

ROSHOLT SCHOOL DISTRICT NO. 54-4
ROSHOLT, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2022
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

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ROSHOLT SCHOOL DISTRICT NO. 54-4
ROSHOLT, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDING JUNE 30, 2022

1 Independent Auditor's Report

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

- 4 Statement of Net Position
- 5 Statement of Activities

Fund Financial Statements:

Governmental Funds:

- 6 Balance Sheet
- 7 Statement of Revenues, Expenditures, and Changes in Fund Balance

Enterprise Funds:

- 9 Statement of Net Position
- 10 Statement of Revenues, Expenses, and Changes in Net Position
- 11 Statement of Cash Flows

Fiduciary Funds:

- 12 Statement of Custodial Net Position
- 12 Statement of Changes in Custodial Net Position

13 Notes to the Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

Budgetary Comparison Schedules - Budgetary Basis:

- 37 General Fund
- 38 Capital Outlay Fund
- 39 Special Education Fund
- 40 Notes to Required Supplementary Information - Budgets

Pension Schedules:

- 41 Schedule of the School District's Proportional Share of Net Pension (Asset)/Liability
- 41 Schedule of the School District's Contributions
- 42 Notes to Required Supplementary Information - Pension

GOVERNMENTAL SECTION

- 43 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
- 45 Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance
- 48 Schedule of Prior Audit Findings
- 48 Schedule of Current Audit Findings and Questioned Costs

SUPPLEMENTARY INFORMATION

- 51 Schedule of Expenditures of Federal Awards
- 53 Management's Response to Auditor's Findings

NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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School Board
Rosholt School District No. 54-4
Rosholt, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions:

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rosholt School District No. 54-4 (School District), Roberts County, South Dakota as of June 30, 2022, and for the year 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 my 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 remaining fund information of the Rosholt School District No. 54-4 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions:

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

Management's Responsibilities for the Financial Statements:

Management is responsible for the preparation and fair presentation of these 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 misstatements, 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 Responsibility for the Audit of the Financial Statements:

My 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 my 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 generally accepted auditing standards (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 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*, I:

- > 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 37 to 40), the School District's Proportionate Share of Net Pension (Asset)/Liability (page 41), and the Schedule of the School District's Contribution (page 41) 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Rosholt School District No. 54-4
Independent Auditor's Report -- Page Three

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information:

My audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards (page 51) 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 statement.

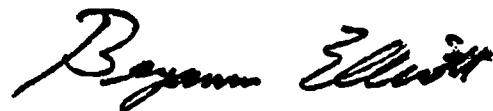
Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated May 29, 2023 (page 43) on my consideration of the School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

May 29, 2023



STATEMENT OF NET POSITION AS OF JUNE 30, 2022	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets:			
Cash	2,578,272	95,692	2,673,964
Advance payments to Trust & Agency	8,000	0	8,000
Receivables:			
Property taxes - current	691,995		691,995
Property taxes - delinquent	23,030		23,030
Due from other governments	228,558		228,558
Accounts	7,970	767	8,737
Inventory		13,803	13,803
Deposit (health insurance buy-in)	23,195		23,195
Total current assets	3,561,020	110,262	3,671,282
Capital assets:			
Land	42,234	0	42,234
Other capital assets, net of accumulated depreciation/amortization	7,128,202	34,542	7,162,744
Total capital assets	7,170,436	34,542	7,204,978
Other assets:			
Net pension assets	546,802	24,330	571,132
Total assets	11,278,258	169,134	11,447,392
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	742,396	33,029	775,425
Total deferred outflow of resources	742,396	33,029	775,425
LIABILITIES			
Current liabilities:			
Accounts payable	28,807	1,101	29,908
Contracts payable	173,124	185	173,309
Payroll deductions payable	45,101	25	45,126
Revenue received in advance		19,861	19,861
Noncurrent liabilities due in one year:			
2014 Rural Electric Economic Dev Loan	30,000		30,000
2019 LED lights loan	9,280		9,280
2020 Limited Tax GO Certificates	190,000		190,000
Direct borrowing	1,479		1,479
Copier leases	5,295		5,295
Total current liabilities	483,086	21,172	504,258
Noncurrent liabilities:			
2014 Rural Electric Economic Dev Loan	60,000		60,000
2019 LED lights loan	46,397		46,397
2020 Limited Tax GO Certificates	2,855,000		2,855,000
Direct borrowing	1,974		1,974
Copier leases	19,918		19,918
Total noncurrent liabilities	2,983,289	0	2,983,289
Total liabilities	3,466,375	21,172	3,487,547
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	691,995	0	691,995
Pension related deferred inflows	1,056,382	47,004	1,103,386
Total deferred inflow of resources	1,748,377	47,004	1,795,381
NET POSITION			
Net invested in capital assets	3,951,093	34,542	3,985,635
Restricted for:			
Capital outlay	1,529,483		1,529,483
Special education	325,302		325,302
SDRS pension purposes	232,816	10,355	243,171
Unrestricted	767,208	89,090	856,298
Total net position	6,805,902	133,987	6,939,889
See accompanying notes.			

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2022

Functions/Programs:	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
Instruction	1,740,877		220,072		-1,520,805		-1,520,805
Support services	1,023,068	81,125	294,671	1,099,600	452,328		452,328
Cocurricular activities	213,499	18,767			-194,732		-194,732
Early retirement	24,491				-24,491		-24,491
Interest and fees (all)	86,317				-86,317		-86,317
Total governmental activities	3,088,252	99,892	514,743	1,099,600	-1,374,017	0	-1,374,017
Business-type activities:							
Food service	195,855	14,046	194,164			12,355	12,355
Other enterprise fund	50,429	11,235	38,095			-1,099	-1,099
Total primary government	3,334,536	125,173	747,002	1,099,600	-1,374,017	11,256	-1,362,761
General revenue:							
Property taxes					1,539,623		1,539,623
Gross receipts tax					50,666		50,666
Revenue from state sources:							
State aid					1,345,843		1,345,843
State apportionment					9,240		9,240
Bank franchise					32,158		32,158
Revenue from county sources					22,209		22,209
Interest and dividends					6,833		6,833
Donations					3,010		3,010
Compensation for damaged property					4,908		4,908
Transfers - capital assets to food serv.					-22,100	22,100	0
Total general revenue and transfers					2,992,390	22,100	3,014,490
Change in net position					1,618,373	33,356	1,651,729
Net position:							
July 1, 2021					5,187,529	100,631	5,288,160
June 30, 2022					6,805,902	133,987	6,939,889

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4
BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS:				
Cash	696,737	1,549,813	331,722	2,578,272
Advance to custodial funds	8,000			8,000
Receivables:				
Property taxes - current	266,181	265,273	160,541	691,995
Property taxes - delinquent	13,811	6,049	3,170	23,030
Due from other governments	225,538	1,881	1,139	228,558
Accounts	7,970			7,970
Deposit (health insurance buy-in)	23,195			23,195
Total assets	1,241,432	1,823,016	496,572	3,561,020
LIABILITIES:				
Accounts payable	547	28,260		28,807
Contracts payable	164,692		8,432	173,124
Payroll deductions payable	42,804		2,297	45,101
Total liabilities	208,043	28,260	10,729	247,032
DEFERRED INFLOW OF RESOURCES:				
Taxes levied for a future period	266,181	265,273	160,541	691,995
Unavailable revenue:				
Property taxes - delinquent	13,811	6,049	3,170	23,030
Total deferred inflow of resources	279,992	271,322	163,711	715,025
FUND BALANCE:				
Nonspendable	23,195			23,195
Restricted		1,523,434	322,132	1,845,566
Committed				0
Assigned				0
Unassigned	730,202			730,202
Total fund balance	753,397	1,523,434	322,132	2,598,963
Total liabilities, deferred inflow of resources and fund balance	1,241,432	1,823,016	496,572	3,561,020

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 2,598,963

Amounts reported in the government-wide statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported as assets in governmental funds. Therefore:

Add the cost of capital assets and leased copiers 9,437,183
Subtract the associated accumulated depreciation -2,266,747

These pension related amounts are not an available financial resource and therefore are not reported in the funds.

Net pension assets 546,802
Deferred outflow of resources 742,396
Deferred inflow of resources -1,056,382

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities:

2014 Rural Electric Economic Dev Loan -90,000
2019 LED lights loan -55,677
2020 Limited Tax GO Certificates -3,045,000
Copier direct borrowing -3,453
Copier leases -25,213

Assets such as taxes receivable (delinquent) are not available to pay of current period expenditures and therefore are deferred in the funds.

Total net position on government-wide statement of net position 6,805,902

ROSHOLT SCHOOL DISTRICT NO. 54-4
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:	-----	-----	-----	-----
Taxes:				
Ad valorem taxes	592,526	576,650	356,223	1,525,399
Mobile home	2,327	1,311	809	4,447
Prior year ad valorem taxes	875	271	133	1,279
Penalties and interest	1,595	1,490	929	4,014
Gross receipts	50,666			50,666
Interest and dividends	6,833			6,833
Cocurricular activities:				
Admissions	10,072			10,072
Student activities	7,010			7,010
Other revenue from local sources:				
Medicaid administration	1,685		1,023	2,708
LEAS outside of state	80,101			80,101
Other	3,010			3,010
	-----	-----	-----	-----
Total revenue from local sources	756,700	579,722	359,117	1,695,539
	-----	-----	-----	-----
Revenue from intermediate sources:				
County sources:				
County apportionment	22,209			22,209
Revenue from state sources:				
Unrestricted grants-in-aid	1,387,241			1,387,241
Restricted grants-in-aid		225,000		225,000
Revenue from federal sources:				
Restricted grants-in-aid	289,744	1,099,600		1,389,344
	-----	-----	-----	-----
Total revenues	2,455,894	1,904,322	359,117	4,719,333
	-----	-----	-----	-----
Expenditures:				
Instruction (current):				
Regular programs:				
Elementary school	590,646			590,646
Middle school	264,576			264,576
High school	417,358			417,358
Special programs:				
Professional services (Title III)	750			750
Educ. deprived (Title I)	184,544			184,544
Programs for special educ.			271,297	271,297
	-----	-----	-----	-----
Total instruction	1,457,874	0	271,297	1,729,171
	-----	-----	-----	-----
Support services (current):				
Pupils:				
Guidance	36,953			36,953
Health	1,279			1,279
In-staff training	240			240
Educational media	423			423
Technology in school	42,915			42,915
Special education			50,698	50,698
General administration:				
Board of Education	14,393			14,393
Executive administration	173,255			173,255
School administration:				
Office of principal	141,929			141,929
Business:				
Fiscal services	166,494			166,494
Operations and maintenance	238,156	36,452		274,608
Facilities acquisition & Const		9,809		9,809
Pupil transportation	148,767	2,523	7,285	158,575
Background checks	442			442
Nonprogram charges:				
Early retirement	24,491			24,491
	-----	-----	-----	-----
Total support services	989,737	48,784	57,983	1,096,504
	-----	-----	-----	-----

(continued)

ROSHOLT SCHOOL DISTRICT NO. 54-4
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2022 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cocurricular activities (current):				
Male activities	34,614			34,614
Female activities	23,057			23,057
Transportation	14,519			14,519
Combined activities	91,509			91,509
Total cocurricular services	163,699	0	0	163,699
Debt service:				
2014 Rural Electric Economic Dev Loan		30,000		30,000
Interest and fees		675		675
2019 LED Lights Loan		9,280		9,280
2021 Limited tax GO Certificates:		190,000		190,000
Interest and fees		90,091		90,091
Direct borrowing principal		4,832		4,832
Copier leases principal		1,931		1,931
Copier leases interest		327		327
Total debt service	0	327,136	0	327,136
Capital outlay:		3,690,650		3,690,650
Total expenditures	2,611,310	4,066,570	329,280	7,007,160
Excess of revenues over (under) expenditures	-155,416	-2,162,248	29,837	-2,287,827
Other financing sources (uses):				
Compensation for damaged property	4,908			4,908
Copier leases proceeds		27,144		27,144
Transfer in	240,000			240,000
Transfer (out)		-240,000		-240,000
Net change in fund balance	89,492	-2,375,104	29,837	-2,255,775
Fund balance:				
July 1, 2021	663,905	3,898,538	292,295	4,854,738
June 30, 2022	753,397	1,523,434	322,132	2,598,963

Reconciliation of the above statement of revenues, expenditures, and
changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) -2,255,775

Capital outlays are reported in governmental funds as expenditures.
However, in the government-wide statement of activities, the cost
of those assets is allocated over the estimated useful lives as
depreciation expense. Therefore:

Add the cost of FY22 capital asset purchases	3,695,425
Subtract depreciation taken on all capital assets	-151,489
Subtract transfer out of equipment to the food service fund	-22,100

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
the funds. Therefore::

Subtract prior year delinquent taxes	-18,545
Add current year delinquent taxes	23,030

Expense reductions related to pensions do not provide current financial resources (uses) and, therefore, are not reported in the funds	138,928
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Current debt principal reduction (increase) is not reported
in the government-wide statement of activities:
Therefore:

Add current year principal payments on:	
2014 Rural Electric Economic Development loan	30,000
2020 Limited Tax GO Certificates	190,000
2019 LED lights loan	9,280
Direct borrowing	4,832
2022 copier leases	1,931
Subtract current year lease proceeds:	
2022 copier leases	-27,144

Change in net position on government-wide statement of activities	1,618,373
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ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2022

	Food Fund	Other Enterprise Fund	Total
ASSETS	-----	-----	-----
Current assets:			
Cash	82,916	12,776	95,692
Accounts receivable	767		767
Inventory - supplies	2,580		2,580
Inventory - purchased goods	2,244		2,244
Inventory - commodities (donated)	8,979		8,979
Capital assets:			
Equipment	95,986		95,986
Accumulated depreciation	-61,444		-61,444
Other assets:			
Net pension assets	23,359	971	24,330
	-----	-----	-----
Total assets	155,387	13,747	169,134
	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	31,716	1,313	33,029
	-----	-----	-----
Total deferred outflow of resources	31,716	1,313	33,029
	=====	=====	=====
LIABILITIES			
Accounts payable	1,101		1,101
Contracts payable	185		185
Payroll deductions payable	25		25
Revenue received in advance	19,861		19,861
	-----	-----	-----
Total liabilities	21,172	0	21,172
	=====	=====	=====
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows	45,128	1,876	47,004
	-----	-----	-----
Total deferred inflow of resources	45,128	1,876	47,004
	=====	=====	=====
NET POSITION			
Net invested in capital assets	34,542		34,542
Restricted for SDRS pension purposes	9,947	408	10,355
Unrestricted	76,314	12,776	89,090
	-----	-----	-----
Total net position	120,803	13,184	133,987
	=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2022

	Food Service Fund	Other Enterprise Fund	Total Enterprise Funds
Operating revenue:	-----	-----	-----
Sales to pupils	8,035	3,358	11,393
Sales to adults	6,012	7,877	13,889
	-----	-----	-----
Total operating revenue	14,047	11,235	25,282
	-----	-----	-----
Operating expense:			
Salaries	73,315	2,700	76,015
Employee benefits	28,018	368	28,386
Purchased services	6,104		6,104
Supplies	5,261	2,745	8,006
Small equipment		44,806	44,806
Cost of sales:			
Purchased food	47,069		47,069
Donated food (commodities)	21,874		21,874
Purchased food - Colony	7,438		7,438
Depreciation	5,801		5,801
Pension related expense (reduction)	-5,895	-190	-6,085
	-----	-----	-----
Total operating expenses	188,985	50,429	239,414
	-----	-----	-----
Operating income (loss)	-174,938	-39,194	-214,132
Nonoperating revenue (expense):			
Local source:			
Interest and dividends			0
Donations		38,095	38,095
State source:			
Cash reimbursement	473		473
Federal source:			
Cash reimbursement - food	177,932		177,932
Donated food	15,758		15,758
	-----	-----	-----
Total nonoperating revenue (expense)	194,163	38,095	232,258
	-----	-----	-----
Net revenue (expenses) before transfers	19,225	-1,099	18,126
	-----	-----	-----
Loss on disposition of assets	-6,870		-6,870
Transfer in from capital assets	22,100		22,100
	-----	-----	-----
Change in net position	34,455	-1,099	33,356
	-----	-----	-----
Net position, July 1, 2021	86,348	14,283	100,631
	-----	-----	-----
Net position, June 30, 2022	120,803	13,184	133,987
	=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2022

	Food Service Fund	Other Enterprise Fund	Total Enterprise Fund
	-----	-----	-----
Cash flows from:			
Operating activities:			
Receipts from customers	25,559	11,235	36,794
Cash paid for employees	-101,124	-3,069	-104,193
Payments to suppliers	-64,449	-47,858	-112,307
Net cash provided (used) by operating activities	----- -140,014	----- -39,692	----- -179,706
Noncapital financing activities:			
Donations		38,095	38,095
Grant cash reimbursements, state	473		473
Grant cash reimbursements, federal	177,932		177,932
Capital financing activities:			
None			0
Investing activities:			
Interest and dividends			0
Net increase (decrease) in cash and cash equivalents	----- 38,391	----- -1,597	----- 36,794
Cash and cash equivalents:			
July 1, 2021	44,525	14,373	58,898
June 30, 2022	----- 82,916	----- 12,776	----- 95,692
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	-174,938	-39,194	-214,132
Value of donated commodities used	21,874		21,874
Depreciation	5,801		5,801
Pension related expense (reduction)	-5,895	-190	-6,085
Change in operating accounts:			
Accounts receivable	-161		-161
Inventory - supplies	-230		-230
Inventory - purchased	550		550
Accounts payable	1,103	-308	795
Contracts payable	184		184
Payroll withholding payable	25		25
Revenue received in advance	11,673		11,673
Net cash provided (used) by operating activities	----- -140,014	----- -39,692	----- -179,706
Noncash investing, capital and financing activities:			
Value of donated commodities received	15,758		15,758
Transfer in from capital assets	22,100		22,100
Loss on disposition of assets	6,870		6,870

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF CUSTODIAL NET POSITION
AS OF JUNE 30, 2022

	Total Custodial Funds
Assets:	
Cash	76,986
Due from others	0

Total assets	76,986
	=====
Liabilities:	
Due to general fund	8,000

Total liabilities	8,000
	=====

Custodial net position:	68,986
	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF CHANGES IN CUSTODIAL NET POSITION
FOR THE YEAR ENDING JUNE 30, 2022

	Total Custodial Funds

Revenue:	
Class and club activities	115,011

Total revenue	115,011

Expenses:	
Class and club activities	114,978

Total expenses	114,978

Change in custodial net position	33
Custodial net position:	
July 1, 2021	68,953

June 30, 2022	68,986
	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT No. 54-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The reporting entity included in this report is controlled by or dependent upon the Rosholt School District's (School District) Board of Education.

School District's officials at June 30, 2022 are:

Board Members:

Lana Sand, Chairperson
Curt Braun
Sue Braun
Amber Hamling
Lisa Klein

Superintendent:

Brian Nelson

Business Manager:

Vicky Boom

Attorney:

Churchill, Manolis, Freeman, Kludt,
& Burns, LLP

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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.

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 organization's 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 (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Rosholt School District does not have any component units.

The School District does participate with other school districts in cooperative service units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship to the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category or type (that is, total governmental or total enterprise), and
- b. An element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined. or
- c. 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 operation.

The School District has elected to classify all of its funds as major funds. School District funds are described below within their respective fund type:

Governmental Funds

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

Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:

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 grants and property taxes. This fund is a major fund.

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

Enterprise Funds

Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services.

Activities are required to be reported as enterprise funds if any one of the following criteria is met:

- a. 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.)*
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such a depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such a depreciation or debt service)*

The School District has the following enterprise fund:

Food Service Fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants. This fund is a major fund.

Other Enterprise Fund - a fund used to record financial transactions related to driver's education and wellness center activities. This fund is financed by user charges. This fund is a major fund.

Fiduciary Funds

Fiduciary are never considered to be major funds.

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

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

In the fund financial statements, all governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

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 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:

In the 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 School District considers significant revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The revenues which are accrued at June 30, 2022 are property taxes, grants, and other accounts receivable.

Under the modified accrual basis of accounting, receivables, such as taxes receivable or grants receivable, 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 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 is recognized when due. However, the School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. 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:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by "nonspendable fund balance" which indicates that they do not constitute "available spendable resources" since they are not a component of unassigned fund balance. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the food service and driver's education funds have access to their cash resources on demand. Accordingly, all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Inventory:

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

Governmental activities and governmental fund inventories, if any, consists of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items, if any, are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements 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. Nonspendable fund balance related to inventory are reported net of related liabilities (accounts payable).

h. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

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

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2022 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets also are not capitalized with other capital asset cost.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See page 33.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Amortization Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/structures	50,000	Straight-line	10-50
Improvements	25,000	Straight-line	10-20
Equipment	5,000	Straight-line	5-20
Equipment - food service	3,000	Straight-line	10-20
Vehicles	5,000	Straight-line	10
Copiers (leasehold)	2,000	Straight-line	3-5

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

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

i. Long-term Liabilities:

The accounting treatment for long-term liabilities depends on whether the assets are used in governmental fund operations or enterprise fund operations and whether they are reported in the government-wide or fund financial statements. See page 34.

Government-wide Financial Statements:

In the government-wide financial statements, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of one Rural Electric Economic Development loan, one limited tax GO certificate issue, one energy efficiency loan from the state for LED lighting, and four copier leases.

Fund Financial Statements:

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

j. Leases:

The School District is a lessee on two (2) noncancellable copier leases with an initial capitalization amount of \$27,144. The School District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial individual value of \$2,000 or more. See page 35.

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 term of the lease using a 5% imputed rate of interest. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The intangible right-to-use lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the fixed term as stated in a lease contract.

Key estimates and judgments related to leases include how the School District determines (1) the imputed rate of interest used to discount lease payments to a present value, 5% was determined to be reasonable, (2) lease term is the noncancellable period of the lease (3) lease payments included in the measurement of the lease liability are composed of the fixed payments as stated in the lease contracts and a purchase option price of zero based on the School District's practice of leasing a new copier at the end of a copier lease.

The School District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the intangible 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 government-wide statement of net position.

k. Deferred Outflows/Inflows of Resources:

The School 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 enterprise funds statement of net position. The only deferred outflow of resources reported is a deferred amount arising from the School District's pension plan for qualified retirees as discussed in Note 11. There are no deferred outflows of resources reported in the governmental funds balance sheet.

The School District reports decreases in net position that relate to a future period or periods as deferred inflows of resources in a separate section of its government-wide and enterprise funds statement of net position. 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 School District's fiscal year). The School District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period and property taxes collected within the available period that are intended to finance the next fiscal year. In the government-wide financial statements, the School District reports deferred inflows of resources for the property taxes that are levied for future periods and amounts related to the pension plan. The School District has no deferred inflows of resources in the enterprise fund statements for the current year.

l. Accumulated Unpaid Vacation and Sick Leave:

Vacation leave is non-accumulative. Vacation leave is earned by full-time non-certified employees at the rate of 2 to 3 weeks per year. Upon termination employees are not entitled to receive compensation for their accrued annual leave balance. At June 30, 2022 unused vacation leave was \$4,487.

Sick and personal leave is earned by full-time employees at the rate of 10 days per year, accumulated to 80 days. Upon termination, employees are not entitled to receive compensation for their accrued sick leave balance. At June 30, 2022 there were 1,742 days of unused sick days, which if taken at an average teacher's daily pay of \$250 would equal \$435,500.

The financial statements do not give effect to these potential liabilities.

m. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

n. Program Revenues and General 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 Revenues - Operating Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program Revenues - Capital Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from the county, state, or federal governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

o. Unearned Revenue:

The enterprise fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

p. Net Position and Fund Balance:

Government-wide Statements:

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 positions are available.

Net Position includes the following 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 capital outlay certificate payable, capitalized leases payable, 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 creditor, 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 positions that do not meet the definition of "restricted" or "invested in Capital assets".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and is distinguished between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components.

Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity is reported as "Custodial Net Position".

q. Fund Balance Classification Policies and Procedures:

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

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by School Board, Superintendent, or Business Manager.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Rosholt School District fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Deposit		23,195
Restricted	Capital Outlay	Statute	1,523,434
	Special Education	Statute	322,132
Committed			0
Assigned			0
Unassigned	General		730,202

			2,598,963

The School District uses "restricted" and "committed" amounts first when 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 School District would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made that are applicable to more than one of these balances.

The School District does not have a formal minimum fund balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Purpose:	Revenue Source: (see page 7)
* Capital Outlay	See Note 1(b)	Property taxes
* Special Education	See Note 1(b)	Property taxes, grants, and Medicaid services reimbursements

r. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

s. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation - estimated service lives
- * Pension - actuarial assumptions
- * Leases - estimate of imputed interest rate

t. IMPLEMENTATION OF GASB Statement No. 87:

As of July 1, 2021, the School District adopted GASB Statement 87, *Leases*. GASB 87 affects any government entity that enters into a lease. The main difference between previous GAAP and GASB 87 is the recognition of lease assets and liabilities for the lessee and the recognition of a lease receivable and deferred inflow of resources for the lessor. There was no effect on the beginning net position as a result of implementation of this standard.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

3. DEPOSITS, INVESTMENTS AND 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 deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota. Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at June 30, 2022 were as follows: Insured \$500,000, Collateralized ** \$2,395,415, for a total of \$2,895,415.

** Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2022 was \$2,750,550, which equals \$2,673,964 on the government-wide statement of net position plus \$76,986 on the fiduciary funds statement less \$400 of petty cash.

Investments - In general, SDCL 4-5-6 permits school district 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 (c) in shares of an open-end, no-load mutual 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 safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

During the year ending June 30, 2022 the School District had no investments.

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

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2022, the School District's deposits in financial institutions were not exposed to custodial credit risk as all deposits were fully collateralized by pledged securities.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in Great Western Bank.

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

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

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. DUE FROM OTHER GOVERNMENTS

At June 30, 2022 amounts due from other governments was for the following:

Roberts County	Property taxes	\$ 6,953
Roberts County	Gross Receipt taxes	24,315
South Dakota	Gross Receipt taxes	26,350
Federal government grants		170,940

		\$ 228,558

6. INVENTORY

Government-wide Statements: (consumption method)

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are used. Inventory of supplies and small tools is recorded at cost.

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. Inventory at June 30, 2022 is estimated to be \$13,803 primarily for food in the food service fund.

Fund Financial Statements: (consumption method)

In the fund financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental 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.

Inventory of supplies and small tools are recorded at cost. The cost valuation method is first-in first-out. Donated commodities in the food service fund are valued at estimated market value based on the USDA price list at date of receipt.

7. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of changes in capital assets for the fiscal year ending June 30, 2022 is found on schedule one at the end of these footnotes. There is construction-in-progress at June 30, 2022.

8. LONG-TERM LIABILITIES (see schedule two)

A summary of changes in long-term liabilities for the fiscal year ending June 30, 2022 is found on schedule two at the end of these footnotes. The School District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, debt agreements terms related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

9. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental	Business-type
		Activities Amount	Activities Amount
Capital outlay	Statute	\$ 1,529,483	\$
Special education	Statute	325,302	
SDRS pension purposes	Statute	232,816	10,355
		-----	-----
Total restricted net position		\$ 2,087,601	\$ 10,355

Although unrestricted, the Food Service Fund's net position of \$76,314 is limited by Federal Regulations as the School District's food services are primarily funded with federal grants.

10. INTERFUND BALANCES AND TRANSFERS

At June 30, 2022 the custodial imprest fund held \$8,000 of general fund money to cover School District cost paid through the imprest fund.

During the year ending June 30, 2022 the capital outlay fund transferred \$240,000 to the general fund for operations. General capital assets received \$22,100 of kitchen equipment from the capital outlay fund and transferred it to the food service fund.

11. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South 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 South Dakota Codified Law 3-12. 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 SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-

life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% 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 years ending June 30, 2022, 2021 and 2020 were \$98,114, \$101,442 and \$97,774, respectively (employer's share) equal to the required contribution each year.

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

At June 30, 2021 SDRS is 105.53% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2021 and reported by the School District as of June 30, 2022 are as follows:

Proportionate share of total pension liability	\$ 10,341,123
Less: Proportionate share of net position restricted for pension benefits	(10,912,255)

Proportionate share of net pension (asset)/liability	\$ (571,132)
	=====

At June 30, 2022 the School District reported a (asset)/liability of \$(571,132) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .000745770 which is an increase of .000004045 over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized net pension (expense reduction) of \$145,013.

At June 30, 2022 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,505	\$ 1,497
Change in assumptions	656,796	286,015
Net difference between projected and actual earnings on pension plan investments	0	815,874
Changes in proportion and difference between client contribution and proportionate share of contributions	10	
School District contributions subsequent to the measurement date	98,114	
	-----	-----
Totals	775,425	1,103,386
	(98,114)	=====
	(1,103,386)	

To be amortized over 4 years	(426,075)	
	=====	

The \$98,114 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending June 30, 2023	\$ (104,942)
June 30, 2024	(71,581)
June 30, 2025	(20,026)
June 30, 2026	(229,526)

	(426,075)

Actuarial Assumptions:

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

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

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

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those 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 (asset)/liability.

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$924,805	\$(571,132)	\$(1,785,485)

Pension Plan Fiduciary Net Position:Detailed information about the Plan's fiduciary net position is available in a separately issued SDRS financial report.14.

12. EMPLOYEE BENEFIT PLAN

The School District offers eligible employees a "Flexible Benefits Plan" (also known as "Flex One" plan) under IRC Sec.125. The Plan allows eligible employees to use money provided by the School District through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan. All salary redirections are sent to AFLAC which administers the Plan.

13. PROPERTY TAXES

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

School District property tax revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations. Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 6 and 8.

14. JOINT VENTURE

Northeast Educational Services Cooperative No. 28-201
P.O. Box 327, Hayti, South Dakota 57241, 605.783.3607

The School participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2022, the School's percentage of participation in the co-op, based on pupil counts, is 3.03%.

The co-op's governing board has two representatives from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota. At June 30, 2022 this joint venture had total UNAUDITED fund equity of \$1,232,381 and no long-term debt.

15. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2022 the School managed its risks as follows:

Health:

The School 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:

The School 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.

Workmen's Compensation:

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

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Any claims would be paid by the general fund. During the year ending June 30, 2022 the School District did not pay any unemployment claims and none are expected to be paid in FY23.

16. TAX ABATEMENTS

As of June 30, 2022 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

17. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

18. OTHER DISCLOSURES

By agreement with the Fairmont, North Dakota School District, the Rosholt School District's superintendent's time is divided 50% to Fairmont and 50% to Rosholt. Also, by agreement with the Fairmont School District, the Rosholt School District pays the superintendent's salary of \$120,000 and the Fairmont School District pays the Rosholt School District \$60,000 plus related payroll cost for a total of \$68,190 in FY22.

The School District has \$131,017 of ESSER III federal grant Learning Loss award available for FY23 and FY24.

In FY23 the School District received a \$13,000 USDA grant for a kitchen oven.

A review of all School District policies is being done by a law firm, which is expected to be completed in FY23.

Southeast Area Cooperative, an educational cooperative established pursuant to SDCL 13-5, and the Rosholt School District and other parties have established an entity named Southeast Interactive Long Distance Learning Project. The entity was established to jointly and cooperatively provide and utilize a two-way interactive audio-video network between Participants so as to provide a comprehensive educational program.

The School District is dependent upon program revenues and operating revenues from the State of South Dakota for its primary existence.

Student enrollments are:	FY10 218	FY13 224	FY16 230	FY19 249	FY22 242
	FY11 222	FY14 215	FY17 230	FY20 243	FY23 230
	FY12 224	FY15 215	FY18 244	FY21 243	

19. EMERGING ACCOUNTING PRONOUNCEMENTS

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 affects any government entity that enters into a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 is effective for years beginning after June 15, 2022. The School District has not yet implemented this update and is in the process of assessing the effect on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE YEAR ENDING JUNE 30, 2022

	Beginning 6-30-21	Adjustments	Additions	(Deletions)	Ending 6-30-22	Accumulated Depreciation Amortization 6-30-21	Adjustments	(Additions)	Deletions	Accumulated Depreciation Amortization 6-30-22	Remaining Cost 6-30-22
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
General capital assets:											
Not being depreciated:											
Land	42,234				42,234						42,234
Construction-in-progre	684,186		3,608,329		4,292,515	0				0	4,292,515
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	726,420	0	3,608,329	0	4,334,749	0	0	0	0	0	4,334,749
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Being depreciated/amortized:											
Buildings	3,862,713				3,862,713	-1,362,500		-71,127		-1,433,627	2,429,086
Improvements	223,317		5,801		229,118	-122,744	-1	-18,640		-141,385	87,733
Equipment	388,380		27,275		415,655	-359,499	-4,311	-6,115		-369,925	45,730
Equipment - vehicles	561,950				561,950	-269,437	4,311	-48,455		-313,581	248,369
Intangible copier leases	0	5,853	27,144		32,997	0	-1,077	-7,152		-8,229	24,768
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	5,036,360	5,853	60,220	0	5,102,433	-2,114,180	-1,078	-151,489	0	-2,266,747	2,835,686
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Combined totals	5,762,780	5,853	3,668,549	0	9,437,182	-2,114,180	-1,078	-151,489	0	-2,266,747	7,170,435
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Governmental depreciation is allocated as follows:											
								49,250			
								52,439			
								49,800			

								151,489			
								=====			
Enterprise fund:											
Food service fund:											
Equipment	89,153		22,100	-15,267	95,986	-64,040		-5,801	8,397	-61,444	34,542
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	89,153	0	22,100	-15,267	95,986	-64,040	0	-5,801	8,397	-61,444	34,542
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

ROSHOLT SCHOOL DISTRICT NO. 54-4

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM LIABILITIES
FOR THE ONE YEAR ENDING JUNE 30, 2022

	Beginning 6-30-21 -----	Additions -----	(Deletions) -----	Governmental Ending 6-30-22 -----	Principal Due in FY23 -----
GOVERNMENTAL - DIRECT BORROWING					
2014 Rural Electric Economic Development (REED) Loan:					
Original face amount: \$300,000					
Maturing November 25, 2024					
Interest at 0%					
Annual payments of \$30,000 for 10 years					
Purpose - school building improvements					
Collateral - REED staff perfects in the form of a mortgage on real property and/or a lien (UCC-1) on equipment and/or fees and revenue streams of a public body.					
Paid by the capital outlay fund	120,000		-30,000	90,000	30,000
2019 Energy Efficiency School Loan (LED lights):					
Original face amount: \$92,797					
Maturing July 31, 2028					
Interest at 0%					
Annual payments of \$9,280					
Loan comes from the State of South Dakota's Bureau of Administration's (BOA) general fund.					
Collateral - Breach or evasion of any terms of Agreement with BOA authorizes recourse to injunction and/or specific performance as well as all other legal or equitable remedies to which BOA may be entitled.					
Paid from capital outlay fund	64,957		-9,280	55,677	9,280
2020 Limited Tax GO Refunding Certificates:					
Total amount of \$3,235,000					
Maturing 12-1-2035					
Interest from 1.70% to 2.00%					
First payment: 12-1-2021					
Purpose - HVAC and building addition					
Callable on December 1, 2026					
Collateral - Ad valorem taxes not in excess of three dollars per thousand annually upon all of the taxable property of the School District, for the capital outlay fund of the School District, from which fund said Certificates and interest thereon are payable.					
Also secured by School District's participation in the Pledged State Aid Program under SDCL 13-19-27 and 13-16A-97					
Paid by the capital outlay fund	3,235,000		-190,000	3,045,000	190,000

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE ONE YEAR ENDING JUNE 30, 2022

	Beginning 6-30-21 -----	Additions -----	(Deletions) -----	Governmental Ending 6-30-22 -----	Principal Due in FY23 -----
GOVERNMENTAL - DIRECT BORROWING (continued)					
2017 Direct borrowing for 2 copiers:					
Original amount: \$19,488					
Maturing February 2022					
Imputed interest at 8.0%					
Monthly payments of \$395.15					
Collateral - Copiers					
Paid from capital outlay fund	3,069		-3,069	0	0
Direct borrowing for administration copier:					
Original amount: \$2,761					
Maturing June 2024					
Imputed interest at 5.0%					
Monthly payments of \$63.59					
Collateral - Copiers					
Paid from capital outlay fund	2,226		-777	1,449	707
Direct borrowing for Colony copier:					
Original amount: \$3,091					
Maturing December 2024					
Imputed interest at 5.0%					
Monthly payments of \$71.19					
Collateral - Copiers					
Paid from capital outlay fund	2,990		-986	2,004	772
GOVERNMENTAL - OTHER DEBT					
2022 Lease of 2 big copiers:					
Original amount: \$24,980					
Maturing February 2027					
Imputed interest at 5.0%					
Monthly payments of \$471.41					
Collateral - Copiers					
Paid from capital outlay fund	0	24,980	-1,478	23,502	4,586
2022 Lease of front office copier:					
Original amount: \$2,164					
Maturing February 2027					
Imputed interest at 5.0%					
Monthly payments of \$64.85					
Collateral - Copiers					
Paid from capital outlay fund	0	2,164	-453	1,711	709
Total Governmental	3,428,242	27,144	-236,043	3,219,343	236,054
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE ONE YEAR ENDING JUNE 30, 2022

Remaining Payment Schedule as of June 30, 2022	Total Payment	Principal	Interest	Remaining Balance
-----	-----	-----	-----	-----
2014 Rural Electric Economic Development Loan:				
6-30-23	30,000	30,000	0	60,000
6-30-24	30,000	30,000	0	30,000
6-30-25	30,000	30,000	0	0
-----	-----	-----	-----	-----
	90,000	90,000	0	
	-----	-----	-----	
2019 Energy Efficiency School Loan (LED lights):				
6-30-23	9,280	9,280	0	46,397
6-30-24	9,280	9,280	0	37,117
6-30-25	9,280	9,280	0	27,837
6-30-26	9,280	9,280	0	18,557
6-30-27	9,280	9,280	0	9,277
6-30-28	9,277	9,277	0	0
-----	-----	-----	-----	-----
	55,677	55,677	0	
	-----	-----	-----	
2020 Limited Tax GO Refunding Certificates:				
6-30-23	247,208	190,000	57,208	2,855,000
6-30-24	248,357	195,000	53,357	2,660,000
6-30-25	249,408	200,000	49,408	2,460,000
6-30-26	245,407	200,000	45,407	2,260,000
6-30-27	246,358	205,000	41,358	2,055,000
FY28-FY32	1,242,537	1,100,000	142,537	955,000
FY33-FY36	990,448	955,000	35,448	0
-----	-----	-----	-----	-----
	3,469,723	3,045,000	424,723	
	-----	-----	-----	
Direct borrowing administration copier:				
6-30-23	763	707	56	742
6-30-24	763	742	21	0
-----	-----	-----	-----	-----
	1,526	1,449	77	
	-----	-----	-----	
Direct borrowing Colony copier:				
6-30-23	854	772	82	1,232
6-30-24	854	811	43	421
6-30-25	427	421	6	0
-----	-----	-----	-----	-----
	2,135	2,004	131	
	-----	-----	-----	
2022 Lease of 2 big copiers:				
6-30-23	5,657	4,586	1,071	18,916
6-30-24	5,657	4,821	836	14,095
6-30-25	5,657	5,067	590	9,028
6-30-26	5,657	5,326	331	3,702
6-30-27	3,771	3,702	69	0
-----	-----	-----	-----	-----
	26,399	23,502	2,897	
	-----	-----	-----	
2022 Lease of front office copier:				
6-30-23	778	709	69	1,002
6-30-24	778	745	33	257
6-30-25	259	257	2	0
-----	-----	-----	-----	-----
	1,815	1,711	104	
	-----	-----	-----	

ROSHOLT SCHOOL DISTRICT NO. 54-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2022

GENERAL FUND	Budgeted Amounts				Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final	
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	590,618			590,618	592,526
Mobile home	2,000			2,000	2,327
Prior year ad valorem taxes	2,000			2,000	875
Penalties and interest	1,500			1,500	1,595
Gross receipts	50,000			50,000	50,666
Interest and dividends	2,000			2,000	6,833
Cocurricular activities:					
Admissions	10,700			10,700	10,072
Student activities	7,500			7,500	7,010
Other revenue from local sources:					
Medicaid administration	1,500			1,500	1,685
LEAS outside of state	68,000			68,000	80,101
Other	19,500			19,500	3,010
Intermediate sources:					
County apportionment	20,000			20,000	22,209
State sources:					
State aid, unrestricted	1,260,000			1,260,000	1,345,843
State apportionment	11,000			11,000	9,240
Bank franchise	15,000			15,000	32,158
Federal sources:					
Restricted grants-in-aid	253,559		31,000	284,559	289,744
Total revenues	2,314,877	0	31,000	2,345,877	2,455,894
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	605,715			605,715	590,646
Middle school	273,750			273,750	264,576
High school	402,700	22,800		425,500	417,358
Special programs:					
Professional services (Title I)	750			750	750
Educ. deprived (Title I)	201,696			201,696	184,544
Support services:					
Pupils:					
Guidance	42,000			42,000	36,953
Health	7,000			7,000	1,279
Instruction:					
In-staff training				0	240
Educational media	500			500	423
Technology in school	47,000			47,000	42,915
General administration:					
Board of Education	21,500			21,500	14,393
Executive administration	189,000			189,000	173,255
School administration:					
Office of principal	142,000		10,000	152,000	141,929
Business:					
Fiscal services	171,575			171,575	166,494
Operations and maintenance	258,100		21,000	279,100	238,156
Pupil transportation	157,850			157,850	148,767
Background checks				0	442
Early retirement	12,343	12,200		24,543	24,491
Cocurricular activities:					
Male activities	56,810			56,810	34,614
Female activities	11,000	5,000		16,000	23,057
Transportation	0			0	14,519
Combined activities	113,715			113,715	91,509
Contingencies	40,000	-40,000		0	0
Amount transferred				0	0
Total expenditures	2,755,004	0	31,000	2,786,004	2,611,310
Other sources and (uses):					
Compensation for damaged property				0	4,908
Transfer in	250,000			250,000	250,000
Transfer (out)	-25,000			-25,000	25,000
Net change in fund balance	-190,127	0	0	-190,127	99,492
Fund balance:					
July 1, 2021	663,905			663,905	663,905
June 30, 2022	473,778	0	0	473,778	763,397

ROSHOLT SCHOOL DISTRICT NO. 54-4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2022

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	595,000		595,000	576,650	-18,350
Mobile home	1,000		1,000	1,311	311
Prior year ad valorem taxes	1,000		1,000	271	-729
Penalties and interest	1,200		1,200	1,490	290
COL Certificate loan	2,900,000		2,900,000		-2,900,000
State sources:					
Workforce grant				225,000	1,316,193
Federal sources:					
Restricted diesel grant	1,320,000			1,099,600	1,316,193
Total revenues	4,818,200	0	3,498,200	1,904,322	-286,092
Expenditures:					
Instruction:					
Regular programs:					
Elementary school			0	10,640	-10,640
Middle school			0	10,640	-10,640
High school			0	10,640	-10,640
Support services:					
Business:					
Operations and maintenance	12,000		12,000	91,628	-79,628
Buildings	4,503,000		4,503,000	3,618,138	884,862
Transportation	5,000		5,000	2,523	2,477
Food service	10,000		10,000		10,000
Wellness Center	240,000		240,000		240,000
Debt service:	330,280		330,280	327,136	3,144
Total expenditures	5,100,280	0	5,100,280	4,071,345	1,028,935
Other financial sources (uses):					
Capital lease proceeds				31,919	31,919
Transfer (out)	-250,000		-250,000	-240,000	10,000
Net change in fund balance	-532,080	0	-1,852,080	-2,375,104	-1,273,108
Fund balance:					
July 1, 2021	3,898,538		3,898,538	3,898,538	0
June 30, 2022	3,366,458	0	2,046,458	1,523,434	-1,273,108

ROSHOLT SCHOOL DISTRICT No. 54-4

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE YEAR ENDING JUNE 30, 2022

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	338,000		338,000	356,223	18,223
Mobile home taxes			0	809	809
Prior year ad valorem taxes:	600		600	133	-467
Penalties and interest	900		900	929	29
Interest and dividends					0
Medical administration			0	1,023	1,023
Federal sources:					
Restricted grants-in-aid	1,200				311,374
Total revenues	340,700	0	339,500	359,117	330,991
Expenditures:					
Instruction:					
Special programs:					
Special education	322,700		322,700	271,297	51,403
Support services:					
Pupils:					
Special education	55,932		55,932	50,698	5,234
Business:					
Pupil transportation			0	7,285	-7,285
Total expenditures	378,632	0	378,632	329,280	49,352
Other sources and (uses):					
None	0		0		0
Change in fund balance	-37,932	0	-39,132	29,837	380,343
Fund balance:					
July 1, 2021	292,295		292,295	292,295	0
June 30, 2022	254,363	0	253,163	322,132	380,343

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGET

1. BUDGETS AND BUDGETARY ACCOUNTING

The School District follows 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 May of each year.
- c. The proposed budget is published for public review no later than July 15 of 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 number 1h below.
- 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.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. There was one supplemental budget in FY22. See page 37 for more information.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2022.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds (if any) because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Generally accepted accounting principles prescribe that budgetary information be presented for the general fund and major special revenue funds of the School District.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

ROSHOLT SCHOOL DISTRICT No. 54-4
FOR THE EIGHT YEARS ENDING JUNE 30, 2021

SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for its 6-30 Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0745770%	-571,132	1,690,700	(33.78%)	105.53%
June 30, 2020	0.0741725%	-3,221	1,629,567	(00.20%)	100.04%
June 30, 2019	0.0735362%	-7,793	1,560,833	(00.50%)	100.09%
June 30, 2018	0.0701499%	-1,636	1,461,050	(00.11%)	100.02%
June 30, 2017	0.0698906%	-6,343	1,420,033	(00.45%)	100.10%
June 30, 2016	0.0634035%	214,171	1,205,618	17.76%	96.89%
June 30, 2015	0.0612490%	-259,775	1,118,233	(23.23%)	104.10%
June 30, 2014	0.0600000%	-437,644	1,062,267	(41.20%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the collective pension (asset)/liability which is 6-30 of the School's previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years be displayed as they become available.

ROSHOLT SCHOOL DISTRICT No. 54-4
FOR THE NINE YEARS ENDING JUNE 30, 2022

SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its June 30 th Year End	Contributions as a Percentage of Covered Employee Payroll
June 30, 2022	98,114	98,114	0	1,635,233	6.00%
June 30, 2021	101,442	101,442	0	1,690,700	6.00%
June 30, 2020	97,774	97,774	0	1,629,567	6.00%
June 30, 2019	93,650	93,650	0	1,560,833	6.00%
June 30, 2018	87,663	87,663	0	1,461,050	6.00%
June 30, 2017	85,202	85,202	0	1,420,033	6.00%
June 30, 2016	72,337	72,337	0	1,205,618	6.00%
June 30, 2015	67,094	67,094	0	1,118,233	6.00%
June 30, 2014	63,736	63,736	0	1,062,267	6.00%

Note: This schedule is intended to show information for ten years. Additional years be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. The condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 actuarial valuation, future COLAs were assumed to equal the restricted maximum of 1.41%. For this June 30, 2021 actuarial valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes:

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

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*

Governing Board
Rosholt School District No. 54-4
Rosholt, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Rosholt School District (School District), Roberts County, South Dakota, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated May 29, 2023, which was unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Rosholt School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiency in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that I consider to be a significant deficiency.

Report on Internal Control and Compliance and Other Matters
Page Two

Government Auditing Standards require the auditor to perform limited procedures on the School District's response to the internal control over financial reporting finding identified in my audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving internal control that I reported to the governing body and management of the Rosholt School District in a separate Letter of Comments dated May 29, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rosholt School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

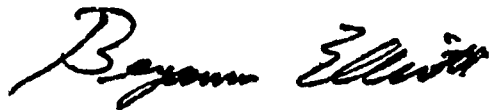
Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rosholt School District's internal control over financial reporting 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

May 29, 2023

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

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

Governing Board
Rosholt School District No. 54-4
Rosholt, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program:

I have audited the Rosholt School District No. 54-4 (School District) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement (April 2022) that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2022. The School District's major federal program is identified in the summary of auditor's results section in the accompanying schedule of audit findings and questioned cost. (page 48)

In my opinion, the Rosholt School District No. 54-4 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program:

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

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

Management's Responsibility for Compliance:

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

Auditor's Responsibilities for the Audit of Compliance:

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on my 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 GAAS, *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 that resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood, that individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I:

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

I am 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 I identified during the audit.

Other Matter

The results of my auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003. My opinion on the School District's major program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

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

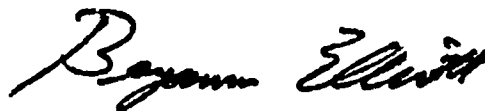
Government Auditing Standards require the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in my audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

May 29, 2023

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

ROSHOLT SCHOOL DISTRICT No. 54-4
JUNE 30, 2022

SCHEDULE OF PRIOR AUDIT FINDINGS

2021-001: Advertisement and Public Hearing Prior
to Contract Specifications for Facility
Addition -- Not applicable to this audit

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Part I - Summary of the Audit:

Financial Statements:

Type of auditor's report issued:	Unmodified on: Governmental Activities Business-Type Activities Major Funds Aggregate Remaining Funds
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Material noncompliance noted:	None Reported
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Internal control over financial reporting:

* Material weakness(es) identified?	None Reported
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* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2022-001
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Federal Awards:

Type of auditor's report issued on compliance for major programs:	Unmodified
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Internal control over major programs: * Material weakness(es) identified.	Finding 2022-002
--	------------------

* Significant deficiency(ies) identified that are not considered to be material weaknesses.	Finding 2022-003
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Finding 2022-002 Finding 2022-003
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Identification of major program:

Elementary and Secondary School Emergency Relief Fund
Assistance Living (CFDA) No. 84.425D)

Dollar threshold used to distinguish between Type A and Type B federal award programs.	\$750,000
---	-----------

Does the Rosholt School District No. 54-4 qualify as a low-risk auditee?	No
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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS (continued)

Part II - Findings Relating to the Financial Statements

Finding 2022-001: Preparation of Financial Statements
(internal control)

Condition:

As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements and the preparation of the financial statements.

Cause of the Condition:

The School District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendation:

This situation is not unusual for an entity of this School District's 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 Response:

Due to cost constraints, the School District has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.

Part III. Federal Award Findings and Questioned Costs

2022-002 Dept. of Education: Assistance Listing (CFDA) No. 84.425D
Elementary and Secondary Emergency Relief Fund: ESSER II & III

Special Tests - Wage Rate Requirements
Material Deficiency in Internal Control over Compliance

Criteria: OMB Compliance Supplement (April 2022) Wage Rate Requirements (4-20.001-4) requires the School District to obtain copies of weekly certified payrolls.

Condition: The School District was not given copies of weekly certified payrolls.

Cause: The School District does not have an internal control system sufficient to obtain copies of weekly certified payrolls.

Effect: This result in the School District failing to obtain copies of weekly certified payrolls.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS (continued)

Questioned Cost: None reported.

Context/Sampling: The School District had no weekly certified payrolls available to sample. The auditor was given several weekly certified payrolls selected by and kept by the Architect from June and July 2021. However, work on this project continued until December 2021.

Repeat Finding from Prior Year(s): No

Recommendation: It is the responsibility of management and those charged with governance to develop a system of internal control to ensure compliance with Single Audit Uniform Guidance compliance requirements.

Views of Responsible Officials: There is no disagreement with the audit finding.

2022-003 Dept. of Education: Assistance Listing (CFDA) No. 84.425D
Elementary and Secondary Emergency Relief Fund: ESSER II & III

Reporting

Significant Deficiency in Internal Control over Compliance

Criteria: A good system of internal controls requires that Single Audit reports under Uniform Guidance be submitted within 9 months of the financial statement's year end.

Condition: The School District did not submit its Single Audit report under Uniform Guidance within 9 months of the financial statement's year end.

Cause: The School District does not have an internal control system sufficient to provide for the timely filing of its Single Audit report under Uniform Guidance.

Effect: This result in the School District failing to file its Single Audit report within the 9 months deadline required by Uniform Guidance.

Questioned Cost: None reported.

Context/Sampling: The filing of this Single Audit report was tested.

Repeat Finding from Prior Year(s): No

Recommendation: It is the responsibility of management and those charged with governance to develop a system of internal control that will ensure that Single Audit reports are filed within the 9 months deadline required by Uniform Guidance.

Views of Responsible Officials: There is no disagreement with the audit finding.

Part IV. Prior Year Federal Award Findings and Questioned Costs

The prior audit was not subject to Uniform Guidance requirements.

ROSHOLT SCHOOL DISTRICT NO. 54-4
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2022

Federal Assistance Living Number		Pass-through Entity	Pass-through Number	FY22 Expenditures
DIRECT FEDERAL PROGRAMS				
<u>U.S. Department of Education:</u>				
84.358A	G-5 grant			11,496
Total U.S. Department of Education				----- 11,496 =====
INDIRECT FEDERAL PROGRAMS				
<u>U.S. Department of Agriculture:</u>				
Child Nutrition Cluster:				
Non-cash Assistance (commodities):				
10.555	National School Lunch Program	S.D. Department of Education	2022G-CANS09001	15,759
Cash Assistance:				
10.555	Supply Chain Assistance (SCA) funding (note 3)	S.D. Department of Education	2022G-CANS09001	18,194
10.555	National School Lunch Program (note 3)	S.D. Department of Education	2022G-CANS09001	146,467
10.555	National School Breakfast Program (note 3)	S.D. Department of Education	2022G-CANS09001	31,465
Total Child Nutrition Cluster				----- 211,885 =====
10.579	Walk-in Freezer Grant	S.D. Department of Education	2021G-553	10,000
Total U.S. Department of Agriculture				----- 221,885 =====
<u>National Foundation of the Arts and Humanities</u>				
45.025	Artist in Residence	S.D. Department of Tourism		751
Total National Foundation of the Arts and Humanities				----- 751 =====
<u>U.S. Department of Education:</u>				
Other Grants:				
84.010	Title I Grants to Local Educational Agencies	S.D. Department of Education	2022G-CA09001	147,073
84.048	Career and Technical Education - (Perkins)	S.D. Department of Education		1,094
'84.048A	Career and Technical Education - (Perkins)	S.D. Department of Education	2022G-453	49,341
84.367	Title II/REAP Supporting Effective Instruction State Grant	S.D. Department of Education	2022G-CA09001	22,565
84.424	Title IV/REAP Student Support and Enrichment Program	S.D. Department of Education	2022G-CA09001	13,442
SubTotal Other DOE Grants				----- 233,515 =====
<u>Education Stabilization Fund:</u>				
84.425D	Elementary and Secondary Emergency Relief Fund - II (note 4)	S.D. Department of Education	2021G-CARE09001	389,604
84.425D	Elementary and Secondary Emergency Relief Fund - III (note 4)	S.D. Department of Education	2021G-CRRSA09001	43,982
84.425D	Elementary and Secondary Emergency Relief Fund - III (note 4)	S.D. Department of Education	2021G-CRRSA09001	699,996
SubTotal Education Stabilization Fund				----- 1,133,582 =====
Total U.S. Department of Education				----- 1,367,097 =====
Total Federal Awards				----- 1,601,229 =====
See Notes to this Schedule of Expenditures of Federal Awards				

ROSHOLT SCHOOL DISTRICT No. 54-4
JUNE 30, 2022

NOTES TO SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1: BASIS FOR PRESENTATION

The attached Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. 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 operation of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in this Schedule are reported on the modified accrual basis of accounting unless otherwise noted. 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. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The School District did not elect to use the 10% de minimis indirect cost rate.

NOTE 3: FEDERAL REIMBURSEMENT

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

NOTE 4: MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM

This represents a Major Federal Financial Assistance Program.

NOTE 5: OTHER

No funds were passed down to subrecipients.

See independent auditor's report.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2022

Prepared by Management of
Rosholt School District No. 54-4

Rosholt School District No. 54-4
P.O. Box 106, 202 Finley Avenue
Rosholt, SD 57260-0106
605-537-4283

Summary Schedule of Prior Audit Findings:

The prior audit was not subject to Single Audit Uniform Guidance requirements.

Corrective Action Plan:

Finding 2022-001 Preparation of Financial Statements

Corrective Action Plan: Due to cost constraints, the School District has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.

Anticipated Completion Date: None. The School District will continue to ask the auditor to prepare its financial statements.

Corrective Action Plan:

Finding 2022-002 Special Tests - Wage Rate Requirements

Federal Agency Name: Department of Education

Program Name: Elementary and Secondary Emergency Relief Fund:
ESSER II & III

FFAL/CFDA #: 84.425D

Finding Summary: The School District did not obtain copies of weekly certified payroll registers as required by OMB Compliance Supplemental (April 2022) page 4-20.001-4

Responsible Individual: Vicky Boom, Business Manager

Corrective Action Plan: The School District will develop internal controls sufficient to ensure that compliance with obtaining future weekly certified payroll Uniform Guidance Wage Rate Requirements are met.

Anticipated Completion Date: The next audit which requires compliance with Uniform Guidance Wage Rate Requirements.

Rosholt School District No. 54-4
P.O. Box 106, 202 Finley Avenue
Rosholt, SD 57260-0106
605-537-4283

Corrective Action Plan:

Finding 2022-003	Reporting
Federal Agency Name:	Department of Education
Program Name:	Elementary and Secondary Emergency Relief Fund: ESSER II & III
FFAL/CFDA #:	84.425D
Finding Summary:	This Single Audit report was not filed within 9 months of the School District's year-end as required by Uniform Guidance.
Responsible Individuals:	Vicky Boom, Business Manager
Corrective Action Plan:	The School District will develop internal controls sufficient to ensure that compliance with future Single Audit report filing deadlines are met.
Anticipated Completion Date:	The next audit which requires Single Audit report filing under Uniform Guidance.