

Redfield School District No. 56-4

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

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

Redfield School District No. 56-4

School District Officials

June 30, 2023

Board Members

Jennifer Wurtz ----- Board President

Dominic Evans -----Vice President

Jerad Appel ----- Member

Thomas Lambert ----- Member

Chris Piehl----- Member

Michelle Mortensen-----Superintendent

Kelsey Edwards -----Business Manager

Redfield School District No. 56-4

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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
Redfield School District No. 56-4
Redfield, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Redfield School District No. 56-4, South Dakota (School District), as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated August 7, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as an items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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



Huron, South Dakota
August 7, 2024



**Independent Auditor’s Report on Compliance for each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

School Board
Redfield School District No. 56-4
Redfield, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Redfield School District No. 56-4’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Redfield School District’s major federal programs for the year ended June 30, 2023. Redfield School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Redfield School District No. 56-4 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 Redfield School District No. 56-4’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 Redfield School District No. 56-4'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 Redfield School District No. 56-4'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 Redfield School District No. 56-4's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Redfield School District No. 56-4'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 Redfield School District No. 56-4'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 Redfield School District No. 56-4's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

Purpose of this Report

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



Huron, South Dakota
August 7, 2024

Redfield School District No. 56-4
Schedule of Prior Audit Findings and Questioned Costs
Year Ended June 30, 2023

Schedule of Prior Audit Findings:

Finding Number 2022-001 – Internal Control Finding

A significant deficiency in internal controls was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2023-001.

Redfield School District No. 56-4
 Schedule of Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements
 Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness identified: Yes
 Significant deficiencies identified not
 considered to be material weaknesses: No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major program:
 Material weakness identified: No
 Significant deficiencies identified not
 considered to be material weaknesses: No

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

Any audit findings disclosed that are required to be reported in accordance
 with *Uniform Guidance 2 CFR 200.516*: No

Identification of major program:

<u>Name of Federal Program</u>	<u>Assistance Listing Number</u>
--------------------------------	----------------------------------

Special Education Cluster	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173
Elementary and Secondary School Emergency Relief Fund	84.425D
Elementary and Secondary School Emergency Relief Fund	84.425U

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Redfield School District No. 56-4
Schedule of Current Audit Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

Finding Number 2023-001:

A material weakness in internal controls was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures. This is the eighth consecutive audit report in which this finding has appeared.

Internal Control Finding – Material Weakness:

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Redfield School District No. 56-4
Schedule of Current Audit Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Finding Number 2023-002:

Internal Control Over Preparation of Financial Statements and Footnotes, and Material Proposed Adjustments to the Financial Statements – Material Weakness:

Criteria: An organization’s internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: Redfield School District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Cause: Redfield School District does not have adequate staff trained to prepare the financial statements and footnotes.

Effect: This condition may affect the District’s ability to report financial data in accordance with generally accepted accounting principles.

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

Management’s Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Section III – Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).

Redfield School District No. 56-4

Office of the Business Manager
Phone: (605)472-4520

111 E 6th Ave
Redfield, SD 57469

Corrective Action Plan (Unaudited)

Redfield School District No. 56-4 respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC
PO Box 951
Huron, SD 57350

Finding 2023-001:

Material Weakness

Internal Control Due to Lack of Proper Segregation of Duties

Initial Fiscal Year Finding Occurred: 2014

Finding Summary: ELO Prof LLC determined the School District has an insufficient number of staff to adequately separate duties leading to an increased likelihood that errors can occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Responsible Individual: Kelsey Edwards

Corrective Action Plan: The Board is aware of this internal control weakness. Due to staff size, it is not deemed feasible to adequately segregate duties, however, the board intends to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Anticipated Completion Date: Ongoing

If there are questions regarding this plan, please call Kelsey Edwards, Business Manager, at 605-472-4520.

Sincerely,

George Seiler, Superintendent
Redfield School District No. 56-4

Redfield School District No. 56-4

Office of the Business Manager
Phone: (605)472-4520

111 E 6th Ave
Redfield, SD 57469

Corrective Action Plan (Unaudited) (Continued)

Name and address of independent public accounting firm:

ELO Prof. LLC
PO Box 951
Huron, SD 57350

Finding 2023-002:

Material Weakness

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

Initial Fiscal Year Finding Occurred: 2023

Finding Summary: ELO Prof LLC prepared our draft financial statements and notes to the financial statements.

Responsible Individual: Kelsey Edwards

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and notes to the financial statements. We requested that our auditors, ELO Prof LLC, prepare the financial statements and notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial

Anticipated Completion Date: Ongoing

If there are questions regarding this plan, please call Kelsey Edwards, Business Manager, at 605-472-4520.

Sincerely,

George Seiler, Superintendent
Redfield School District No. 56-4



Independent Auditor's Report

School Board
Redfield School District No. 56-4
Redfield, South Dakota

Report on the Audit of 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 Redfield School District No. 56-4, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Redfield School District No. 56-4 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 Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2024 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering School District's internal control over financial reporting and compliance.



Huron, South Dakota
August 7, 2024

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Redfield School District 56-4's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, Redfield School District's Net Position in Government Activities increased by \$392,435 (6.45%).

Overview of the Financial Statements

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

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

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

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

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

Figure A-1

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

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

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

The School has three kinds of funds:

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

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Redfield School District 56-4
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 8,723,072	\$ 7,158,379	\$ 202,665	\$ 108,434	\$ 8,925,737	\$ 7,266,813	-18.59%
Capital Assets (Net of Depreciation)	21,427,516	20,939,755	42,649	37,657	21,470,165	20,977,412	-2.30%
Total Assets	<u>30,150,588</u>	<u>28,098,134</u>	<u>245,314</u>	<u>146,091</u>	<u>30,395,902</u>	<u>28,244,225</u>	<u>-7.08%</u>
Pension Related Deferred Outflows	1,746,444	1,465,232	--	--	1,746,444	1,465,232	-16.10%
Total Deferred Outflows or Resources	<u>1,746,444</u>	<u>1,465,232</u>	<u>--</u>	<u>--</u>	<u>1,746,444</u>	<u>1,465,232</u>	<u>-16.10%</u>
Long-Term Liabilities Outstanding	20,511,881	19,335,289	--	--	20,511,881	19,335,289	-5.74%
Other Liabilities	732,465	732,233	53,251	54,752	785,716	786,985	0.16%
Total Liabilities	<u>21,244,346</u>	<u>20,067,522</u>	<u>53,251</u>	<u>54,752</u>	<u>21,297,597</u>	<u>20,122,274</u>	<u>-5.52%</u>
Taxes Levied for Future Period	2,112,675	2,177,050	--	--	2,112,675	2,177,050	3.05%
Pension Related Deferred Inflows	2,457,095	843,443	--	--	2,457,095	843,443	-65.67%
Total Deferred Inflows of Resources	<u>4,569,770</u>	<u>3,020,493</u>	<u>--</u>	<u>--</u>	<u>4,569,770</u>	<u>3,020,493</u>	<u>-33.90%</u>
Net Investment in Capital Assets	897,153	1,622,838	42,649	37,657	939,802	1,660,495	76.69%
Restricted	3,956,490	3,870,091	--	--	3,956,490	3,870,091	-2.18%
Unrestricted	1,229,273	982,422	149,414	53,682	1,378,687	1,036,104	-24.85%
Total Net Assets	<u>6,082,916</u>	<u>6,475,351</u>	<u>192,063</u>	<u>91,339</u>	<u>6,274,979</u>	<u>6,566,690</u>	<u>4.65%</u>
Beginning Net Position	5,286,691	6,082,916	149,901	192,063	5,436,592	6,274,979	15.42%
Restatement - see note 14	(1,663)	--	--	--	(1,663)	--	-100.00%
Beginning Net Position, as restated	<u>5,285,028</u>	<u>6,082,916</u>	<u>149,901</u>	<u>192,063</u>	<u>5,434,929</u>	<u>6,274,979</u>	<u>15.46%</u>
Increase (Decrease) in Net Position	<u>\$ 797,888</u>	<u>\$ 392,435</u>	<u>\$ 42,162</u>	<u>\$ (100,724)</u>	<u>\$ 840,050</u>	<u>\$ 291,711</u>	<u>65.27%</u>
Percentage of Increase (Decrease) in Net Position	<u>15.09%</u>	<u>6.45%</u>	<u>28.13%</u>	<u>-52.44%</u>	<u>15.45%</u>	<u>4.65%</u>	

The school's combined net position of approximately \$6.6 million is approximately \$291,711 or 4.65% larger than on June 30, 2022. The increase in the School's financial position was primarily in its governmental activities due in part to additional program revenues and state sourced income.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of bonds payable, capital outlay certificates, intangible lease assets, and compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Changes in Net Position

The Redfield School District’s total revenues (excluding transfers) in FY23 were \$8,703,540. Approximately 62% of the School’s revenue comes from property and other taxes, with approximately 26% coming from state aid. (See Table A-2).

Table A-2
Redfield School District 56-4
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 5,365,486	61.64%
State Sources	2,229,350	25.61%
Operating Grants & Contributions	816,123	9.38%
Charges For Services	217,366	2.50%
Other General Revenues	70,133	0.81%
Unrestricted Investment Earnings	<u>5,082</u>	<u>0.06%</u>
Total Revenue	<u>\$ 8,703,540</u>	<u>100.00%</u>

Total expenditures of all programs and services increased by approximately 8.5%. The Redfield School District expenses totaled \$8,411,829. The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, food services, and driver’s education. (See Table A-3).

Table A-3
Redfield School District 56-4
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 4,609,249	54.80%
Support Services	2,538,289	30.18%
Interest - on Long-Term Debt	586,358	6.97%
Cocurricular Activities	300,263	3.57%
Food Service	352,655	4.19%
Nonprogrammed Charges	17,127	0.20%
Drivers Education	<u>7,888</u>	<u>0.09%</u>
Total Expenditures	<u>\$ 8,411,829</u>	<u>100.00%</u>

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental and Business-Type Activities

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

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Revenues							
Program Revenues							
Charge for Services	\$ 48,592	\$ 73,886	\$ 30,413	\$ 143,480	\$ 79,005	\$ 217,366	175.13%
Operating Grants/ Contributions	571,825	700,499	314,797	115,624	886,622	816,123	-7.95%
General Revenues							
Taxes	5,436,824	5,365,486	--	--	5,436,824	5,365,486	-1.31%
Revenue State Sources	2,089,578	2,228,635	772	715	2,090,350	2,229,350	6.65%
Federal state sources	35,401	--	--	--	35,401	--	-100.00%
Other							
Other general revenues	65,185	70,133	--	--	65,185	70,133	7.59%
Unrestricted Investment Earnings	2,140	5,082	--	--	2,140	5,082	137.48%
	<u>8,249,545</u>	<u>8,443,721</u>	<u>345,982</u>	<u>259,819</u>	<u>8,595,527</u>	<u>8,703,540</u>	<u>1.26%</u>
Expenses							
Instruction	4,104,482	4,609,249	--	--	4,104,482	4,609,249	12.30%
Support Services	2,382,520	2,538,289	--	--	2,382,520	2,538,289	6.54%
Non-programmed Charges	--	17,127	--	--	--	17,127	100.00%
Interest on long-term debt	672,784	586,358	--	--	672,784	586,358	-12.85%
Co-curricular Activities	291,871	300,263	--	--	291,871	300,263	2.88%
Food Service	--	--	297,426	352,655	297,426	352,655	18.57%
Drivers Education	--	--	6,394	7,888	6,394	7,888	23.37%
	<u>7,451,657</u>	<u>8,051,286</u>	<u>303,820</u>	<u>360,543</u>	<u>7,755,477</u>	<u>8,411,829</u>	<u>8.46%</u>
Increase (Decrease) in							
Net Assets	797,888	392,435	42,162	(100,724)	840,050	291,711	-65.27%
Beginning Net Position	5,286,691	6,082,916	149,901	192,063	5,436,592	6,274,979	15.42%
Restatement - see note 14	(1,663)	--	--	--	(1,663)	--	-100.00%
Beginning Net Position, as restated	<u>5,285,028</u>	<u>6,082,916</u>	<u>149,901</u>	<u>192,063</u>	<u>5,434,929</u>	<u>6,274,979</u>	<u>-84.58%</u>
Ending Net Position	<u>\$ 6,082,916</u>	<u>\$ 6,475,351</u>	<u>\$ 192,063</u>	<u>\$ 91,339</u>	<u>\$ 6,274,979</u>	<u>\$ 6,566,690</u>	<u>4.65%</u>

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues for the School's governmental activities increased approximately 2% while expenses for governmental activities increased by approximately 8%. One of the largest revenue increases occurred in operating grants. Expenditures increased largely due the increase in instruction and support services.

Business-Type Activities

Revenues for the School's business-type activities decreased approximately 25%. One of the largest revenue decreases occurred in operating grants. Expenditures of the School's business-type activities increased approximately 19%. The largest increase in expenditures was related to the food service fund.

Financial Analysis of the School's Funds

The General Fund decreased in fund balance from FY22 to FY23 by \$216,188. The Capital Outlay fund balance decreased by \$100,628. The Special Education Fund had a decrease in fund balance of \$165,538.

General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.
- Changes made to reflect the hiring freeze implemented by the School Board.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns in the general fund.

There were budget changes for the year due to needing additional funding for general operating expenses in the General and Special Education Funds.

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Capital Asset Administration

By the end of FY23, the School had invested \$20,977,412 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment and intangible lease assets. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$492,753.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 146,198	\$ 146,198	\$ --	\$ --	\$ --	0.00%
Buildings	20,137,519	19,688,376	--	--	(449,143)	-2.23%
Improvements Other than Buildings	306,722	402,120	--	--	95,398	31.10%
Machinery & Equipment	759,653	652,182	42,649	37,657	(112,463)	-14.02%
Intangible lease assets	77,424	50,879	--	--	(26,545)	-34.29%
Total Capital Assets	\$ 21,427,516	\$ 20,939,755	\$ 42,649	\$ 37,657	\$ (492,753)	-2.30%

Major capital outlay purchases in FY23 included football field lights.

Long-Term Debt

At year-end, the School had \$19,335,289 in general long-term obligations. This balance includes Qualified Zone Academy Bonds, General Obligation Bonds, Capital Outlay Certificates, intangible leases, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
Qualified Zone Academy Bonds	\$ 1,700,000	\$ 1,700,000	\$ --	0.00%
General Obligation Bonds	12,025,000	11,375,000	(650,000)	-5.41%
Plus: Unamortized Premiums	613,275	567,847	(45,428)	-7.41%
Capital Outlay Certificates	5,880,000	5,440,000	(440,000)	-7.48%
Plus: Unamortized Premiums	195,295	180,829	(14,466)	-7.41%
Intangible leases	79,829	53,241	(26,588)	-33.31%
Accrued Compensated Absences - Governmental Funds	18,482	18,372	(110)	-0.60%
Total Outstanding Debt	\$ 20,511,881	\$ 19,335,289	\$ (1,176,592)	-5.74%

Redfield School District No. 56-4
Management Discussion and Analysis (MD&A)
June 30, 2023

Economic Factors And Next Year’s Budgets And Rates

The School’s current economic position has shown little change. The School did experience an increase in total property valuation from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

The School’s enrollment for the last three years has been as follows:

Table A-7
Redfield School District
ADM for the Last Three Years

<u>Year</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2023	529	-3.29%
2022	547	-2.15%
2021	559	-4.12%

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Redfield School’s Business Office, 111 East 6th Avenue, Redfield, SD 57469.

Redfield School District No. 56-4
Statement of Net Position – Government-Wide
June 30, 2023

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 3,318,835	\$ 80,256	\$ 3,399,091
Incidental imprest account	3,000	--	3,000
Accounts receivable	--	12,929	12,929
Taxes receivable	2,198,876	--	2,198,876
Inventories	--	15,249	15,249
Other assets	201,000	--	201,000
Restricted Assets:			
Cash and cash equivalents	1,422,166	--	1,422,166
Net pension asset	14,502	--	14,502
Capital assets:			
Land and construction in progress	146,198	--	146,198
Other capital assets, net of depreciation	<u>20,793,557</u>	<u>37,657</u>	<u>20,831,214</u>
Total Assets	<u>28,098,134</u>	<u>146,091</u>	<u>28,244,225</u>
Deferred Outflows of Resources:			
Pension-related deferred outflows	<u>1,465,232</u>	<u>--</u>	<u>1,465,232</u>
Liabilities:			
Unearned revenue	--	46,900	46,900
Other current liabilities	732,233	7,852	740,085
Long-term liabilities:			
Due within one year	1,215,662	--	1,215,662
Due in more than one year	<u>18,119,627</u>	<u>--</u>	<u>18,119,627</u>
Total Liabilities	<u>20,067,522</u>	<u>54,752</u>	<u>20,122,274</u>
Deferred Inflows of Resources:			
Taxes levied for future periods	2,177,050	--	2,177,050
Pension related deferred inflows	<u>843,443</u>	<u>--</u>	<u>843,443</u>
Total Deferred Inflows of Resources	<u>3,020,493</u>	<u>--</u>	<u>3,020,493</u>
Net Position:			
Net investment in capital assets	1,622,838	37,657	1,660,495
Restricted for:			
Capital outlay	1,352,250	--	1,352,250
Special education	459,384	--	459,384
Bond redemption	1,422,166	--	1,422,166
SDRS pension purposes	636,291	--	636,291
Unrestricted	<u>982,422</u>	<u>53,682</u>	<u>1,036,104</u>
Total Net Position	<u>\$ 6,475,351</u>	<u>\$ 91,339</u>	<u>\$ 6,566,690</u>

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

Redfield School District No. 56-4
Statement of Activities – Government-Wide
June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 4,609,249	\$ 400	\$ 700,499	\$ (3,908,350)	\$ --	\$ (3,908,350)
Support services	2,538,289	35,000	--	(2,503,289)	--	(2,503,289)
Nonprogrammed charges	17,127	--	--	(17,127)	--	(17,127)
Interest on long-term debt	586,358	--	--	(586,358)	--	(586,358)
Cocurricular activities	300,263	38,486	--	(261,777)	--	(261,777)
Total Governmental Activities	8,051,286	73,886	700,499	(7,276,901)	--	(7,276,901)
Business-Type Activities:						
Food service	352,655	136,056	115,624	--	(100,975)	(100,975)
Drivers education	7,888	7,424	--	--	(464)	(464)
Total Business Type Activities	360,543	143,480	115,624	--	(101,439)	(101,439)
Total Primary Government	\$ 8,411,829	\$ 217,366	\$ 816,123	(7,276,901)	(101,439)	(7,378,340)
General Revenues:						
Taxes:						
Property taxes				5,299,415	--	5,299,415
Gross receipts taxes				66,071	--	66,071
Revenue from state sources:						
State aid				1,980,542	--	1,980,542
Other				248,093	715	248,808
Unrestricted investment earnings				5,082	--	5,082
Other general revenues				70,133	--	70,133
Total General Revenues and Transfers				7,669,336	715	7,670,051
Change in Net Position				392,435	(100,724)	291,711
Net Position - Beginning of Year				6,082,916	192,063	6,274,979
Net Position - End of Year				\$ 6,475,351	\$ 91,339	\$ 6,566,690

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

Redfield School District No. 56-4
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 1,261,001	\$ 1,404,980	\$ 645,444	\$ --	\$ 3,311,425
Permanent incidental account	3,000	--	--	--	3,000
Taxes receivable - current	634,086	651,839	422,410	468,715	2,177,050
Taxes receivable - delinquent	8,892	5,649	3,569	3,716	21,826
Due from other governments	193,350	7,650	--	--	201,000
Restricted cash and cash equivalents	--	--	--	1,422,166	1,422,166
Total Assets	<u>\$ 2,100,329</u>	<u>\$ 2,070,118</u>	<u>\$ 1,071,423</u>	<u>\$ 1,894,597</u>	<u>\$ 7,136,467</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ --	\$ 60,380	\$ --	\$ --	\$ 60,380
Contracts payable	385,545	--	147,470	--	533,015
Payroll deductions and withholding and employer matching payable	100,248	--	38,590	--	138,838
Total Liabilities	<u>485,793</u>	<u>60,380</u>	<u>186,060</u>	<u>--</u>	<u>732,233</u>
Deferred Inflows of Resources:					
Taxes levied for future period	634,086	651,839	422,410	468,715	2,177,050
Delinquent taxes not available	8,892	5,649	3,569	3,716	21,826
Total Deferred Inflows of Resources	<u>642,978</u>	<u>657,488</u>	<u>425,979</u>	<u>472,431</u>	<u>2,198,876</u>
Fund Balances:					
Restricted:					
For capital outlay	--	1,352,250	--	--	1,352,250
For special education	--	--	459,384	--	459,384
For bond redemption	--	--	--	1,422,166	1,422,166
Unassigned	971,558	--	--	--	971,558
Total Fund Balances	<u>971,558</u>	<u>1,352,250</u>	<u>459,384</u>	<u>1,422,166</u>	<u>4,205,358</u>
Total Liabilities and Fund Balances	<u>\$ 2,100,329</u>	<u>\$ 2,070,118</u>	<u>\$ 1,071,423</u>	<u>\$ 1,894,597</u>	<u>\$ 7,136,467</u>

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

Redfield School District No. 56-4

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

Total Fund Balances - Governmental Funds \$ 4,205,358

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 20,939,755

Pension related deferred outflows are components of pension liability and therefore are not reported in the funds. 1,465,232

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

QZAB	(1,700,000)	
GO Bonds	(11,942,847)	
Capital Outlay Certificates	(5,620,829)	
Leases	(53,241)	
Accrued Leave	<u>(18,372)</u>	(19,335,289)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 21,826

Proportionate Share of Net Pension Asset 14,502

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (843,443)

An internal service fund is used by the District's management to charge the costs of unemployment 7,410

Net Position - Governmental Activities \$ 6,475,351

Redfield School District No. 56-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,566,662	\$ 1,577,947	\$ 1,030,570	\$ 1,077,240	\$ 5,252,419
Prior years' ad valorem taxes	14,504	10,346	6,672	6,694	38,216
Utility taxes	66,071	--	--	--	66,071
Penalties and interest on taxes	2,642	2,626	1,789	1,723	8,780
Earnings on Investments and Deposits	5,082	--	--	--	5,082
Cocurricular Activities:					
Admissions	38,486	--	--	--	38,486
Other Revenue from Local Sources:					
Services provided other schools	--	--	35,000	--	35,000
Charges for services	--	--	400	--	400
Other	9,085	--	--	--	9,085
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	25,380	--	--	--	25,380
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,980,542	--	--	--	1,980,542
Restricted grants-in-aid	--	--	248,093	--	248,093
Other state revenue	17,618	--	3,000	--	20,618
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through an intermediate source	155	--	--	--	155
Restricted grants-in-aid received from federal government through the state	422,284	92,756	166,939	--	681,979
Other Federal Sources	18,365	--	--	--	18,365
Total Revenues	<u>\$ 4,166,876</u>	<u>\$ 1,683,675</u>	<u>\$ 1,492,463</u>	<u>\$ 1,085,657</u>	<u>\$ 8,428,671</u>

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

Redfield School District No. 56-4

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

June 30, 2023 (Continued)

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Expenditures					
Instructional Services:					
Regular programs	\$ 2,738,602	\$ 39,477	\$ --	\$ --	\$ 2,778,079
Special programs	175,999	--	1,303,967	--	1,479,966
Support Services:					
Students:					
Attendance and social work	124,786	--	--	--	124,786
Guidance	94,088	--	16,323	--	110,411
Health	27,267	--	5,689	--	32,956
Psychological services	--	--	104,270	--	104,270
Student therapy services	--	--	82,216	--	82,216
Instructional Staff:					
Improvement of instruction	3,861	--	--	--	3,861
Educational media	155,030	3,897	2,336	--	161,263
General Administration:					
Board of education	53,530	--	--	--	53,530
Executive administration	181,407	--	--	--	181,407
School Administration:					
Office of the principal	262,798	--	--	--	262,798
Business:					
Fiscal services	74,103	--	--	--	74,103
Facilities acquisition and construction	--	13,640	--	--	13,640
Operation and maintenance of plant	665,835	133,583	--	--	799,418
Student transportation	250,563	5,000	--	--	255,563
Internal services	10,130	32,107	--	--	42,237
Special Education:					
Administrative costs	--	--	101,886	--	101,886
Transportation costs	--	--	41,314	--	41,314
Nonprogrammed Charges:	17,127	--	--	--	17,127
Debt Services:	--	668,480	--	1,094,360	1,762,840
Cocurricular Activities:					
Male activities	60,381	--	--	--	60,381
Female activities	42,844	--	--	--	42,844
Transportation	27,007	--	--	--	27,007
Combined activities	47,783	--	--	--	47,783
Capital Outlay	--	159,759	--	--	159,759
Total Expenditures	5,013,141	1,055,943	1,658,001	1,094,360	8,821,445
Excess of Revenue Over (Under) Expenditures	(846,265)	627,732	(165,538)	(8,703)	(392,774)
Other Financing Sources (Uses):					
Transfer in	615,027	--	--	113,333	728,360
Transfer out	--	(728,360)	--	--	(728,360)
Compensation for loss of general capital assets	15,050	--	--	--	15,050
Total Other Financing Sources (Uses)	630,077	(728,360)	--	113,333	15,050
Net Change in Fund Balances	(216,188)	(100,628)	(165,538)	104,630	(377,724)
Fund Balance, Beginning of Year	1,187,746	1,452,878	624,922	1,317,536	4,583,082
Fund Balance, End of Year	\$ 971,558	\$ 1,352,250	\$ 459,384	\$ 1,422,166	\$ 4,205,358

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

Redfield School District No. 56-4
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2023

Net Change in Fund Balances - Total Governmental Funds		\$ (377,724)
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		159,759
The amount represents the current year depreciation/amortization expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.		(647,520)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position		
GO Bond	695,428	
CO Certificate	454,466	
Lease	<u>26,588</u>	1,176,482
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		6,191
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.		110
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		<u>75,137</u>
Change in net position of governmental activities		<u><u>\$ 392,435</u></u>

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

Redfield School District No. 56-4
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Drivers Education Fund	Totals	
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 72,172	\$ 8,084	\$ 80,256	\$ 7,410
Accounts receivable, net	12,929	--	12,929	--
Inventory - stores for resale	7,437	--	7,437	--
Inventory of donated food	7,812	--	7,812	--
Total Current Assets	<u>100,350</u>	<u>8,084</u>	<u>108,434</u>	<u>7,410</u>
Noncurrent Assets:				
Machinery and equipment - local funds	75,547	--	75,547	--
Less accumulated depreciation	<u>(37,890)</u>	<u>--</u>	<u>(37,890)</u>	<u>--</u>
Total Noncurrent Assets	<u>37,657</u>	<u>--</u>	<u>37,657</u>	<u>--</u>
Total Assets	<u>\$ 138,007</u>	<u>\$ 8,084</u>	<u>\$ 146,091</u>	<u>\$ 7,410</u>
Liabilities:				
Current Liabilities:				
Contracts payable	\$ 6,177	\$ --	\$ 6,177	\$ --
Accrued payroll expenses	1,675	--	1,675	--
Unearned revenue	<u>46,900</u>	<u>--</u>	<u>46,900</u>	<u>--</u>
Total Current Liabilities	<u>54,752</u>	<u>--</u>	<u>54,752</u>	<u>--</u>
Net Position:				
Net investment in capital assets	37,657	--	37,657	--
Unrestricted net position	<u>45,598</u>	<u>8,084</u>	<u>53,682</u>	<u>7,410</u>
Total Net Position	<u>\$ 83,255</u>	<u>\$ 8,084</u>	<u>\$ 91,339</u>	<u>\$ 7,410</u>

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

Redfield School District No. 56-4

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds			Internal Service Fund
	Food Service Fund	Drivers Education Fund	Totals	
Operating Revenue:				
Tuition and Fees:				
Regular day school tuition	\$ --	\$ 7,424	\$ 7,424	\$ --
Food Sales:				
Student	131,532	--	131,532	--
Adult	4,524	--	4,524	--
Total Operating Revenue	<u>136,056</u>	<u>7,424</u>	<u>143,480</u>	<u>--</u>
Operating Expenses:				
Food Service:				
Salaries	91,555	--	91,555	--
Employee benefits	8,006	--	8,006	--
Purchased services	17,803	--	17,803	--
Supplies	6,641	--	6,641	--
Cost of sales - purchased	192,904	--	192,904	--
Cost of sales - donated	30,754	--	30,754	--
Depreciation	4,992	--	4,992	--
Community Services				
Other community services	--	7,888	7,888	--
Total Operating Expenses	<u>352,655</u>	<u>7,888</u>	<u>360,543</u>	<u>--</u>
Operating Income(Loss)	(216,599)	(464)	(217,063)	--
Nonoperating Revenues/Expenses:				
State grants	715	--	715	--
Federal grants	83,183	--	83,183	--
Donated food	32,441	--	32,441	--
Total Nonoperating Revenue/(Expenses)	<u>116,339</u>	<u>--</u>	<u>116,339</u>	<u>--</u>
Change in Net Position	(100,260)	(464)	(100,724)	--
Net Position - Beginning of Year	<u>183,515</u>	<u>8,548</u>	<u>192,063</u>	<u>7,410</u>
Net Position - End of Year	<u>\$ 83,255</u>	<u>\$ 8,084</u>	<u>\$ 91,339</u>	<u>\$ 7,410</u>

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

Redfield School District No. 56-4
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Food Service Fund	Drivers Education Fund	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Cash receipts from customers	\$ 141,036	\$ 7,424	\$ 148,460	\$ --
Cash payments to suppliers	(221,136)	(719)	(221,855)	--
Cash payments to employees	(112,819)	(7,169)	(119,988)	--
Net Cash Provided (Used) by Operating Activities	(192,919)	(464)	(193,383)	--
Cash Flows from Noncapital Financing Activities:				
Cash reimbursements - state	715	--	715	--
Cash reimbursements - federal	83,183	--	83,183	--
Net Cash Provided by Noncapital Financing Activities	83,898	--	83,898	--
Net Change in Cash and Cash Equivalents	(109,021)	(464)	(109,485)	--
Cash and Cash Equivalents, Beginning of Year	181,193	8,548	189,741	7,410
Cash and Cash Equivalents, End of Year	<u>\$ 72,172</u>	<u>\$ 8,084</u>	<u>\$ 80,256</u>	<u>\$ 7,410</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (216,599)	\$ (464)	\$ (217,063)	\$ --
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	4,992	--	4,992	--
Value of commodities used	30,754	--	30,754	--
Change in Assets and Liabilities:				
Accounts receivable	(9,779)	--	(9,779)	--
Inventory	(3,788)	--	(3,788)	--
Deferred revenue	14,759	--	14,759	--
Accrued wages payable	(13,258)	--	(13,258)	--
Net cash provided (used) by operating activities	<u>\$ (192,919)</u>	<u>\$ (464)</u>	<u>\$ (193,383)</u>	<u>\$ --</u>
Noncash Investing, Capital and Financing Activities				
Value of commodities received	<u>\$ 32,441</u>	<u>\$ --</u>	<u>\$ 32,441</u>	<u>\$ --</u>

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

Redfield School District No. 56-4
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 43,696	\$ 191,057
Total Assets	\$ 43,696	\$ 191,057
Net Position:		
Scholarships	\$ 43,696	\$ --
Individuals, organizations, and other governments	--	191,057
Total Net Position	\$ 43,696	\$ 191,057

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

Redfield School District No. 56-4
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 1,900	\$ --
Collections for student activities	--	347,558
	<u>1,900</u>	<u>347,558</u>
Total Additions	<u>1,900</u>	<u>347,558</u>
Deductions:		
Trust deductions for scholarships awarded	4,525	--
Payments for student activities	--	315,042
	<u>4,525</u>	<u>315,042</u>
Total Deductions	<u>4,525</u>	<u>315,042</u>
Change in Net Position	<u>(2,625)</u>	<u>32,516</u>
Net Position - Beginning	<u>46,321</u>	<u>158,541</u>
Net Position - Ending	<u>\$ 43,696</u>	<u>\$ 191,057</u>

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Redfield School District No. 56-4, 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 District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organizations governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

Debt Service Funds – Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption Funds: A fund established by SDCL 13-16-13 to account for the proceeds on a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt. This fund also accounts for the sinking fund deposit agreement for the QZAB bonds until maturity. This is a major fund.

Proprietary Funds:

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

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

Drivers Education Fund: A fund used to record financial transactions related to driver's education. This fund is financed by user charges. This is a major fund.

Internal Service Fund Types – are used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal Service Funds are never considered to be major funds:

Unemployment Fund: This fund accounts for unemployment self-insurance coverage provided to other departments on a cost-reimbursement basis.

Fiduciary Funds:

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

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Redfield School District 56-4, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2023 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns.
2. In order to minimize the doubling-up effect on internal service fund activity, certain “centralized expenses” including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund, so that expenses are reported only in the function to which they relate.

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

Redfield School District No. 56-4

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2023 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	\$ 5,000	--	--
Buildings	\$ 50,000	Straight-line	50 years
Improvements	\$ 20,000	Straight-line	20 years
Equipment (governmental activities)	\$ 5,000	Straight-line	3-15 years
Equipment (proprietary funds)	\$ 1,000	Straight-line	3-15 years
Intangible lease assets	\$ 45,000	Straight-line	5-20 years

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of bonds payable, capital outlay certificates payable, intangible lease liabilities, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is the accrual basis, the same in the fund statements as it is in the government-wide statements.

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

h. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 11.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District but will be received at some point in the future. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period and pension-related items. In the business-type activities, the District reports deferred inflows for pension-related items.

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

Major Special Revenue Fund ---- Revenue Source

Capital Outlay Fund----- Taxes
Special Education Fund----- Taxes

o. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

p. Pensions:

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

q. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

Key estimates and judgements related to leases include how the School District determines (1) the discount rate is uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

r. Subscription-Based Information Technology Arrangements:

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

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

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

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

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

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

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

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

Deposits – The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost plus interest if the account is of the add-on type.

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

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits.

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

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

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District’s policy is to credit all income from deposits and investment to the General Fund, except for the private purpose trust funds which retains its investments income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. Restricted Cash and Investments:

Assets restricted for use for a specific purpose through segregation of balances in separate account. As of June 30, 2023, \$1,422,166 was restricted in the Debt Service Fund for sinking fund requirements in the debt covenants.

4. Inventory:

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

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. No material inventories were on hand at June 30, 2023.

5. Property Tax:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

5. Property Tax: (Continued)

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

6. Due from Other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$201,000 due from various county, school, state and federal governments.

7. Changes in Capital Assets:

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

	<u>6/30/2022</u>			<u>6/30/2023</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 146,198	\$ --	\$ --	\$ 146,198
Total capital assets not being depreciated/amortized	<u>146,198</u>	<u>--</u>	<u>--</u>	<u>146,198</u>
Capital assets being depreciated/amortization:				
Buildings	22,954,362	--	--	22,954,362
Improvements	644,577	159,759	--	804,336
Equipment	2,307,594	--	--	2,307,594
Intangible lease assets	132,726	--	--	132,726
Total capital assets being depreciated/amortized	<u>26,039,259</u>	<u>159,759</u>	<u>--</u>	<u>26,199,018</u>
Less accumulated depreciation/amortization for:				
Buildings	2,816,843	449,143	--	3,265,986
Improvements	337,855	64,361	--	402,216
Equipment	1,547,941	107,471	--	1,655,412
Intangible leases assets	55,302	26,545	--	81,847
Total accumulated depreciation/amortization	<u>4,757,941</u>	<u>647,520</u>	<u>--</u>	<u>5,405,461</u>
Total capital assets being depreciated/amortized, net	<u>21,281,318</u>	<u>(487,761)</u>	<u>--</u>	<u>20,793,557</u>
Net Capital Assets	<u>\$ 21,427,516</u>	<u>\$ (487,761)</u>	<u>\$ --</u>	<u>\$ 20,939,755</u>

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 432,642
Support services	92,630
Co-curricular activities	<u>122,248</u>
Total Depreciation/Amortization Expense	<u><u>\$ 647,520</u></u>

	6/30/2022 Balance	Increases	Decreases	6/30/2023 Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 75,547	\$ --	\$ --	\$ 75,547
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>32,898</u>	<u>4,992</u>	<u>--</u>	<u>37,890</u>
Total capital assets being depreciated, net	<u><u>\$ 42,649</u></u>	<u><u>\$ (4,992)</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 37,657</u></u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u><u>\$ 4,992</u></u>

8. Long-Term Liabilities:

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

	6/30/2022	Increase	Decrease	6/30/2023	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bonds	\$ 1,700,000	\$ --	\$ --	\$ 1,700,000	\$ --
General Obligation Bonds	12,025,000	--	650,000	11,375,000	665,000
Plus: Unamortized Premiums	613,275	--	45,428	567,847	45,428
Capital Outlay Certificates	5,880,000	--	440,000	5,440,000	445,000
Plus: Unamortized Premiums	<u>195,295</u>	<u>--</u>	<u>14,466</u>	<u>180,829</u>	<u>14,466</u>
	20,413,570	--	1,149,894	19,263,676	1,169,894
Other Liabilities:					
Intangible Leases	79,829	--	26,588	53,241	27,396
Compensated Absences	<u>18,482</u>	<u>1,566</u>	<u>1,676</u>	<u>18,372</u>	<u>18,372</u>
Total Long-Term Liabilities	<u><u>\$20,511,881</u></u>	<u><u>\$ 1,566</u></u>	<u><u>\$ 1,178,158</u></u>	<u><u>\$19,335,289</u></u>	<u><u>\$ 1,215,662</u></u>

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

Debt payable, not including unamortized premiums, at June 30, 2023 is comprised of the following:

Redfield School District No 56-4 Qualified Zone Academy Bonds, Series 2009	During November 2009, the School District entered into an agreement to receive Qualified Zone Academy Bonds in the amount of \$500,000. There is no interest assessed on these bonds. Final payment is November 2024. The Capital Outlay Fund makes payment on this debt.	\$ 500,000
Redfield School District No 56-4 Qualified Zone Academy Bonds, Series 2012	During June 2012, the School District entered into an agreement to receive Qualified Zone Academy Bonds in the amount of \$1,200,000. There is an interest rate of 4.38% assessed on these bonds. Final payment is June 2027. The Capital Outlay Fund makes payment on this debt.	\$ 1,200,000
Redfield School District No 56-4 General Obligation Bonds, Series 2016	During July 2016, the School District entered into an agreement to receive General Obligations Bonds in the amount of \$15,095,000. There is an interest rate of 2.89% assessed on these bonds. Final payment is December 2036. The Bond Redemption Fund makes payment on this debt.	\$ 11,375,000
Redfield School District No 56-4 Capital Outlay Certificates Series 2017A	During December 2016, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$7,870,000. There is an interest rate of 3.33% assessed on these bonds. Final payment is August 2036. The Capital Outlay Fund makes payment on this debt.	\$ 5,440,000
Redfield School District No. 56-4 Copier Lease	During May 2020, the School District entered into an agreement to lease copiers with A&B Business Solutions in the amount of \$132,726. There is an imputed interest rate of 3% and payments are paid monthly in the amount of \$2,385. Final payment is May 2025. The Capital Outlay fund makes payment on this debt.	\$ 53,241

The Qualified Zone Academy Bonds program provides bondholders with a tax credit in lieu of cash interest payments. A Sinking fund deposit agreement was required whereby the School District makes annual payments of \$33,333, and \$80,000 until November 30, 2024, and June 27, 2027 respectively at which time the bonds will mature and be retired.

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

Compensated Absences –

Payable from the fund to which payroll expenditures are charged \$ 18,372

The annual requirements to amortize the General Obligation Bonds, Qualified Zone Academy Bonds, and intangible leases outstanding, not including unamortized premiums, at June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates (including QZAB)		Intangible Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2024	\$ 665,000	\$ 425,750	\$ 445,000	\$ 214,689	\$ 27,396	\$ 1,223	\$ 1,137,396
2025	685,000	405,650	380,000	200,812	25,845	389	1,090,845	606,851
2026	715,000	384,875	805,000	185,508	--	--	1,520,000	570,383
2027	735,000	363,275	1,520,000	169,504	--	--	2,255,000	532,779
2028	760,000	335,500	330,000	153,000	--	--	1,090,000	488,500
2029-2033	3,815,000	1,111,800	1,875,000	550,500	--	--	5,690,000	1,662,300
2034-2037	4,000,000	368,400	1,785,000	146,500	--	--	5,785,000	514,900
Totals	<u>\$ 11,375,000</u>	<u>\$ 3,395,250</u>	<u>\$ 7,140,000</u>	<u>\$ 1,620,513</u>	<u>\$ 53,241</u>	<u>\$ 1,612</u>	<u>\$ 18,568,241</u>	<u>\$ 5,017,375</u>

9. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the Bond Redemption Fund to deposit money towards paying off the Qualified Zone Academy Bonds when their term is complete. This transfer was made to meet the yearly obligations of the Quality Zone Academy Term Bonds which are tracked in the Bond Redemption Fund until the term is complete at which time the bonds are paid \$ 113,333

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds. \$ 615,027

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

10. Restricted Net Position:

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 1,352,250
Special Education	Law	459,384
Bond Redemption	Debt Covenant	1,422,166
SDRS Pension Purposes	Law	<u>636,291</u>
Total		<u>\$ 3,870,091</u>

11. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

c. Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 239,770
2022	220,067
2021	226,118

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

Proportionate share of pension liability	\$ 21,661,952
Less proportionate share of net pension restricted for pension	<u>21,676,454</u>
Proportionate share of net pension (asset)	<u><u>\$ (14,502)</u></u>

At June 30, 2023, the School District reported an asset of (\$14,502) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.15345%, which is a decrease of 0.012619% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of \$75,138. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 276,056	\$ 941
Changes in assumption	921,702	807,748
Net difference between projected and actual earnings on pension plan investments	--	34,754
Changes in proportion and difference between district contributions and proportionate share of contributions	27,704	--
District contributions subsequent to the measurement date	<u>239,770</u>	<u>--</u>
Total	<u><u>\$ 1,465,232</u></u>	<u><u>\$ 843,443</u></u>

Redfield School District No. 56-4

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

\$239,770 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30,	
2024	\$ 107,867
2025	208,743
2026	(224,085)
2027	289,494
Total	<u>\$ 382,019</u>

e. Actuarial Assumptions:

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

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

Mortality Rates:

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

Active and Terminated Vested Members:

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

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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%	0.4%
Total	<u>100.0%</u>	

f. Discount Rate:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District’s proportionate share of net pension (asset)	\$ 3,011,204	\$ (14,502)	\$ (2,487,304)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

12. Risk Management:

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

Employee Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

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

Redfield School District No. 56-4
Notes to the Financial Statements
June 30, 2023

12. Risk Management: (Continued)

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, of behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

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

The School District has equity in the Internal Service Fund in the amount of \$7,410 for the payment of future 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.

13. Implementation of New Accounting Standard:

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

14. Subsequent Events:

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

Required Supplementary Information

Redfield School District No. 56-4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,538,424	\$ 1,538,424	\$ 1,566,662	\$ 28,238
Prior years' ad valorem taxes	12,000	12,000	14,504	2,504
Utility taxes	94,000	94,000	66,071	(27,929)
Penalties and interest on taxes	5,500	5,500	2,642	(2,858)
Earnings on Investments and Deposits	11,500	11,500	5,082	(6,418)
Cocurricular Activities:				
Admissions	38,000	38,000	38,486	486
Rentals	1,800	1,800	--	(1,800)
Other Revenue from Local Sources:				
Rentals	1,000	1,000	--	(1,000)
Other	40,500	40,500	9,085	(31,415)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	25,000	25,000	25,380	380
Revenue from State Sources:				
Grants-in-Aid				
Unrestricted grants-in-aid	2,093,076	2,093,076	1,980,542	(112,534)
Other state revenues	--	--	17,618	17,618
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through an intermediate source	--	--	155	155
Restricted grants-in-aid received from federal government through the state	495,646	495,646	422,284	(73,362)
Other Federal Revenue	--	--	18,365	18,365
Total Revenues	\$ 4,356,446	\$ 4,356,446	\$ 4,166,876	\$ (189,570)

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

Redfield School District No. 56-4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,181,799	\$ 1,127,868	\$ 1,125,024	\$ 2,844
Middle/junior high	576,429	576,429	547,099	29,330
High school	806,404	821,658	996,142	(174,484)
Preschool	53,971	76,972	70,337	6,635
Special Programs:				
Educationally deprived	178,616	178,616	175,999	2,617
Support Services:				
Students:				
Attendance and social work	198,550	198,550	124,786	73,764
Guidance	--	95,944	94,088	1,856
Health	36,733	36,733	27,267	9,466
Instructional Staff:				
Improvement of instruction	22,960	22,960	3,861	19,099
Educational media	116,300	207,000	155,030	51,970
General Administration:				
Board of education	61,250	61,250	53,530	7,720
Executive administration	178,711	178,711	181,407	(2,696)
School Administration:				
Office of the principal	248,600	255,800	262,798	(6,998)
Other	--	1,200	--	1,200
Business:				
Fiscal services	81,800	87,650	74,103	13,547
Operation and maintenance of plant	615,780	615,780	665,835	(50,055)
Student transportation	282,100	282,100	250,563	31,537
Food service	10,000	10,000	--	10,000
Internal service	14,000	14,000	10,130	3,870
Nonprogrammed Charges:				
Other nonprogrammed costs	--	15,000	17,127	(2,127)
Cocurricular Activities:				
Male activities	72,225	72,225	60,381	11,844
Female activities	44,245	44,245	42,844	1,401
Transportation	18,000	18,000	27,007	(9,007)
Combined activities	58,047	58,047	47,783	10,264
Contingencies	75,000	75,000	--	75,000
Total Expenditures	<u>4,931,520</u>	<u>5,131,738</u>	<u>5,013,141</u>	<u>118,597</u>
Excess of Revenues Over Expenditures	<u>(575,074)</u>	<u>(775,292)</u>	<u>(846,265)</u>	<u>(70,973)</u>
Other Financing Sources:				
Operating transfers in	535,000	535,000	615,027	80,027
Compensation for loss of general capital assets	--	--	15,050	15,050
Total Other Financing Sources:	<u>535,000</u>	<u>535,000</u>	<u>630,077</u>	<u>95,077</u>
Net Change in Fund Balances	(40,074)	(240,292)	(216,188)	24,104
Fund Balance, Beginning of Year	<u>1,187,746</u>	<u>1,187,746</u>	<u>1,187,746</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,147,672</u>	<u>\$ 947,454</u>	<u>\$ 971,558</u>	<u>\$ 24,104</u>

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

Redfield School District No. 56-4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,577,309	\$ 1,577,309	\$ 1,577,947	\$ 638
Prior years' ad valorem taxes	10,000	10,000	10,346	346
Penalties and interest on taxes	4,000	4,000	2,626	(1,374)
Other Revenue from Local Sources:				
Rentals	14,500	14,500	--	(14,500)
Other	3,500	3,500	--	(3,500)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	253,137	253,137	92,756	(160,381)
Other	--	--	--	--
Total Revenues	1,862,446	1,862,446	1,683,675	(178,771)
Expenditures				
Instructional Services:				
Regular programs	80,000	80,000	39,477	40,523
Support Services:				
Instructional Staff:				
Educational media	85,000	85,000	3,897	81,103
School Administration:				
Office of the principal	3,000	3,000	--	3,000
Business:				
Facilities acquisition and construction	250,000	250,000	173,399	76,601
Operation and maintenance of plant	113,522	113,522	133,583	(20,061)
Student transportation	200,000	200,000	5,000	195,000
Internal service	29,200	29,200	32,107	(2,907)
Debt Services:	650,000	650,000	668,480	(18,480)
Cocurricular Activities:				
Male activities	20,000	20,000	--	20,000
Female activities	10,000	10,000	--	10,000
Total Expenditures	1,440,722	1,440,722	1,055,943	384,779
Excess of Revenue Over (Under) Expenditures	421,724	421,724	627,732	206,008
Other Financing Sources (Uses):				
Transfers out	(652,500)	(652,500)	(728,360)	(75,860)
Total Other Financing Sources (Uses)	(652,500)	(652,500)	(728,360)	(75,860)
Net Change in Fund Balances	(230,776)	(230,776)	(100,628)	130,148
Fund Balance, Beginning of Year	1,452,878	1,452,878	1,452,878	--
Fund Balance, End of Year	\$ 1,222,102	\$ 1,222,102	\$ 1,352,250	\$ 130,148

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

Redfield School District No. 56-4
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,584,549	\$ 1,030,864	\$ 1,030,570	\$ (294)
Prior years' ad valorem taxes	4,500	3,500	6,672	3,172
Penalties and interest on taxes	1,800	1,300	1,789	489
Other Revenue from Local Sources:				
Services provided other schools	35,000	25,000	35,000	10,000
Other Revenue from Local Sources:	--	3,800	400	(3,400)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	--	245,316	248,093	2,777
Other state revenue	--	--	3,000	3,000
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	--	168,778	166,939	(1,839)
Total Revenues	<u>1,625,849</u>	<u>1,478,558</u>	<u>1,492,463</u>	<u>13,905</u>
Expenditures				
Instructional Services:				
Special programs	1,812,452	1,812,452	1,303,967	508,485
Support Services:				
Students:				
Guidance services	18,450	18,450	16,323	2,127
Health services	5,801	5,801	5,689	112
Psychological services	102,300	111,750	104,270	7,480
Student therapy services	79,600	79,600	82,216	(2,616)
Education Media	--	--	2,336	(2,336)
Special Education:				
Administrative costs	186,100	186,100	101,886	84,214
Transportation costs	10,500	10,500	41,314	(30,814)
Total Expenditures	<u>2,215,203</u>	<u>2,224,653</u>	<u>1,658,001</u>	<u>566,652</u>
Net Change in Fund Balance	(589,354)	(746,095)	(165,538)	580,557
Fund Balance, Beginning of Year	624,922	624,922	624,922	--
Fund Balance, End of Year	<u>\$ 35,568</u>	<u>\$ (121,173)</u>	<u>\$ 459,384</u>	<u>\$ 580,557</u>

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

Redfield School District No. 56-4
Notes to the Required Supplementary Information
June 30, 2023

1. Basis of Presentation:

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present Capital outlay expenditures as a separate function.

2. Budgets and Budgetary Accounting:

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

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

Redfield School District No. 56-4

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1534500%	0.1660690%	0.1607445%	0.1715787%	0.1753616%	0.1752367%	0.1810958%	0.1830441%	0.1830352%
District's proportionate share of net pension liability (asset)	\$ (14,502)	\$(1,271,804)	\$ (6,981)	\$ (18,183)	\$ (4,090)	\$ (15,903)	\$ 611,724	\$ (776,342)	\$(1,318,694)
District's covered-employee payroll	\$ 3,686,773	\$ 3,768,617	\$ 3,527,855	\$ 3,648,168	\$ 3,645,583	\$ 3,560,434	\$ 3,443,515	\$ 3,341,848	\$ 3,331,093
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.39%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	-23.23%	39.59%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Redfield School District No. 56-4

Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 239,770	\$ 220,067	\$ 226,118	\$ 211,672	\$ 218,890	\$ 218,736	\$ 213,627	\$ 206,612	\$ 200,512
Contributions in relation to the contractually-required contribution	<u>239,770</u>	<u>220,067</u>	<u>226,118</u>	<u>211,672</u>	<u>218,890</u>	<u>218,736</u>	<u>213,627</u>	<u>206,612</u>	<u>200,512</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 3,996,171	\$ 3,686,773	\$ 3,768,617	\$ 3,527,855	\$ 3,648,168	\$ 3,645,583	\$ 3,560,434	\$ 3,443,515	\$ 3,341,848
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Redfield School District No. 56-4
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

Redfield School District No. 56-4

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

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

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

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

Actuarial Method Changes

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

Supplementary Information

Redfield School District No. 56-4
Schedule of Expenditures of Federal Awards
June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	\$ 32,441
Cash Assistance:			
School Breakfast Program (Note 4)	10.553	NA	11,794
National School Lunch Program (Note 4)	10.555	NA	99,604
National School Lunch Program (Note 4)	10.555	NA	4,227
Fresh Fruit and Vegetable Program	10.582	NA	<u>18,364</u>
Total Child Nutrition Cluster			<u>166,430</u>
Total U.S. Department of Agriculture			<u>166,430</u>
U.S. Department of the Interior			
Pass Through Spink County			
Payments in Lieu of Taxes	15.226	NA	<u>155</u>
Total U.S. Department of Interior			<u>155</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-56004-23	118,720
Title I Grants to Local Educational Agencies	84.010	NA	1,996
Supporting Effective Instruction State Grant	84.367	TIIA-56004-23	34,692
Student Support and Academic Enrichment Program	84.424A	TIVA-56004-23	15,446
Elementary & Secondary School Emergency Relief Fund	84.425D	NA	46,719
Elementary & Secondary School Emergency Relief Fund	84.425U	NA	179,460
Special Education Cluster:			
Special Education Grants to States	84.027	611-56004-23	157,745
Special Education - Preschool Grants	84.173	619-56004-23	<u>9,194</u>
Total Special Education Cluster			<u>166,939</u>
Total U.S. Department of Education			<u>563,972</u>
U.S. Department of Health and Human Service:			
Pass through SD Department of Human Services			
Substance Abuse and Mental Health Services Projects			
of Regional and National Significance	93.243	NA	<u>118,006</u>
Total U.S. Department of Health and Human Services			<u>118,006</u>
Grand Total			<u><u>\$ 848,563</u></u>

Redfield School District No. 56-4
Schedule of Expenditures of Federal Awards
June 30, 2023 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Redfield School District No. 56-4 under programs of the federal government for the year ended. 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 Redfield School District No. 56-4, it is not intended to and does not present the financial position, changes in net position, or cash flows of Redfield School District No. 56-4.

2. Summary of Significant Accounting Policies:

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

3. Indirect Cost Rate:

Redfield School District does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Federal Reimbursements:

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