



Financial Statements
June 30, 2023

Sisseton School District 54-2

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Independent Auditor's Report

To the School Board
Sisseton School District 54-2
Sisseton, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sisseton School District 54-2 (the School District), 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 as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary schedules, schedule of employer's share of net pension liability (asset), and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by the missing information.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Aberdeen, South Dakota
March 28, 2024

Sisseton School District 54-2

Statement of Net Position

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 26,116,344	\$ 500,359	\$ 26,616,703
Taxes receivable	2,277,893	-	2,277,893
Accounts receivable	104	11,274	11,378
Due from other governments	3,267,149	26,991	3,294,140
Inventories	27,344	36,665	64,009
Net pension asset	26,922	1,280	28,202
Capital assets:			
Land and construction in process	610,143	-	610,143
Other capital assets, net of depreciation	17,493,903	113,591	17,607,494
Total assets	<u>49,819,802</u>	<u>690,160</u>	<u>50,509,962</u>
Deferred Outflows of Resources			
Pension related deferred outflows	2,643,629	125,706	2,769,335
	<u>\$ 52,463,431</u>	<u>\$ 815,866</u>	<u>\$ 53,279,297</u>
Liabilities			
Accounts payable	\$ 678,179	\$ 2,957	\$ 681,136
Other current liabilities	965,174	32,638	997,812
Deposits payable	-	5,231	5,231
Unearned revenue	-	45,503	45,503
Noncurrent liabilities:			
Due within one year	9,519	-	9,519
Total liabilities	<u>1,652,872</u>	<u>86,329</u>	<u>1,739,201</u>
Deferred Inflows of Resources			
Pension related deferred inflows	1,568,840	74,600	1,643,440
Taxes levied for future period	2,653,219	-	2,653,219
Total deferred inflows of resources	<u>4,222,059</u>	<u>74,600</u>	<u>4,296,659</u>
Net Position			
Net investment in capital assets	18,104,046	113,591	18,217,637
Restricted for:			
Capital Outlay	7,561,730	-	7,561,730
Special Education	1,473,142	-	1,473,142
SDRS Benefits	1,101,711	52,386	1,154,097
Unrestricted	18,347,871	488,960	18,836,831
Total net position	<u>46,588,500</u>	<u>654,937</u>	<u>47,243,437</u>
	<u>\$ 52,463,431</u>	<u>\$ 815,866</u>	<u>\$ 53,279,297</u>

Sisseton School District 54-2
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities:							
Instruction	\$ 6,833,754	\$ 98,221	\$ 3,038,545	\$ 878,259	\$ (2,818,729)	\$ -	\$ (2,818,729)
Support services	5,542,935	-	-	-	(5,542,935)	-	(5,542,935)
Community services	7,492	-	-	-	(7,492)	-	(7,492)
Nonprogrammed charges	9,519	-	-	-	(9,519)	-	(9,519)
Co-curricular activities	557,484	192,857	-	-	(364,627)	-	(364,627)
Total governmental activities	<u>12,951,184</u>	<u>291,078</u>	<u>3,038,545</u>	<u>878,259</u>	<u>(8,743,302)</u>	<u>-</u>	<u>(8,743,302)</u>
Business-type activities:							
Food service	648,847	149,847	518,434	-	-	19,434	19,434
Preschool	64,607	61,130	-	-	-	(3,477)	(3,477)
Driver's education	8,129	8,600	-	-	-	471	471
After school programs	69,732	53,097	1,536	-	-	(15,099)	(15,099)
Total business-type activities	<u>791,315</u>	<u>272,674</u>	<u>519,970</u>	<u>-</u>	<u>-</u>	<u>1,329</u>	<u>1,329</u>
Total primary government	<u>\$ 13,742,499</u>	<u>\$ 563,752</u>	<u>\$ 3,558,515</u>	<u>\$ 878,259</u>	<u>(8,743,302)</u>	<u>1,329</u>	<u>(8,741,973)</u>
General Revenues							
Taxes:							
Property taxes					5,424,325	-	5,424,325
Other taxes					450,842	-	450,842
Revenue from state sources:							
State aid					3,732,145	-	3,732,145
Revenue from federal sources							
Unrestricted investment earnings					3,793,843	-	3,793,843
Other general revenues					77,712	1,295	79,007
Gain on sale of capital assets					338,824	-	338,824
Transfers					20,893	-	20,893
					(55,000)	55,000	-
Total general revenues and transfers					<u>13,783,584</u>	<u>56,295</u>	<u>13,839,879</u>
Change in Net Position					5,040,282	57,624	5,097,906
Net Position - Beginning					41,548,218	597,313	42,145,531
Net Position - Ending					<u>\$ 46,588,500</u>	<u>\$ 654,937</u>	<u>\$ 47,243,437</u>

See Notes to Financial Statements

Sisseton School District 54-2
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 17,397,492	\$ 7,389,532	\$ 1,329,320	\$ 26,116,344
Taxes receivable - current	849,618	765,068	527,663	2,142,349
Taxes receivable - delinquent	73,065	35,587	26,892	135,544
Accounts receivable	104	-	-	104
Due from other governments	1,988,819	851,302	427,028	3,267,149
Inventory	27,344	-	-	27,344
	<u>\$ 20,336,442</u>	<u>\$ 9,041,489</u>	<u>\$ 2,310,903</u>	<u>\$ 31,688,834</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 126,798	\$ 526,060	\$ 25,321	\$ 678,179
Contracts payable	652,504	-	127,062	779,566
Payroll deductions and withholdings and employer matching payable	157,994	-	27,614	185,608
Total liabilities	<u>937,296</u>	<u>526,060</u>	<u>179,997</u>	<u>1,643,353</u>
Deferred Inflows of Resources				
Taxes levied for future period	1,041,756	953,699	657,764	2,653,219
Unavailable revenue - delinquent property taxes	73,065	35,587	26,892	135,544
Total deferred inflows of resources	<u>1,114,821</u>	<u>989,286</u>	<u>684,656</u>	<u>2,788,763</u>
Fund Balances				
Nonspendable:				
Inventory	27,344	-	-	27,344
Restricted:				
Capital Outlay	-	7,526,143	-	7,526,143
Special Education	-	-	1,446,250	1,446,250
Unassigned	18,256,981	-	-	18,256,981
Total fund balances	<u>18,284,325</u>	<u>7,526,143</u>	<u>1,446,250</u>	<u>27,256,718</u>
	<u>\$ 20,336,442</u>	<u>\$ 9,041,489</u>	<u>\$ 2,310,903</u>	<u>\$ 31,688,834</u>

Sisseton School District 54-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2023

Total Fund Balances - Governmental Funds	\$ 27,256,718
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	18,104,046
Long-term liabilities, including retirement bonus payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,519)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	135,544
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not available financial resources and, therefore, are not reported in the funds.	<u>1,101,711</u>
Net Position - Governmental Funds	<u><u>\$ 46,588,500</u></u>

Sisseton School District 54-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 2,059,308	\$ 1,876,208	\$ 1,410,805	\$ 5,346,321
Prior year's ad valorem taxes	23,123	14,070	10,621	47,814
Gross receipts taxes	450,842	-	-	450,842
Penalties and interest on taxes	10,961	6,375	4,950	22,286
Tuition and fees:				
Regular day school tuition	-	-	16,000	16,000
Regular day school transportation fees	82,221	-	-	82,221
Earnings on investments and deposits	52,331	21,589	3,792	77,712
Co-curricular activities:				
Admissions	33,311	-	-	33,311
Rentals	14,949	-	-	14,949
Other pupil activity	144,597	-	-	144,597
Other revenue from local sources:				
Refund of prior years' expenditures	16,467	-	-	16,467
Judgments	12	-	-	12
Charges for services	22,266	-	29,400	51,666
Other	61,104	-	-	61,104
Revenue from intermediate sources:				
County sources:				
County apportionment	259,895	-	-	259,895
Revenue from state sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	3,732,145	-	-	3,732,145
Restricted grants-in-aid	21,623	-	-	21,623
Other state revenue	1,358	-	-	1,358
Revenue from federal sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	3,793,843	-	-	3,793,843
Restricted grants-in-aid received directly from federal government	128,733	-	123,753	252,486
Restricted grants-in-aid received from federal government through the state	2,262,522	851,302	472,347	3,586,171
Other federal revenue	4,846	-	-	4,846
Total revenues	<u>13,176,457</u>	<u>2,769,544</u>	<u>2,071,668</u>	<u>18,017,669</u>

Sisseton School District 54-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs:				
Elementary	1,767,236	13,080	-	1,780,316
Middle/junior high	1,437,633	4,586	-	1,442,219
High school	1,480,036	-	-	1,480,036
Preschool services	798	-	-	798
Special programs:				
Programs for special education	-	4,986	1,031,952	1,036,938
Culturally different	129,874	-	-	129,874
Educationally deprived	650,108	-	-	650,108
Support services				
Pupils:				
Guidance	223,667	-	6,168	229,835
Health	86,700	-	-	86,700
Psychological	798	-	102,977	103,775
Speech pathology	2,394	-	262,997	265,391
Student therapy services	798	-	148,741	149,539
Support services - instructional staff:				
Improvement of instruction	157,994	-	77,589	235,583
Educational media	254,236	5,387	-	259,623
Support services - general administration:				
Board of Education	100,434	-	-	100,434
Executive administration	192,207	-	-	192,207
Support services - school administration:				
Office of the Principal	665,331	-	-	665,331
Title I program administration	59,205	-	-	59,205
Other school administrative	2,846	-	-	2,846
Support services - business:				
Fiscal services	335,769	-	-	335,769
Facilities acquisition and construction	45,848	526,000	-	571,848
Operation and maintenance of plant	1,484,343	334,444	-	1,818,787
Pupil transportation	872,429	84,470	-	956,899
Food services	69,307	-	-	69,307
Other	40,391	-	-	40,391
Support services - central:				
Staff	5,485	-	-	5,485
Support services - special education:				
Administrative costs	-	2,197	79,207	81,404
Transportation costs	-	-	17,498	17,498
Other special education costs	-	-	34,553	34,553
Community services				
Recreation	7,492	-	-	7,492
Nonprogrammed charges				
Early retirement payments	43,310	-	-	43,310
Co-curricular activities				
Male activities	120,095	-	-	120,095
Female activities	116,541	1,084	-	117,625
Combined activities	164,173	-	-	164,173
Total expenditures	<u>10,517,478</u>	<u>976,234</u>	<u>1,761,682</u>	<u>13,255,394</u>

Sisseton School District 54-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Excess of Revenues over Expenditures	2,658,979	1,793,310	309,986	4,762,275
Other Financing Sources (Uses)				
Transfers out	(55,000)	-	-	(55,000)
Proceeds from sale of fixed assets	199	21,553	-	21,752
Total other financing sources (uses)	(54,801)	21,553	-	(33,248)
Net Change in Fund Balances	2,604,178	1,814,863	309,986	4,729,027
Fund Balance - Beginning	15,680,147	5,711,280	1,136,264	22,527,691
Fund Balance - Ending	<u>\$ 18,284,325</u>	<u>\$ 7,526,143</u>	<u>\$ 1,446,250</u>	<u>\$ 27,256,718</u>

Sisseton School District 54-2
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 4,729,027
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$909,261) exceeded depreciation (\$772,492).	136,769
In the statement of activities, gains and losses on disposal of capital assets and impairment losses are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether or not a gain/(loss) is realized.	(859)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from both property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	7,904
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	33,791
Revenues and reduction of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	<u>133,650</u>
Change in Net Position of Governmental Activities	<u><u>\$ 5,040,282</u></u>

Sisseton School District 54-2
Statement of Net Position – Proprietary Funds
June 30, 2023

	Other Enterprise Fund	Food Service Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 82,253	\$ 418,106	\$ 500,359
Accounts receivable	10,084	1,190	11,274
Due from state government	6,879	20,112	26,991
Inventory of supplies	-	4,698	4,698
Inventory of stores purchased for resale	-	19,221	19,221
Inventory of donated food	-	12,746	12,746
Total current assets	<u>99,216</u>	<u>476,073</u>	<u>575,289</u>
Noncurrent Assets			
Net pension asset	459	821	1,280
Capital Assets:			
Machinery and equipment - local funds	-	398,578	398,578
Accumulated depreciation - machinery and equipment - local funds	-	(284,987)	(284,987)
Total noncurrent assets	<u>459</u>	<u>114,412</u>	<u>114,871</u>
Deferred Outflows of Resources			
Pension related deferred outflows	45,069	80,637	125,706
	<u>\$ 144,744</u>	<u>\$ 671,122</u>	<u>\$ 815,866</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,019	\$ 1,938	\$ 2,957
Contracts payable	12,235	12,079	24,314
Benefits payable	4,033	4,291	8,324
Deposits payable	5,231	-	5,231
Unearned revenue	1,214	44,289	45,503
Total current liabilities	<u>23,732</u>	<u>62,597</u>	<u>86,329</u>
Deferred Inflows of Resources			
Pension related deferred inflows	26,746	47,854	74,600
Total deferred inflows of resources	<u>26,746</u>	<u>47,854</u>	<u>74,600</u>
Net Position			
Net investment in capital assets	-	113,591	113,591
Restricted for SDRS benefits	18,782	33,604	52,386
Unrestricted net position	75,484	413,476	488,960
Total net position	<u>94,266</u>	<u>560,671</u>	<u>654,937</u>
	<u>\$ 144,744</u>	<u>\$ 671,122</u>	<u>\$ 815,866</u>

Sisseton School District 54-2
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

	Other Enterprise Fund	Food Service Fund	Total
Operating Revenues			
Tuition and fees			
Student tuition	\$ 122,827	\$ -	\$ 122,827
Food sales			
To pupils	-	125,380	125,380
To adults	-	10,197	10,197
Other charges for goods and services	-	14,270	14,270
Total operating revenues	<u>122,827</u>	<u>149,847</u>	<u>272,674</u>
Operating Expenses			
Salaries	120,312	230,149	350,461
Employee benefits	17,771	56,675	74,446
Purchased services	2,767	1,797	4,564
Supplies	1,569	32,647	34,216
Cost of sales - purchased food	-	257,897	257,897
Cost of sales - donated food	-	36,647	36,647
Other	49	23,194	23,243
Depreciation - local funds	-	9,841	9,841
Total operating expenses	<u>142,468</u>	<u>648,847</u>	<u>791,315</u>
Operating Loss	<u>(19,641)</u>	<u>(499,000)</u>	<u>(518,641)</u>
Nonoperating Revenues			
Investment earnings	109	1,186	1,295
Other local revenue	81	-	81
Federal grants	1,455	-	1,455
State sources:			
Cash reimbursements	-	1,377	1,377
Federal sources:			
Cash reimbursements	-	476,032	476,032
Donated food	-	41,025	41,025
Total nonoperating revenues	<u>1,645</u>	<u>519,620</u>	<u>521,265</u>
Transfers in	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Change in Net Position	37,004	20,620	57,624
Net Position - Beginning	<u>57,262</u>	<u>540,051</u>	<u>597,313</u>
Net Position - Ending	<u>\$ 94,266</u>	<u>\$ 560,671</u>	<u>\$ 654,937</u>

Sisseton School District 54-2
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Other Enterprise Fund	Food Service Fund	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 121,660	\$ 160,206	\$ 281,866
Payments to suppliers	(3,934)	(327,767)	(331,701)
Payments to employees	(136,837)	(293,618)	(430,455)
Net Cash used for Operating Activities	<u>(19,111)</u>	<u>(461,179)</u>	<u>(480,290)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	55,000	-	55,000
Operating grants and other income	1,536	477,409	478,945
Net Cash from Noncapital Financing Activities	<u>56,536</u>	<u>477,409</u>	<u>533,945</u>
Cash Flows from Investing Activities			
Interest earnings	109	1,186	1,295
Net Cash from Investing Activities	<u>109</u>	<u>1,186</u>	<u>1,295</u>
Change in Cash and Cash Equivalents	37,534	17,416	54,950
Cash and Cash Equivalents, Beginning of Year	<u>44,719</u>	<u>400,690</u>	<u>445,409</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 82,253</u></u>	<u><u>\$ 418,106</u></u>	<u><u>\$ 500,359</u></u>
Reconciliation of Operating Loss to			
Net Cash used for Operating Activities:			
Operating loss	\$ (19,641)	\$ (499,000)	\$ (518,641)
Adjustments to reconcile operating loss to			
net cash used for operating activities:			
Depreciation expense	-	9,841	9,841
Value of donated commodities used	-	36,647	36,647
Change in assets and liabilities:			
Receivables	(534)	(282)	(816)
Due from state government	(129)	(7,261)	(7,390)
Inventories	-	(7,717)	(7,717)
Pension asset and deferred outflows	62,937	40,938	103,875
Pension liability and deferred inflows	(61,759)	(52,018)	(113,777)
Accounts and other payables	451	(4,515)	(4,064)
Accrued wages payable	2,548	1,575	4,123
Accrued payroll liabilities	(2,480)	2,711	231
Unearned revenue	(504)	17,902	17,398
Net Cash used for Operating Activities	<u><u>\$ (19,111)</u></u>	<u><u>\$ (461,179)</u></u>	<u><u>\$ (480,290)</u></u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ -	\$ 41,025	\$ 41,025

Sisseton School District 54-2
Statement of Fiduciary Net Position
For the Year Ended June 30, 2023

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 53,834
Investments - certificates of deposit	93,841
Investments - annuities	<u>10,116</u>
	<u>\$ 157,791</u>
Net Position	
Net position held in trust for scholarships	<u>\$ 157,791</u>
Total net position	<u>157,791</u>
	<u>\$ 157,791</u>

Sisseton School District 54-2
Statement of Changes in Fiduciary Net Position
June 30, 2023

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and donations	\$ 17,742
Other additions	<u>575</u>
Total additions	<u>18,317</u>
Deductions	
Trust deductions for scholarships	<u>17,200</u>
Total deductions	<u>17,200</u>
Change in Net Position	1,117
Net Position - Beginning	<u>156,674</u>
Net Position - Ending	<u><u>\$ 157,791</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Sisseton School District 54-2 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of Sisseton School District 54-2 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District 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 goods or services.

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

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

Fund Financial Statements

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

Governmental Funds

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the School District.

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

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

Proprietary Funds

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

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Other Enterprise Fund – An enterprise fund maintained by the School District to record financial transactions related to the driver's education program, a preschool program, and an after-school program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains approximately 10 to 15 private-purpose trust funds, which are used for the purpose of providing scholarships to students.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements – In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected within the current period or soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period for the School District’s property tax receipts is sixty days. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies. Federal revenue, except impact aid, is recorded in the year which the related expenditure is made. Impact aid revenues are recognized when funds are received. Other revenues are considered available when they are earned. The revenues, which are accrued at June 30, 2023, are due from the counties and state government.

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

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

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. 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.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at acquisition value which approximates market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General Fund and special revenue funds exist from time to time and consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets

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

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

Real property assets include related improvements totaling approximately \$27,500,000 for which the School District does not have legal ownership; however, the School District has substantially all the risks and rewards of ownership and anticipates having possession of these assets for perpetuity. Therefore, these assets have been included as a part of the School District's capital assets in the accompanying financial statements and related notes to the financial statements.

Government-Wide Statements – All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Assets held for sale are recorded at the lower of cost or market value.

Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The School District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include the effects of demand, subsequent sales value, and other economic factors. Based on this assessment, there was no impairment at June 30, 2023.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2023, balance of capital assets for governmental activities includes approximately 16% 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 43% for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets for governmental activities were based upon the appraisals, and the estimations of capital assets for business-type activities were established by reviewing applicable historical costs and basing the estimations thereon.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	N/A	N/A
Improvements	\$ 25,000	Straight-line	5 - 50 years
Buildings	25,000	Straight-line	33 - 50 years
Machinery and Equipment	3,500	Straight-line	5 - 20 years
Food Service Equipment	3,500	Straight-line	10 - 20 years

**Land is an inexhaustible capital asset and is not depreciated*

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

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of retirement bonus payable.

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

Program Revenues

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

1. Charges for Services – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are, otherwise, directly affected by the services.
2. Program-Specific Operating Grants and Contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.

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

Property Taxes

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for subsequent years.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and, therefore, is not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Proprietary Funds Revenue and Expense Classifications

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Cash, Cash Equivalents, and Investments

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows. 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 classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

Equity Classifications

Government-Wide Statements – Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements

Governmental fund equity is classified as fund balance and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

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

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

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Grants and Property Taxes
Special Education Fund	Grants and Property Taxes

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, so, will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, so, will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and other revenue streams on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, Interest Rate Risk, and Fair Value Measurements

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 as follows:

Deposits

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

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

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 income from investments in each respective fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2023, the financial institution that holds the School District's deposits was properly collateralized.

The actual bank balances at June 30, 2023, were as follows:

Insured (FDIC/NCUA)	\$ 343,928
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	<u>26,421,002</u>
	<u><u>\$ 26,764,930</u></u>

Reconciliation of deposits to the government-wide statement of net position is as follows:

Cash and Cash Equivalents	\$ 26,616,703
Add: Private purpose trust fund cash (not included in government-wide statement of net position)	53,834
Add: Private purpose trust fund CDs (not included in government-wide statement of net position)	<u>93,841</u>
School District's carrying amount of deposits at June 30, 2023	<u><u>\$ 26,764,378</u></u>

Investments

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

Custodial Credit Risk Investments: The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

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

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

Concentration of Credit Risk: The School District places no limit on the amount that the School District may invest in any one issuer.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District invests in non-negotiated certificates of deposit and fixed annuity funds in the private purpose trust funds. The nonnegotiated certificates of deposit are valued at amortized cost, and the fixed annuity fund is valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions, and is classified within Level 2.

The School District has the following recurring fair value measurements as of June 30, 2023.

	Total	Level 1	Level 2	Level 3
RiverSource Fixed Annuity	\$ 10,116	\$ -	\$ 10,116	\$ -
Non-negotiated certificates of deposit (at amortized cost)	93,841	-	-	-
	<u>\$ 103,957</u>	<u>\$ -</u>	<u>\$ 10,116</u>	<u>\$ -</u>

Note 3 - 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. No allowances for estimated uncollectible receivables have been established. The School District has \$2,034,472 due from the state and \$267,596 due from local governments in the General Fund, \$538,054 due from the state in the Capital Outlay Fund, and \$427,028 due from the state in the Special Education Fund as of June 30, 2023.

Note 4 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets not being depreciated:				
Land	\$ 84,143	\$ -	\$ -	\$ 84,143
Construction in process	13,523	526,000	13,523	526,000
Total not being depreciated	<u>97,666</u>	<u>526,000</u>	<u>13,523</u>	<u>610,143</u>
Capital assets being depreciated:				
Buildings	20,290,283	-	-	20,290,283
Improvements	7,090,024	89,014	-	7,179,038
Machinery and equipment	4,479,706	307,770	222,899	4,564,577
Total being depreciated	<u>31,860,013</u>	<u>396,784</u>	<u>222,899</u>	<u>32,033,898</u>
Less accumulated depreciation for:				
Buildings	7,931,212	326,730	-	8,257,942
Improvements	2,339,383	267,210	-	2,606,593
Machinery and equipment	3,718,948	178,552	222,040	3,675,460
Total accumulated depreciation	<u>13,989,543</u>	<u>772,492</u>	<u>222,040</u>	<u>14,539,995</u>
Total capital assets being depreciated, net	<u>17,870,470</u>	<u>(375,708)</u>	<u>859</u>	<u>17,493,903</u>
Governmental activity capital assets, net	<u>\$ 17,968,136</u>	<u>\$ 150,292</u>	<u>\$ 14,382</u>	<u>\$ 18,104,046</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 408,235
Support services	205,057
Co-curricular	<u>159,200</u>
Total depreciation expense - governmental activities	<u>\$ 772,492</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2023</u>
Capital assets being depreciated				
Machinery and equipment	\$ 398,578	\$ -	\$ -	\$ 398,578
Total being depreciated	<u>398,578</u>	<u>-</u>	<u>-</u>	<u>398,578</u>
Less accumulated depreciation for:				
Machinery and equipment	275,146	9,841	-	284,987
Total accumulated depreciation	<u>275,146</u>	<u>9,841</u>	<u>-</u>	<u>284,987</u>
Total capital assets being depreciated, net	<u>123,432</u>	<u>(9,841)</u>	<u>-</u>	<u>113,591</u>
Business-type activities capital assets, net	<u>\$ 123,432</u>	<u>\$ (9,841)</u>	<u>\$ -</u>	<u>\$ 113,591</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food services	<u>\$ 9,841</u>
Total depreciation expense - business-type activities	<u>\$ 9,841</u>

Note 5 - Long-Term Liabilities

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

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Due in One Year</u>
Governmental activities:					
Retirement bonus	\$ 43,310	\$ 9,519	\$ 43,310	\$ 9,519	\$ 9,519
	<u>\$ 43,310</u>	<u>\$ 9,519</u>	<u>\$ 43,310</u>	<u>\$ 9,519</u>	<u>\$ 9,519</u>

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2023, are as follows:

Year Ending	Retirement Bonus	Total	
	Principal	Principal	Interest
2024	\$ 9,519	\$ 9,519	\$ -

Note 6 - Retirement Bonus Policy

The School District has a retirement bonus policy in which the employee will receive a benefit calculated based on a standard formula in place based on certain requirements being met. The employee must meet the following criteria: the employee must qualify for state retirement and have served the School District for at least fifteen years. The maximum number of instructional staff recipients approved in any one year shall not exceed five. If more than five employees ask for the bonus, the School Board has the discretion to grant or deny more than five. Those with the greatest number of years of service shall receive first consideration to determine the priority of the recipients.

Note 7 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position as of June 30:

Fund	Restricted By	2023
Special Education	Law	\$ 1,473,142
Capital Outlay	Law	7,561,730
SDRS Pension Plan	Pension Plan	1,154,097
Total restricted net position		\$ 10,188,969

Note 8 - Interfund Transfers

Interfund transfers for the year ended June 30, 2023, were as follows:

Transfers From	Transfers To			Total
	General Fund	Capital Outlay Fund	Other Enterprise Fund	
Major Funds:				
General Fund	\$ -	\$ -	\$ 55,000	\$ 55,000

The transfers from the General Fund to the Other Enterprise Fund above were made to supplement operations.

Note 9 - Risk Management

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

The School District is a member of the South Dakota School District Health Benefits Fund (SD SDBF). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for a \$1,500 to \$3,500 deductible per person up to \$3,000 to \$7,000 per family, with annual out of pocket maximums up to \$6,500 to \$12,500 per family and no lifetime maximum per person.

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

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information, and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to, and cooperate with, the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium to provide liability coverage detailed below under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience-to-date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for property, general liability, automobile, EDP, inland marine, accounts receivable, property in transit, valuable papers, ordinance or law, school leaders professional liability, and cost of defense, crime, and boiler and machinery. The agreement with the ASBSD-PLF provides that the above coverages will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for the property, crime, and automobile coverage, a \$1,000 deductible for the boiler and machinery coverage, and various other deductibles for different types of insurance coverage.

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

Workers' Compensation

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

The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 10 - Contingencies

From time to time, the School District is involved in various litigation. As of June 30, 2023, there was no outstanding litigation for which there is a probable or reasonably possible likelihood of an unfavorable outcome for the School District.

Amounts received or receivables from federal or state agencies are subject agency audit and adjustments. Any disallowed costs, including amount already collected, may constitute a liability of the applicable funds. The amounts, if any, of funds which may be disallowed by the agencies cannot be determine at this time. The Organization believes, however, that any liability it may incur would not have a material adverse effect on its financial condition or its results of operations.

Note 11 - Pension Plan**Plan Information**

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, hybrid defined-benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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 at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota, 57501-1098 or by 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 retirement benefits 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/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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. The 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 the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021, were \$433,969, \$427,538, and \$411,843, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 101.1% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the School District as of the measurement period ending June 30, 2022, and reported by the School District as of June 30, 2023, are as follows:

Proportionate share of pension liability	\$ 42,125,827
Less proportionate share of net pension restricted for pension benefits	<u>42,154,029</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (28,202)</u></u>

At June 30, 2023, the School District reported a liability (asset) of \$(28,202) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.298413%, which is a decrease of 0.0040580% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense (reduction of pension expense) of (\$143,551). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 536,845	\$ 1,831
Changes in assumption	1,792,426	1,570,822
Net difference between projected and actual earnings on pension plan investments	-	67,585
Changes in proportion and difference between School District contributions and proportionate share of contributions	6,095	3,202
School District contributions subsequent to the measurement date	433,969	-
	<u>\$ 2,769,335</u>	<u>\$ 1,643,440</u>
Total		

There is \$433,969 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended June 30:</u>	
2024	\$ 184,698
2025	392,660
2026	(444,169)
2027	558,737
	<u>\$ 691,926</u>
Total	

Actuarial Assumptions

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

Inflation	2.25%
Salary increases	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 returns of 4.00%.
Future COLAs	2.10%

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2023, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Change in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 5,855,865	\$ (28,202)	\$ (4,837,039)

Pension Plan Fiduciary Net Position

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

Note 12 - Commitments

As of year-end, the School District has committed to a Phase 1 roofing project for an approximate total of \$725,600, of which \$526,000 has been accrued at year-end and is included in construction in progress. This will be paid for by grant funds.

Subsequent to year-end, the School District committed to purchase contracts for various projects, improvements and equipment for approximately \$2,115,000. These contracts will be paid for using grant and local funds.



Required Supplementary Information
June 30, 2023

Sisseton School District 54-2

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 2,036,899	\$ 2,036,899	\$ 2,059,308	\$ 22,409
1120 Prior year's ad valorem taxes	25,000	25,000	23,123	(1,877)
1140 Gross receipts taxes	420,000	420,000	450,842	30,842
1190 Penalties and interest on taxes	10,000	10,000	10,961	961
1300 Tuition and fees:				
1360 Regular day school transportation fees	80,000	80,000	82,221	2,221
1500 Earnings on investments and deposits	3,950	3,950	52,331	48,381
1700 Co-curricular activities:				
1710 Admissions	29,000	29,000	33,311	4,311
1740 Rentals	16,480	16,480	14,949	(1,531)
1790 Other pupil activity	30,000	30,000	144,597	114,597
1900 Other revenue from local sources:				
1950 Refund of prior years' expenditures	18,000	18,000	16,467	(1,533)
1960 Judgments	-	-	12	12
1970 Charges for services	40,000	40,000	22,266	(17,734)
1990 Other	3,050	3,050	61,104	58,054
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	200,000	200,000	259,895	59,895
2200 Revenue in lieu of taxes	500	500	-	(500)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	3,410,987	3,410,987	3,732,145	321,158
3120 Restricted grants-in-aid	183,000	183,000	21,623	(161,377)
3900 Other state revenue	2,100	2,100	1,358	(742)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4110 Unrestricted grants-in-aid received directly from federal government	1,850,000	1,850,000	3,793,843	1,943,843
4140 Restricted grants-in-aid received directly from federal government	143,916	143,916	128,733	(15,183)
4150-4199 Restricted grants-in-aid received from federal government through the state	6,808,326	6,808,326	2,262,522	(4,545,804)
4900 Other federal revenue	-	-	4,846	4,846
Total revenues	<u>15,311,208</u>	<u>15,311,208</u>	<u>13,176,457</u>	<u>(2,134,751)</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	2,261,401	2,469,224	1,767,236	701,988
1120 Middle/junior high	1,849,155	2,074,754	1,437,633	637,121
1130 High school	2,061,092	2,234,033	1,480,036	753,997
1140 Preschool services	-	799	798	1
1200 Special programs:				
1220 Programs for special education	-	3,993	-	3,993
1250 Culturally different	143,916	148,112	129,874	18,238
1270 Educationally deprived	1,326,330	1,343,040	650,108	692,932
1300 Adult continuing education programs	5,950	5,950	-	5,950
2000 Support services				
2100 Pupils:				
2120 Guidance	281,289	287,592	223,667	63,925
2130 Health	140,013	162,455	86,700	75,755
2140 Psychological	-	799	798	1
2150 Speech pathology	-	2,394	2,394	-
2170 Student therapy services	-	799	798	1
2200 Support services - instructional staff:				
2210 Improvement of instruction	494,981	539,726	157,994	381,732
2220 Educational media	418,478	441,840	254,236	187,604
2300 Support services - general administration:				
2310 Board of Education	155,940	157,940	100,434	57,506
2320 Executive administration	269,614	269,614	192,207	77,407
2400 Support services - school administration:				
2410 Office of the Principal	842,829	860,832	665,331	195,501
2440 Title I program administration	-	711	59,205	(58,494)
2490 Other school administrative	8,520	8,520	2,846	5,674
2500 Support services - business:				
2520 Fiscal services	467,186	467,186	335,769	131,417
2530 Facilities acquisition and construction	-	44,848	45,848	(1,000)
2540 Operation and maintenance of plant	3,778,330	3,778,330	1,484,343	2,293,987
2550 Pupil transportation	1,349,179	1,349,179	872,429	476,750
2560 Food services	1,500	1,500	69,307	(67,807)
2590 Other	-	-	40,391	(40,391)
2600 Support services - central:				
2640 Staff	-	-	5,485	(5,485)
3000 Community services				
3200 Recreation	50,251	50,251	7,492	42,759
4000 Non-programmed charges				
4500 Early retirement payments	43,310	43,310	43,310	-
6000 Co-curricular activities				
6100 Male activities	205,738	205,738	120,095	85,643
6200 Female activities	232,679	232,679	116,541	116,138
6900 Combined activities	245,825	245,825	164,173	81,652
7000 Contingencies	25,000	25,000	-	25,000
Total expenditures	<u>16,658,506</u>	<u>17,456,973</u>	<u>10,517,478</u>	<u>6,939,495</u>
Excess of Revenues over (under) Expenditures	<u>(1,347,298)</u>	<u>(2,145,765)</u>	<u>2,658,979</u>	<u>4,804,744</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
8110 Transfers out	(144,414)	(144,414)	(55,000)	89,414
5130 Sale of surplus property	1,000	1,000	199	(801)
Total other financing sources (uses)	(143,414)	(143,414)	(54,801)	88,613
Net Change in Fund Balances	(1,490,712)	(2,289,179)	2,604,178	4,893,357
Fund Balance - Beginning	15,680,147	15,680,147	15,680,147	-
Fund Balance - Ending	\$ 14,189,435	\$ 13,390,968	\$ 18,284,325	\$ 4,893,357

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,895,000	\$ 1,895,000	\$ 1,876,208	\$ (18,792)
1120 Prior year's ad valorem taxes	12,000	12,000	14,070	2,070
1190 Penalties and interest on taxes	6,000	6,000	6,375	375
1500 Earnings on investments and deposits	1,300	1,300	21,589	20,289
4000 Revenue from federal sources				
4150-4199 Restricted grants-in-aid received from federal government through the state	-	500,270	851,302	351,032
Total revenues	<u>1,914,300</u>	<u>2,414,570</u>	<u>2,769,544</u>	<u>354,974</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	101,527	101,527	13,080	88,447
1120 Middle school	87,910	87,910	4,586	83,324
1130 High school	38,515	38,515	-	38,515
1200 Special programs:				
1220 Programs for special education	31,400	31,400	4,986	26,414
2000 Support services				
2100 Students:				
2120 Guidance	2,550	2,550	-	2,550
2130 Health	850	850	-	850
2140 Psychological	850	850	-	850
2150 Speech pathology	3,400	3,400	-	3,400
2170 Student therapy services	850	850	-	850
2200 Support services - instructional staff:				
2220 Educational media	23,450	23,450	5,387	18,063
2300 Support services - general administration:				
2320 Executive administration	11,100	11,100	-	11,100
2400 Support services - school administration:				
2410 Office of the Principal	13,300	13,300	-	13,300
2500 Support services - business:				
2520 Fiscal services	7,200	7,200	-	7,200
2530 Facilities acquisition and construction	736,333	1,236,603	526,000	710,603
2540 Operation and maintenance of plant	106,000	356,515	334,444	22,071
2550 Transportation	215,000	215,000	84,470	130,530
2560 Food services	5,850	5,850	-	5,850
2700 Support services - special education:				
2710 Administrative costs	-	-	2,197	(2,197)
6000 Co-curricular activities				
6100 Male activities	9,750	9,750	-	9,750
6200 Female activities	14,300	14,300	1,084	13,216
6900 Combined activities	3,650	3,650	-	3,650
Total expenditures	<u>1,413,785</u>	<u>2,164,570</u>	<u>976,234</u>	<u>1,188,336</u>
Excess of Revenues over (under) Expenditures	<u>500,515</u>	<u>250,000</u>	<u>1,793,310</u>	<u>1,543,310</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
8110 Transfers out	250,000	250,000	-	(250,000)
5130 Sale of surplus property	-	-	21,553	21,553
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>21,553</u>	<u>(228,447)</u>
Net Change in Fund Balances	750,515	500,000	1,814,863	1,314,863
Fund Balance - Beginning	<u>5,711,280</u>	<u>5,711,280</u>	<u>5,711,280</u>	-
Fund Balance - Ending	<u><u>\$ 6,461,795</u></u>	<u><u>\$ 6,211,280</u></u>	<u><u>\$ 7,526,143</u></u>	<u><u>\$ 1,314,863</u></u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,317,566	\$ 1,317,566	\$ 1,410,805	\$ 93,239
1120 Prior year's ad valorem taxes	8,500	8,500	10,621	2,121
1190 Penalties and interest on taxes	4,500	4,500	4,950	450
1300 Tuition and fees:				
1310 Regular day school tuition	-	-	16,000	16,000
1500 Earnings on investments and deposits	200	200	3,792	3,592
1900 Other revenue from local sources				
1970 Charges for services	10,500	10,500	29,400	18,900
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	441,156	441,156	-	(441,156)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4110-4140 Restricted grants-in-aid received directly from federal government	105,000	105,000	123,753	18,753
4150-4199 Restricted grants-in-aid received from federal government through the state	447,006	447,006	472,347	25,341
Total revenues	<u>2,334,428</u>	<u>2,334,428</u>	<u>2,071,668</u>	<u>(262,760)</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	1,649,405	1,649,405	1,031,952	617,453
2000 Support services				
2100 Pupils:				
2120 Guidance	-	-	6,168	(6,168)
2140 Psychological	99,924	99,924	102,977	(3,053)
2150 Speech pathology	363,395	363,395	262,997	100,398
2170 Student therapy services	189,911	189,911	148,741	41,170
2200 Support services - instructional staff:				
2210 Improvement of instruction	1,598	1,598	77,589	(75,991)
2700 Support services - special education:				
2710 Administration costs	108,302	108,302	79,207	29,095
2730 Transportation costs	8,520	8,520	17,498	(8,978)
2750 Other special education costs	237,538	237,538	34,553	202,985
Total expenditures	<u>2,658,593</u>	<u>2,658,593</u>	<u>1,761,682</u>	<u>896,911</u>
Excess of Revenues over (under) Expenditures	<u>(324,165)</u>	<u>(324,165)</u>	<u>309,986</u>	<u>634,151</u>
Net Change in Fund Balances	(324,165)	(324,165)	309,986	634,151
Fund Balance - Beginning	<u>1,136,264</u>	<u>1,136,264</u>	<u>1,136,264</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 812,099</u>	<u>\$ 812,099</u>	<u>\$ 1,446,250</u>	<u>\$ 634,151</u>

Note 1 - Basis of Presentation

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. The budgetary comparison schedules have been prepared on the budgetary basis of accounting. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

Note 2 - Budgets and Budgetary Accounting

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

1. Prior to the first regular School 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.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the School Board, the operating budget is legally binding at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital project funds and special revenue funds. Formal budgetary integration is not employed for debt service funds 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 special revenue funds of the School District only.

Schedule of Employer’s Share of Net Pension Liability (Asset)

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SDRS	6/30/2023	0.2984%	\$ (28,202)	\$ 7,125,631	-0.4%	101.10%
SDRS	6/30/2022	0.3025%	(2,316,410)	6,864,047	-33.8%	105.52%
SDRS	6/30/2021	0.3026%	(13,142)	6,641,219	-0.2%	100.04%
SDRS	6/30/2020	0.2976%	(31,538)	6,327,699	-0.5%	100.09%
SDRS	6/30/2019	0.2974%	(6,937)	6,181,663	-0.1%	100.02%
SDRS	6/30/2018	0.2983%	(27,073)	6,061,340	-0.4%	100.10%
SDRS	6/30/2017	0.3071%	1,037,486	5,840,240	17.8%	96.89%
SDRS	6/30/2016	0.3404%	(1,443,647)	6,214,846	-23.2%	104.10%
SDRS	6/30/2015	0.3714%	(2,675,483)	6,494,097	-41.2%	107.30%

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

Schedule of Employer’s Contributions

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2023	\$ 433,969	\$ 433,969	\$ -	\$ 7,232,812	6.0%
SDRS	6/30/2022	427,538	427,538	-	7,125,631	6.0%
SDRS	6/30/2021	411,843	411,843	-	6,864,047	6.0%
SDRS	6/30/2020	398,473	398,473	-	6,641,219	6.0%
SDRS	6/30/2019	379,662	379,662	-	6,327,699	6.0%
SDRS	6/30/2018	371,021	371,021	-	6,181,663	6.0%
SDRS	6/30/2017	363,681	363,681	-	6,061,340	6.0%
SDRS	6/30/2016	350,415	350,415	-	5,840,240	6.0%
SDRS	6/30/2015	372,892	372,892	-	6,214,846	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Notes to Required Supplementary Information

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2022 legislative session, no significant SDRS benefit changes were made and gaming enforcement agents became Class B public safety members.

Actuarial Assumption Changes

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

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

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

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

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

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

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

Actuarial Method Changes

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



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*

To the School Board
Sisseton School District 54-2
Sisseton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sisseton School District 54-2 (the School District) 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 our report thereon dated March 28, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

The School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Aberdeen, South Dakota
March 28, 2024



**Independent Auditor’s Report on Compliance for each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

The School Board
Sisseton School District 54-2
Sisseton, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sisseton School District 54-2’s (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2023. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Aberdeen, South Dakota
March 28, 2024

Sisseton School District 54-2
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Financial Assistance Listing</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	*	\$ 36,647
Cash Assistance:			
School Breakfast Program	10.553	3SD300310	108,563
National School Lunch Program	10.555	3SD300310	431,600
Supply Chain Assistance	10.555	*	6,839
Fresh Fruit and Vegetable Program	10.582	*	36,983
Summer Food Service Program for Children	10.559	*	20,750
Total for Child Nutrition Cluster			<u>641,382</u>
Total Department of Agriculture			<u>641,382</u>
<u>National Foundation on the Arts and Humanities</u>			
Pass-Through the SD Department of Tourism and State Development:			
Promotion of the Arts - Partnership Agreements	45.025	*	4,846
Total National Foundation on the Arts and Humanities			<u>4,846</u>
<u>Department of Education</u>			
Direct Federal Funding:			
Impact Aid	84.041	*	1,730,292
Indian Education - Grants to Local Educational Agencies	84.060	*	128,733
Pass-Through the Office of Special Education and Rehabilitative Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States			
State of SD Department of Human Services	84.126	H126A200062	45,015
Total Office of Special Education and Rehabilitative Services			<u>45,015</u>
Pass-Through the SD Department of Education:			
Title I Grants to Local Educational Agencies			
Special Education Cluster:	84.010	S010A80041	743,525
Special Education - Grants to States	84.027	H027A080091	378,412
Special Education - Preschool Grants	84.173	H173A080091	12,250
Total for Special Education Cluster			<u>390,662</u>
Special Education - Grants for Infants and Families	84.181	Q186A080043	2,884
Career and Technical Education - Basic Grants to States	84.048	*	29,109
Rural Education	84.358	*	9,268
Improving Teacher Quality State Grants	84.367	S367A080039	182,532
Educational Stabilization Fund:			
Elementary and Secondary Schools Emergency Relief Fund CRRSA	84.425D	*	1,546,132
Elementary and Secondary Schools Emergency Relief Fund ARPA	84.425U	*	614,479
Total SD Department of Education			<u>3,518,591</u>
Total Department of Education			<u>5,422,631</u>
Total Federal Financial Assistance			<u>\$ 6,068,859</u>

* - Pass Through Number not provided.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Sisseton School District 54-2 (the School District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to, and does not, present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting for all funds. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The School District does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4 - Food Donation

Non-monetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the School District had food commodities totaling \$12,746 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Impact Aid	84.041
Educational Stabilization Fund	
COVID-19 - Educational Stabilization Fund	
Elementary and Secondary School Emergency Relief Fund	84.425D
Elementary and Secondary School Emergency Relief Fund	84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2023-001 Lack of Segregation of Duties

Significant Deficiency

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: Sisseton School District 54-2 (the School District) does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Cause: The School District's system of internal controls is not adequately designed so that duties are appropriately segregated.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected.

Recommendation: We recommend that the School District consider changes to the system of internal controls so that incompatible duties are appropriately segregated within the revenue, expenditures, and payroll functions. Additionally, we recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

Finding 2023-002 Preparation of Financial Statements, Footnotes, Significant Journal Entries and Adjustment to Schedule of Expenditures of Federal Awards

Material Weakness

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: Sisseton School District 54-2 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2023. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements and footnotes, and could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

SISSETON SCHOOL DISTRICT 54-2

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Lori A. Kuschel, Business Manager

James D. Frederick, HS Principal

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Dr. April D. Moen, Elem. Principal

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2023

Prepared by Management of
Sisseton School District 54-2

Financial Statement Findings

Finding 2022-001 Lack of Segregation of Duties

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: The School District does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Status: Ongoing. We will continue to examine and modify our internal control procedures to improve segregation of duties.

Finding 2022-002 Preparation of Financial Statements and Footnotes and Significant Journal Entries

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements, which included proposing significant journal entries, including restatements of beginning balances.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.

Financial Statement Findings

Finding 2023-001 Lack of Segregation of Duties

Finding Summary: The School District does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: We will continue to examine and modify our internal control procedures to improve segregation of duties.

Anticipated Completion Date: Ongoing

Finding 2023-002 Preparation of Financial Statements, Footnotes, Significant Journal Entries, and Adjustment to Schedule of Expenditures of Federal Awards

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements. The Schedule of Expenditures of Federal Awards was also adjusted to reflect current year expenditures.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing