence and are not signed-off by an authorized reviewer.

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS
JUNE 30, 2023**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

2023-001 FINDING: Internal Controls

Criteria and Effect: Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated. The effectiveness of the internal control system relies on enforcement by management.

Repeat Finding from Prior Year: Yes, prior year finding 2022-001.

Recommendation: The superintendent, secretary, or a School Board member should review the monthly check registers produced from the software system for validity and check number sequence. Authorization signoffs should be performed by the reviewer.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2023-002 FINDING: Capital Asset Records

Federal Program Affected: None

Compliance Requirement: Not Applicable

Questioned Costs: None

Condition and Cause: Capital asset records were not properly maintained to support the amounts reported for governmental activities capital assets, resulting in lack of control over public assets and inaccurate financial statements.

Criteria and Effect: Accounting principles generally accepted in the United States of America require that capital assets be recorded as assets and depreciated. These conditions result in unreliable data being reported for capital assets for governmental activities and lack of safeguards for these assets. As a result, the District's audit report for governmental activities expresses an adverse opinion.

Repeat Finding from Prior Year: Yes, prior year finding 2022-002.

Recommendation: The District needs to establish and maintain adequate capital assets accounting records. The general ledger capital asset balance should be reconciled to the accounting records established.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2023-003 FINDING: Preparation of Financial Statements and Schedule of Expenditures of Federal Awards (SEFA)

Federal Program Affected: Elementary and Secondary School Emergency Relief (ESSER)

Compliance Requirement: Reporting

Questioned Costs: None

NEWELL SCHOOL DISTRICT NO. 9-2

SCHEDULE OF FINDINGS

JUNE 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

2023-003 FINDING: Preparation of Financial Statements and Schedule of Expenditures of Federal Awards (SEFA)

Condition and Cause: As in prior years, we were requested to draft the audited financial statements, and related footnote disclosures and SEFA as part of our regular audit services. Additionally, we were requested to draft the schedule of expenditures of federal awards. Ultimately, it is management’s responsibility to provide for the preparation of the District’s statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the District at the same time in connection with our audit. This is not unusual for us to do with organizations of the District’s size.

Criteria and Effect: It is our responsibility to inform the School Board this deficiency could result in a material misstatement to the financial statements that would have not been prevented or detected by the District’s management.

Repeat Finding from Prior Year: Yes, prior year finding 2022-003.

Recommendation: As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the District’s financial statements. We are satisfied that the appropriate steps have been taken to provide the District with the completed financial statements. It is the responsibility of management and the School Board to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2023-004 FINDING: Audit Adjustments

Federal Program Affected: Elementary and Secondary School Emergency Relief (ESSER)

Compliance Requirement: Reporting

Questioned Costs: None

Condition and Cause: During the course of our engagement, we assisted with adjusting SDRS pension activity and we proposed material audit adjustments. The adjustments included:

- a. Adjusting property tax receivable and unavailable revenue
- b. Adjusting capital assets of governmental activities
- c. Adjusting accounts payable and accrued leave
- d. Adjusting reoffering premium amortization on refunding bonds
- e. Adjusting federal revenue and receivable for ESSER expenditures incurred but not yet received.

Other entries were proposed as part of the audit but were not recorded due to the overall insignificance on the financial statements.

Criteria and Effect: These adjustments were not recorded through the District’s existing internal controls, and therefore, resulted in a material misstatement of the District’s financial statements. As in past audits, these adjustments were made by us as part of our audit process.

Repeat Finding from Prior Year: Yes, prior year finding 2022-004.

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS
JUNE 30, 2023**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

2023-004 FINDING: Audit Adjustments

Recommendation: We recommend management adjust all significant accounts at year end. This will provide the District with accurate financial information. Specifically:

- a. Property tax receivable and related revenues should be monitored and adjusted at least annually
- b. Capital expenditures should be capitalized and depreciated over the useful life of the asset
- c. Accounts payable and accrued leave balances should be monitored and recorded on an annual basis
- d. Amortization on refunding bonds should be recorded over the life of the bond
- e. Federal revenue and receivables should be recorded at year end to reflect federal expenditures not yet reimbursed.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2023-005 FINDING: Missing Checks

Federal Program Affected: None

Compliance Requirement: None

Questioned Costs: None

Condition and Cause: Management was unable to locate checks numbers 107304-107309, 107342-107346, 107360-107364, and 107395-107399.

Criteria and Effect: Checks should be written in sequence. Any voided checks should be maintained for internal records. Missing checks may result in misappropriation of cash, or incomplete financial data.

Repeat Finding from Prior Year: No

Recommendation: Consistent with Finding 2023-001, we recommend check registers are generated from the accounting software and provided to the superintendent, secretary, or a School Board member to review the monthly check registers. Review of the check register should include ensuring the check sequence is complete.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

C. FINDINGS – COMPLIANCE AUDIT

Findings #2023-003 and #2023-004 listed in Part B related to the major program as noted in each individual finding.

MANAGEMENT RESPONSE

OFFICE OF BUSINESS MANAGER
NEWELL SCHOOL DISTRICT #9-2
P.O. BOX 99
NEWELL SD 57760
Phone: 605-456-2393
Fax: 605-456-2395

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

Newell School District No. 9-2 (the District) respectfully submits the following summary schedule of prior audit findings from the June 30, 2022 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2022 Schedule of Findings.

2022-001 FINDING: Internal Controls

Status: The District made efforts to implement better internal controls as it related to segregation of duties, however there are still segregation of duties issues

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Due to the limited staff at the District's business office, it is difficult to achieve complete segregation of duties. Comment is revised and repeated in 2023. See Corrective Action Plan.

2022-002 FINDING: Capital Asset Records

Status: The District did not track capital assets in the current year.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Due to turnover within the business office capital assets were not tracked. Comment is repeated in 2023. See Corrective Action Plan.

2022-003 FINDING: Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Status: It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements and schedule of expenditures of federal awards as a part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements and the schedule of expenditures of federal awards.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: As the District has accepted the risk associated with the auditor's preparing of the financial statements, it will be repeated in 2023. See Corrective Action Plan.

2022-004 FINDING: Audit Adjustments

Status: The District made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year, and is repeated in the Schedule of Findings. See Corrective Action Plan.

OFFICE OF BUSINESS MANAGER
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CORRECTIVE ACTION PLAN
JUNE 30, 2023

Newell School District No. 9-2 (the District) respectfully submits the following corrective action plan regarding findings from the June 30, 2023 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2023-001 FINDING: Internal Controls

Responsible Individuals: Don Kirkegaard, Interim Superintendent

Corrective Action Plan: The District agrees with the above finding and will have the High School Secretary review the monthly check registers produced from the software. However, the Superintendent and School Board are emailed the information in with the bank reconciliation that shows the check register for the SUI software as part of the monthly board packet.

Anticipated Completion Date: December 2024

2023-002 FINDING: Capital Asset Records

Responsible Individuals: Don Kirkegaard, Interim Superintendent

Corrective Action Plan: Due to record keeping in the 1990s, the District will continue to have this finding. The District will work to improve the capital asset records going forward.

Anticipated Completion Date: Ongoing

2023-003 FINDING: Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Responsible Individuals: Don Kirkegaard, Interim Superintendent

Corrective Action Plan: The District agrees with the above finding, and the District has accepted the risk associated with the auditor's preparing of the financial statements. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Anticipated Completion Date: Ongoing

2023-004 FINDING: Audit Adjustments

Responsible Individuals: Don Kirkegaard, Interim Superintendent

Corrective Action Plan: The District agrees with the above finding and will make the audit adjustments per the auditor's recommendations.

Anticipated Completion Date: Ongoing

2023-005 FINDING: Missing Checks

Responsible Individuals: Don Kirkegaard, Interim Superintendent

Corrective Action Plan: The District agrees with the above finding and will have the High School Secretary review the monthly check registers for completeness.

Anticipated Completion Date: December 2024.