

ROSHOLT SCHOOL DISTRICT NO. 54-4
ROSHOLT, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2023
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

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

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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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions:

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 36 to 39), the School District's Proportionate Share of Net Pension (Asset)/Liability (page 40), and the Schedule of the School District's Contribution (page 40) 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.

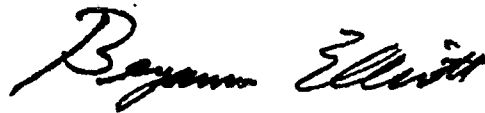
The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, 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.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated March 4, 2024 (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 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

March 4, 2024



STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets:			
Cash	2,762,279	111,586	2,873,865
Certificates of deposit	200,000		200,000
Advance payments to Trust & Agency	8,000		8,000
Receivables:			
Property taxes - current	639,915		639,915
Property taxes - delinquent	22,920		22,920
Due from other governments	123,541	11,790	135,331
Accounts	0	807	807
Inventory		16,046	16,046
Total current assets	3,756,655	140,229	3,896,884
Capital assets:			
Land	42,234	0	42,234
Other capital assets, net of accumulated depreciation/amortization	6,724,166	39,827	6,763,993
Total capital assets	6,766,400	39,827	6,806,227
Other assets:			
Net pension assets	6,289	182	6,471
Total assets	10,529,344	180,238	10,709,582
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	631,326	18,322	649,648
Total deferred outflow of resources	631,326	18,322	649,648
LIABILITIES			
Current liabilities:			
Accounts payable	6,080	0	6,080
Contracts payable	173,717	346	174,063
Payroll deductions payable	46,157	673	46,830
Revenue received in advance		25,486	25,486
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	195,000		195,000
Direct borrowing	1,554		1,554
Copier leases	5,566		5,566
Early retirement	22,022		22,022
Total current liabilities	489,376	26,505	515,881
Noncurrent liabilities:			
2014 Rural Electric Economic Dev Loan	30,000		30,000
2019 LED lights loan	46,397		46,397
2020 Limited Tax GO Certificates	2,660,000		2,660,000
Direct borrowing	421		421
Copier leases	14,352		14,352
Early retirement	10,737		10,737
Total noncurrent liabilities	2,761,907	0	2,761,907
Total liabilities	3,251,283	26,505	3,277,788
DEFERRED INFLOW OF RESOURCES			
Taxes levied for a future period	639,915		639,915
Pension related deferred inflows	365,799	10,615	376,414
Total deferred inflow of resources	1,005,714	10,615	1,016,329
NET POSITION			
Net invested in capital assets	3,773,830	39,827	3,813,657
Restricted for:			
Capital outlay	1,703,969		1,703,969
Special education	354,389		354,389
SDRS pension purposes	271,816	7,889	279,705
Unrestricted	799,669	113,724	913,393
Total net position	6,903,673	161,440	7,065,113

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2023

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:							
<i>Governmental activities:</i>							
Instruction	1,790,485	260	273,805		-1,516,420		-1,516,420
Support services	1,440,634	93,488	28,807		-1,318,339		-1,318,339
Early retirement	67,945				-67,945		-67,945
Cocurricular activities	234,352	16,325			-218,027		-218,027
Background checks	428				-428		-428
Interest and fees (all)	59,537				-59,537		-59,537
Total governmental activities	3,593,381	110,073	302,612	0	-3,180,696	0	-3,180,696
<i>Business-type activities:</i>							
Food service	180,408	82,425	103,658	11,790		17,465	17,465
Other enterprise fund	5,780	15,768				9,988	9,988
Total primary government	3,779,569	208,266	406,270	11,790	-3,180,696	27,453	-3,153,243
General revenue:							
Property taxes					1,649,835		1,649,835
Gross receipts tax					53,142		53,142
Revenue from state sources:							
State aid					1,366,859		1,366,859
State apportionment					9,038		9,038
Bank franchise					18,305		18,305
Revenue from county sources					20,263		20,263
Interest and dividends					27,311		27,311
Donations and contributions					10,603		10,603
Miscellaneous					6,354		6,354
Refund of prior year expenditure					116,055		116,055
Compensation for damaged property					702		702
Transfers					0		0
Total general revenue and transfers					3,278,467	0	3,278,467
Change in net position					97,771	27,453	125,224
Net position:							
July 1, 2022					6,805,902	133,987	6,939,889
June 30, 2023					6,903,673	161,440	7,065,113

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4
BALANCE SHEET -- GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
	-----	-----	-----	-----
ASSETS:				
Cash	791,040	1,598,137	373,102	2,762,279
Certificates of deposit	100,000	100,000		200,000
Advance to custodial funds	8,000			8,000
Receivables:				
Property taxes - current	253,535	243,956	142,424	639,915
Property taxes - delinquent	14,059	5,832	3,029	22,920
Due from other governments	123,541			123,541
	-----	-----	-----	-----
Total assets	<u>1,290,175</u>	<u>1,947,925</u>	<u>518,555</u>	<u>3,756,655</u>
LIABILITIES:				
Accounts payable	6,080	0	0	6,080
Contracts payable	156,761		16,956	173,717
Payroll deductions payable	41,371		4,786	46,157
	-----	-----	-----	-----
Total liabilities	<u>204,212</u>	<u>0</u>	<u>21,742</u>	<u>225,954</u>
DEFERRED INFLOW OF RESOURCES:				
Taxes levied for a future period	253,535	243,956	142,424	639,915
Unavailable revenue:				
Property taxes - delinquent	14,059	5,832	3,029	22,920
	-----	-----	-----	-----
Total deferred inflow of resources	<u>267,594</u>	<u>249,788</u>	<u>145,453</u>	<u>662,835</u>
FUND BALANCE:				
Nondspendable	8,000			8,000
Restricted		1,698,137	351,360	2,049,497
Committed				0
Assigned				0
Unassigned	810,369			810,369
	-----	-----	-----	-----
Total fund balance	<u>818,369</u>	<u>1,698,137</u>	<u>351,360</u>	<u>2,867,866</u>
	-----	-----	-----	-----
Total liabilities, deferred inflow of resources and fund balance	<u>1,290,175</u>	<u>1,947,925</u>	<u>518,555</u>	<u>3,756,655</u>

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

Total fund balance - governmental funds (above) 2,867,866

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 -2,670,783

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

Net pension assets 6,289
Deferred outflow of resources 631,326
Deferred inflow of resources -365,799

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 -60,000
2019 LED lights loan -55,677
2020 Limited Tax GO Certificates -2,855,000
Copier direct borrowing -1,975
Copier leases -19,918
Early retirement -32,759

Assets such as taxes receivable (delinquent) are not available to pay of current period expenditures and therefore are deferred in the funds. 22,920

Total net position on government-wide statement of net position 6,903,673

ROSHOLT SCHOOL DISTRICT NO. 54-4
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
 FOR THE YEAR ENDING JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	628,396	631,052	374,022	1,633,470
Mobile home	2,302	1,270	749	4,321
Prior year ad valorem taxes	2,668	2,238	1,371	6,277
Penalties and interest	2,045	2,388	1,444	5,877
Gross receipts	53,142			53,142
Interest and dividends	27,311			27,311
Cocurricular activities:				
Admissions	13,540			13,540
Student activities	2,785			2,785
Other revenue from local sources:				
Medicaid administration	1,932		1,097	3,029
LEAS outside of state	90,720			90,720
Donations and contributions	10,603			10,603
Other	6,354			6,354
Refund of prior year expenditures		116,055		116,055
Total revenue from local sources	841,798	753,003	378,683	1,973,484
Revenue from intermediate sources:				
County sources:				
County apportionment	20,262			20,262
Revenue from state sources:				
Unrestricted grants-in-aid	1,394,202			1,394,202
Restricted grants-in-aid				0
Revenue from federal sources:				
Restricted grants-in-aid	302,612			302,612
Total revenues	2,558,874	753,003	378,683	3,690,560
Expenditures:				
Instruction (current):				
Regular programs:				
Elementary school	612,941			612,941
Middle school	268,704			268,704
High school	396,797			396,797
Special programs:				
Educ. deprived (Title I)	180,767			180,767
Programs for special educ.			301,613	301,613
Total instruction	1,459,209	0	301,613	1,760,822
Support services (current):				
Pupils:				
Guidance	33,288			33,288
Health	3,158			3,158
Other improvement of instructio:	138			138
Educational media	219			219
Technology in school	52,842			52,842
Special education			47,842	47,842
General administration:				
Board of Education	19,729			19,729
Executive administration	161,981			161,981
School administration:				
Office of principal	194,081			194,081
Business:				
Fiscal services	165,707			165,707
Operations and maintenance	299,741	6,710		306,451
Pupil transportation	157,755			157,755
Total support services	1,088,639	6,710	47,842	1,143,191
Nonprogram charges:				
Early retirement	35,186			35,186
Background checks	428			428

WYOMING SCHOOL DISTRICT NO. 34-4
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2023 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cocurricular activities (current):				
Male activities	44,142			44,142
Female activities	31,070			31,070
Transportation	12,246			12,246
Combined activities	99,684			99,684
Total cocurricular services	187,142	0	0	187,142
Debt service:				
2014 Rural Electric Economic Dev Loan		30,000		30,000
Interest and fees		450		450
2019 LED Lights Loan		9,280		9,280
2021 Limited tax GO Certificates:		190,000		190,000
Interest and fees		57,808		57,808
Direct borrowing principal		1,478		1,478
Direct borrowing interest		139		139
Copier leases principal		5,295		5,295
Copier leases interest		1,140		1,140
Total debt service	0	295,590	0	295,590
Capital outlay:		0		0
Total expenditures	2,770,604	302,300	349,455	3,422,359
Excess of revenues over (under) expenditures	-211,730	450,703	29,228	268,201
Other financing sources (uses):				
Transfer in	276,000			276,000
Transfer (out)		-276,000		-276,000
Compensation for damaged property	702			702
Net change in fund balance	64,972	174,703	29,228	268,903
Fund balance:				
July 1, 2022	753,397	1,523,434	322,132	2,598,963
June 30, 2023	818,369	1,698,137	351,360	2,867,866

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) 268,903

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 FY23 capital asset purchases 0
Subtract depreciation taken on all capital assets -404,036

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 -23,030
Add current year delinquent taxes 22,920

Expense reductions related to pensions do not provide current financial resources (uses) and, therefore, are not reported in the funds 39,000

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 1,478
2022 copier leases 5,295
Early retirements 34,365
Subtract current year lease proceeds:
2022 copier leases
Early retirements -32,211
Subtract prior year LED light loan adjustment: -9,280
Subtract prior year early retirements adjustment: -34,913

Change in net position on government-wide statement of activities 97,771

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF JUNE 30, 2023

	Food Fund	Other Enterprise Fund	Total
	-----	-----	-----
ASSETS			
Current assets:			
Cash	89,171	22,415	111,586
Due from other governments	11,790		11,790
Accounts receivable	807		807
Inventory - supplies	2,552		2,552
Inventory - purchased goods	3,520		3,520
Inventory - commodities (donated)	9,974		9,974
Capital assets:			
Equipment	88,936		88,936
Accumulated depreciation	-49,109		-49,109
Other assets:			
Net pension assets	165	17	182
Total assets	157,806	22,432	180,238
	=====	=====	=====
DEFERRED OUTFLOW OF RESORCES			
Pension related deferred outflows	16,566	1,756	18,322
Total deferred outflow of resources	16,566	1,756	18,322
	=====	=====	=====
LIABILITIES			
Accounts payable	0		0
Contracts payable	346		346
Payroll deductions payable	673		673
Revenue received in advance	25,486		25,486
Total liabilities	26,505	0	26,505
	=====	=====	=====
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows	9,599	1,016	10,615
Total deferred inflow of resources	9,599	1,016	10,615
	=====	=====	=====
NET POSITION			
Net invested in capital assets	39,827		39,827
Restricted for SDRS pension purposes	7,132	757	7,889
Unrestricted	91,309	22,415	113,724
Total net position	138,268	23,172	161,440
	=====	=====	=====

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING JUNE 30, 2023

	Food Service Fund	Other Enterprise Fund	Total Enterprise Funds
	-----	-----	-----
Operating revenue:			
Sales to pupils	74,976	9,571	84,547
Sales to adults	7,449	6,197	13,646
	-----	-----	-----
Total operating revenue	82,425	15,768	98,193
	-----	-----	-----
Operating expense:			
Salaries	64,405	4,800	69,205
Employee benefits	18,649	655	19,304
Purchased services	6,062	178	6,240
Supplies	3,307	496	3,803
Small equipment	2,674		2,674
Cost of sales:			
Purchased food	47,674		47,674
Donated food (commodities)	19,407		19,407
Purchased food - Colony	8,876		8,876
Depreciation	6,538		6,538
Pension related expense (reduction)	2,816	-349	2,467
	-----	-----	-----
Total operating expenses	180,408	5,780	186,188
	-----	-----	-----
Operating income (loss)	-97,983	9,988	-87,995
Nonoperating revenue (expense):			
Local source:			
Interest and dividends			0
State source:			
Cash reimbursement	396		396
Federal source:			
Cash reimbursement - food	82,860		82,860
Donated food	20,402		20,402
	-----	-----	-----
Total nonoperating revenue (expense)	103,658	0	103,658
	-----	-----	-----
Net revenue (expenses) before capital contributions	5,675	9,988	15,663
	-----	-----	-----
Capital equipment grant - federal	11,790		11,790
	-----	-----	-----
Change in net position	17,465	9,988	27,453
Net position, July 1, 2022	120,803	13,184	133,987
	-----	-----	-----
Net position, June 30, 2023	138,268	23,172	161,440
	=====	=====	=====

See accompanying notes.

ROSHOLT SCHOOL DISTRICT NO. 54-4

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2023

	Food Service Fund -----	Other Enterprise Fund -----	Total Enterprise Fund -----
Cash flows from:			
Operating activities:			
Receipts from customers	88,009	15,768	103,777
Cash paid for employees	-82,245	-5,455	-87,700
Payments to suppliers	-70,942	-674	-71,616
Net cash provided (used) by operating activities	----- -65,178	----- 9,639	----- -55,539
Noncapital financing activities:			
Grant cash reimbursements, state	396		396
Grant cash reimbursements, federal	82,860		82,860
Capital financing activities:			
Equipment grant - federal	0		0
Oven purchased	-11,823		-11,823
Investing activities:			
Interest and dividends			0
Net increase (decrease) in cash and cash equivalents	----- 6,255	----- 9,639	----- 15,894
Cash and cash equivalents:			
July 1, 2021	82,916	12,776	95,692
June 30, 2022	----- 89,171	----- 22,415	----- 111,586
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	-97,983	9,988	-87,995
Value of donated commodities used	19,407		19,407
Depreciation	6,538		6,538
Pension related expense (reduction)	2,816	-349	2,467
Change in operating accounts:			
Accounts receivable	-40		-40
Inventory - supplies	28		28
Inventory - purchased	-1,276		-1,276
Accounts payable	-1,101		-1,101
Contracts payable	161		161
Payroll withholding payable	648		648
Revenue received in advance	5,624		5,624
Net cash provided (used) by operating activities	----- -65,178	----- 9,639	----- -55,539
Noncash investing, capital and financing activities:			
Value of donated commodities received	20,402		20,402

See accompanying notes.

ROSHOLT SCHOOL DISTRICT No. 54-4

STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2023

	Custodial Funds

ASSETS	
Cash	119,482

Total assets	119,482
	=====
LIABILITIES	
Accounts payable	0
Due to general fund - advance	8,000

Total liabilities	8,000
	=====
NET POSITION - RESTRICTED	
Restricted for student activities	111,482

Total net position - restricted	111,482
	=====

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

	Custodial Funds

Additions:	
Collections for student activities	180,537
Interest received	0

Total additions	180,537

Deductions:	
Payments for student activities	138,041

Total deductions	138,041

Change in fiduciary net position:	42,496
Net Position - Restricted:	
July 1, 2022	68,986

June 30, 2023	111,482
	=====

See accompanying notes.

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, 2023 are:

Board Members:

Lana Sand, Chairperson
Curt Braun
Kevin Klein
Lisa Klein
Diana LeClair

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, 2023 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:

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

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, 2023 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, 2023 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 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, two copier leases, two direct borrowings, and early retirement obligations.

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 34.

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 liabilities on the government-wide statement of net position.

k. Deferred Outflows and Deferred Inflows of Resources:

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

In the government-wide financial statements, 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.

In the fund financial statement there are no deferred outflows of resources reported in the governmental funds. There is deferred outflows of resources reported in the enterprise funds arising from School District's pension plan for qualified retirees as discussed in Note 11.

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

In the government-wide financial statements, the only deferred inflow of resources reported are deferred amounts arising from the School District's pension plan and property taxes that are levied for future periods.

In the funds financial statement, governmental funds report deferred inflows of resources for property taxes levied but not collected within the available period and property taxes levied in the available period that are intended to finance operations of the next fiscal year. Enterprise funds report deferred inflows of resources arising from School District's pension plan for qualified retirees as discussed in Note 11.

1. 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, 2023 unused vacation leave was \$3,302.

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, 2023 there were 1,590.50 days of unused sick days, which if taken at an average teacher's daily pay of \$250 would equal \$397,625.

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

m. 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.

n. 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.

o. Unearned Revenue:

The enterprise fund reports meal tickets of \$1,559 that have been purchased but not yet redeemed as unearned revenue. Also, unspent federal supply chain grant receipts of \$23,927 are reported as unearned revenue.

p. Equity Classifications:

Government-wide Statements:

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 distinguish 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 "Net Position - Restricted".

q Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

r. 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 Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	Advance payments		8,000
Restricted	Capital Outlay	Statute	1,698,137
	Special Education	Statute	351,360
Committed			0
Assigned			0
Unassigned	General		810,369

			2,867,866

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	

s. 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.

t. 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

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, 2023 were as follows: Insured \$500,000, Collateralized ** \$2,797,683 for a total of \$3,297,683.

** 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, 2023 was \$3,192,947, which equals \$3,073,865 on the government-wide statement of net position plus \$119,482 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, 2023 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.

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 at First Interstate Bank.

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, 2023, the School District's deposits in financial institutions were not exposed to custodial credit risk as all deposits were fully collateralized by pledged securities.

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, 2023 amounts due from other governments was for the following:

		Governmental Activities	Business-type Activities
Roberts County	Gross Receipt taxes	25,656	
South Dakota	Gross Receipt taxes	27,486	
Federal Title I		54,689	
Federal ESSER III		15,710	
Federal equipment grant			11,790
		-----	-----
		123,541	11,790

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, 2023 is estimated to be \$16,046 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, 2023 is found on schedule one at the end of these footnotes. There is no construction-in-progress at June 30, 2023.

8. LONG-TERM LIABILITIES (see schedule two)

A summary of changes in long-term liabilities for the fiscal year ending June 30, 2023 is found on schedule two at the end of these footnotes. The School District has no: (a) unused lines-of-credit except for a \$20,000 credit card line-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. INTERFUND BALANCES AND TRANSFERS

At June 30, 2023 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, 2023 the capital outlay fund transferred \$276,000 to the general fund for operations.

10. 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 Activities Amount	Business-type Activities Amount
Capital outlay	Statute	1,703,969	
Special education	Statute	354,389	
SDRS pension purposes	Statute	271,816	7,889
		-----	-----
Total restricted net position		2,330,174	7,889

Although unrestricted, the Food Service Fund's net position of \$91,309 is limited by Federal Regulations as the School District's food services are primarily funded with federal grants.

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. 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). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age

55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on 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.

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent.

All benefits except those depending 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, 2023, 2022, and 2021 were \$105,925, 98,114, and \$101,442 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, 2022 SDRS is 100.1% 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, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of total pension liability	\$ 9,667,343
Less: Proportionate share of net position restricted for pension benefits	(9,673,815)

Proportionate share of net pension (asset)/liability	\$ (6,472)
	=====

At June 30, 2023 the School District reported a (asset)/liability of \$(6,472) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2022 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, 2022, the School District's proportion was .000684820 which is a decrease of .00006095 over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized net pension (expense reduction) of \$45,075.

At June 30, 2023 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	\$ 123,199	\$ 420
Change in assumptions	411,339	360,484
Net difference between projected and actual earnings on pension plan investments	0	15,510
Changes in proportion and difference between School District contribution and proportionate share of contributions	9,185	
School District contributions subsequent to the measurement date	105,925	
	-----	-----
Totals	\$ 649,648	\$ 376,414
	(105,925)	=====
	(376,414)	

To be amortized over 4 years	\$ 167,309	
	=====	

The \$105,925 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, 2024.

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

Year Ending June 30, 2024	\$ 44,989
June 30, 2025	95,115
June 30, 2026	(108,466)
June 30, 2027	135,671

	\$ 167,309

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	2.10%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
	Active and Terminated Vested Members:
	Teachers, Certified Regents, and Judicial: Pub T-2010
	Other Class A Members: Pub G-2010
	Public Safety Members: Pub S-2010
	Retired Members:
	Teachers, Certified Regents, and Judicial Retirees:
	Pub T-2010, 108% of rate above age 65
	Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
	Public Safety Retirees: Pub S-2010, 102% of rates at all ages
	Beneficiaries:
	Pub G-2010 contingent survivor mortality table
	Disabled Members:
	Public Safety: Pub S-2010 disabled member mortality table
	Others: Pub G-2010 disabled member mortality table

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

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (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, 2022 (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%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0	0.4%

	100.0%	
	=====	

Discount Rate:

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

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 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	\$1,343,847	\$(6,472)	\$(1,110,039)

Pension Plan Fiduciary Net Position:

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

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, 2023, the School's percentage of participation in the co-op, based on pupil counts, is 3%.

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, 2023 this joint venture had total AUDITED fund equity of \$2,307,540 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, 2023 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, 2023 the School District did not pay any unemployment claims and none are expected to be paid in FY24.

16. TAX ABATEMENTS

As of June 30, 2023 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 FY23.

The School District has \$56,623 of ESSER III federal grant Learning Loss award available for FY24.

A review of all School District policies is being done by a law firm, which is expected to be completed in FY24.

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	FY24 227

The School District does not have any Subscription-Based Information Technology Arrangements to report.

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE YEAR ENDING JUNE 30, 2023

	Beginning 6-30-22	Adjustments	Additions	(Deletions)	Ending 6-30-23	Accumulated Depreciation Amortization 6-30-22	Adjustments	(Additions)	Deletions	Accumulated Depreciation Amortization 6-30-23	Remaining Cost 6-30-23
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
General capital assets:											
Not being depreciated:											
Land	42,234				42,234						42,234
Construction-in-progre	4,292,515			-4,292,515	0	0				0	0
Totals	4,334,749	0	0	-4,292,515	42,234	0	0	0	0	0	42,234
Being depreciated/amortized:											
Buildings	3,862,713		1,954,676		5,817,389	-1,433,627		-110,221		-1,543,848	4,273,541
Improvements	229,118				229,118	-141,385		-16,992		-158,377	70,741
Equipment	415,655	1	2,337,839		2,753,495	-369,925	4,311	-221,398		-587,012	2,166,483
Equipment - vehicles	561,950				561,950	-313,581	-4,311	-48,273		-366,165	195,785
Intangible copier leases	32,997				32,997	-8,229		-7,152		-15,381	17,616
Totals	5,102,433	1	4,292,515	0	9,394,949	-2,266,747	0	-404,036	0	-2,670,783	6,724,166
Combined totals	9,437,182	1	4,292,515	-4,292,515	9,437,183	-2,266,747	0	-404,036	0	-2,670,783	6,766,400
Governmental depreciation is allocated as follows:											
								49,163			
								307,663			
								47,210			
								404,036			
Enterprise fund:											
Food service fund:											
Equipment	95,986		11,823	-18,873	88,936	-61,444		-6,538	18,873	-49,109	39,827
Totals	95,986	0	11,823	-18,873	88,936	-61,444	0	-6,538	18,873	-49,109	39,827

ROSEHOLT SCHOOL DISTRICT NO. 54-4
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE ONE YEAR ENDING JUNE 30, 2023

	Beginning 6-30-22	Additions	(Deletions)	Governmental Ending 6-30-23	Principal Due in FY24
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	90,000		-30,000	60,000	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.					
			9,280	Prior period adjustment	
Paid from capital outlay fund	55,677		-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	3,045,000		-190,000	2,855,000	195,000
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	1,449		-706	743	743
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	2,004		-772	1,232	811
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	23,502		-4,586	18,916	4,821
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	1,711		-709	1,002	745
			34,913	Adjustment	
Early Retirement	0	32,211	-34,365	32,759	22,022
Total Governmental	3,254,256	41,491	-270,418	3,025,329	263,422

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM LIABILITIES
 FOR THE ONE YEAR ENDING JUNE 30, 2023

Remaining Payments Schedule as of June 30, 2023	Total Payment	Principal	Interest	Remaining Balance
	-----	-----	-----	-----
2014 Rural Electric Economic Development Loan:				
6-30-24	30,000	30,000	0	30,000
6-30-25	30,000	30,000	0	0
	-----	-----	-----	
	60,000	60,000	0	
	=====	=====	=====	
2019 Energy Efficiency School Loan (LED lights):				
6-30-24	9,280	9,280	0	46,397
6-30-25	9,280	9,280	0	37,117
6-30-26	9,280	9,280	0	27,837
6-30-27	9,280	9,280	0	18,557
6-30-28	9,280	9,280	0	9,277
6-30-29	9,277	9,277	0	0
	-----	-----	-----	
	55,677	55,677	0	
	=====	=====	=====	
2020 Limited Tax GO Refunding Certificates:				
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
6-30-28	247,208	210,000	37,208	1,845,000
FY29-FY33	1,245,816	1,125,000	120,816	720,000
FY34-FY36	739,962	720,000	19,962	0
	-----	-----	-----	
	3,222,516	2,855,000	367,516	
	=====	=====	=====	
Direct borrowing administration copier:				
6-30-24	763	743	20	0
	=====	=====	=====	
Direct borrowing Colony copier:				
6-30-24	854	811	43	421
6-30-25	427	421	6	0
	-----	-----	-----	
	1,281	1,232	49	
	=====	=====	=====	
2022 Lease of 2 big copiers:				
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
	-----	-----	-----	
	20,742	18,916	1,826	
	=====	=====	=====	
2022 Lease of front office copier:				
6-30-24	778	745	33	257
6-30-25	260	257	3	0
	-----	-----	-----	
	1,038	1,002	36	
	=====	=====	=====	
Early Retirement:				
6-30-24	22,022	22,022	0	10,737
6-30-25	10,737	10,737	0	0
	-----	-----	-----	
	32,759	32,759	0	
	=====	=====	=====	

ROSHOLT SCHOOL DISTRICT NO. 54-4
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2023

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency		Final		
Revenues:		Transfers	Supplementals			
Local Sources:						
Taxes:						
Ad valorem taxes	598,650			598,650	628,396	29,746
Mobile home	2,200			2,200	2,302	102
Prior year ad valorem taxes	800			800	2,668	1,868
Penalties and interest	1,500			1,500	2,045	545
Gross receipts	50,000			50,000	53,142	3,142
Interest and dividends	3,500			3,500	27,311	23,811
Cocurricular activities:						
Admissions	9,000			9,000	13,540	4,540
Student activities	500			500	2,785	2,285
Other revenue from local sources:						
Medicaid administration	1,500			1,500	1,932	432
LEAS outside of state	68,000			68,000	90,720	22,720
Donations				0	10,603	10,603
Other	19,200			19,200	6,354	-12,846
Intermediate sources:						
County apportionment	17,000			17,000	20,262	3,262
State sources:						
State aid, unrestricted	1,260,000			1,260,000	1,366,859	106,859
State apportionment	9,000			9,000	9,038	38
Bank franchise	25,000			25,000	18,305	-6,695
Federal sources:						
Restricted grants-in-aid	307,972			307,972	302,612	-5,360
Total revenues	2,373,822	0	0	2,373,822	2,558,874	185,052
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	674,450			674,450	612,941	61,509
Middle school	315,250			315,250	268,704	46,546
High school	379,300	40,000		419,300	396,797	22,503
Special programs:						
Educ. deprived (Title I)	229,135			229,135	180,767	48,368
Support services:						
Pupils:						
Guidance	69,520			69,520	33,288	36,232
Health	10,090			10,090	3,158	6,932
Instruction:						
Other improvement of instruction				0	138	-138
Educational media				0	219	-219
Technology in school	74,500			74,500	52,842	21,658
General administration:						
Board of Education	21,775			21,775	19,729	2,046
Executive administration	184,270			184,270	161,981	22,289
School administration:						
Office of principal	193,600			193,600	194,081	-481
Business:						
Fiscal services	179,210			179,210	165,707	13,503
Operations and maintenance	282,600			282,600	299,741	-17,141
Pupil transportation	157,500			157,500	157,755	-255
Early retirement	35,700			35,700	35,186	514
Background checks				0	428	-428
Cocurricular activities:						
Male activities	46,500			46,500	44,142	2,358
Female activities	37,400			37,400	31,070	6,330
Transportation	25,000			25,000	12,246	12,754
Combined activities	119,050			119,050	99,684	19,366
Contingencies	40,000			40,000		40,000
Amount transferred		-40,000		-40,000		-40,000
Total expenditures	3,074,850	0	0	3,074,850	2,770,604	304,246
Other sources and (uses):						
Transfer in	276,000			276,000	276,000	0
Compensation for damaged property				0	702	702
Net change in fund balance	-425,028	0	0	-425,028	64,972	489,298
Fund balance:						
July 1, 2022	753,397			753,397	753,397	0
June 30, 2023	328,369	0	0	328,369	818,369	489,298

ROSHOLT SCHOOL DISTRICT NO. 54-4

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2023

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	613,930		613,930	631,052	17,122
Mobile home	1,000		1,000	1,270	270
Prior year ad valorem taxes	200		200	2,238	2,038
Penalties and interest	1,200		1,200	2,388	1,188
Refund of prior year expenditure			0	116,055	116,055
Total revenues	616,330	0	616,330	753,003	136,673
Expenditures:					
Support services:					
Business:					
Construction and improve	30,000		30,000		30,000
Operations and maintenance	82,000		82,000	6,710	75,290
Debt service:	297,780		297,780	295,590	2,190
Total expenditures	409,780	0	409,780	302,300	107,480
Other financial sources (uses):					
Transfer (out)	-276,000		-276,000	-276,000	0
Net change in fund balance	-69,450	0	-69,450	174,703	244,153
Fund balance:					
July 1, 2022	1,523,434		1,523,434	1,523,434	0
June 30, 2023	1,453,984	0	1,453,984	1,698,137	244,153

ROSHOLT SCHOOL DISTRICT No. 54-4

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING JUNE 30, 2023

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	338,000		338,000	374,022	36,022
Mobile home taxes	600		600	749	149
Prior year ad valorem taxes:	600		600	1,371	771
Penalties and interest	900		900	1,444	544
Interest and dividends			0		0
Medical administration	1,550		1,550	1,097	-453
Total revenues	341,650	0	341,650	378,683	37,033
Expenditures:					
Instruction:					
Special programs:					
Special education	340,200		340,200	301,613	38,587
Support services:					
Pupils:					
Special education	56,200		56,200	47,842	8,358
Business:					
Pupil transportation			0		0
Total expenditures	396,400	0	396,400	349,455	46,945
Other sources and (uses):					
None	0		0		0
Change in fund balance	-54,750	0	-54,750	29,228	83,978
Fund balance:					
July 1, 2022	322,132		322,132	322,132	0
June 30, 2023	267,382	0	267,382	351,360	83,978

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. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. There were no supplemental budgets in FY23.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2023.
- 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 NINE YEARS ENDING JUNE 30, 2022

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 Net Pension (Asset) Liability	School's Covered Employee Payroll for its 6-30 Year End	School's Proportionate Share of the Net Pension (Asset) Fiduciary Plan Net Position as a Percentage of the Total Pension Liability	
				Share of its Covered Employee Payroll	Percentage of the Total Pension Liability
June 30, 2022	0.0684820%	-6,471	1,635,233	(00.40%)	100.10%
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 TEN YEARS ENDING JUNE 30, 2023

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

School's Year Ended	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Contributions Employee as a Payroll Percentage of Covered Employee Payroll	
				for its June 30 th Year End	Percentage of Covered Employee Payroll
June 30, 2023	105,925	105,925	0	1,765,417	6.00%
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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY AND
SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING JUNE 30, 2022

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION - PENSION (continued)

AS of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 20, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes:

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

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, 2023 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 March 4, 2024, 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 responses as item 2023-001 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 responses. 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 March 4, 2024.

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, and contracts 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.

I did note minor matters involving compliance that I reported to the governing body and management of the Rosholt School District in a separate Letter of Comments dated March 4, 2024.


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

March 4, 2024



SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Single Audit/Uniform Guidance Findings:

2022-002: Special test - Wage Rate Requirements:

This finding is not applicable to the current year ending June 30, 2023 because there were no payrolls to which the wage rate requirement applied.

2022-003: Reporting:

This finding is not applicable to the current year ending June 30, 2023 because the School District's federal expenditures were less than \$750,000 and the School District was not subject to Single Audit/Uniform Guidance requirements.

2022-001: Preparation of Financial Statements: Repeated below at 2023-001

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

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

Material noncompliance noted:

None Reported

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

* Significant deficiency(ies) identified that are not considered to be material weaknesses?

Finding 2023-001

Part II - Findings Relating to the Financial Statements

Finding 2023-001: 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.

Part II - Findings Relating to the Financial Statements (continued)

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.