

**South Central School District No. 26-5**

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

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

**South Central School District No. 26-5**

School District Officials

June 30, 2023

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Board Members

Jason Jons----- Board President

Laurie Pistulka -----Vice President

Greg Hausmann ----- Member

Clinton Fuhrer----- Member

Dan Cahoy ----- Member

Jeremy Wollman -----Superintendent

Cheryl Thaler -----Business Manager

# South Central School District No. 26-5

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

School Board  
South Central School District No. 26-5  
Bonesteel, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Central School District No. 26-5, South Dakota, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated February 23, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2023-001.

## **School District's Response to Findings**

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

## **Purpose of this Report**

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



Elk Point, South Dakota  
February 23, 2024

**South Central School District No. 26-5**  
Schedule of Prior Audit Findings  
Year Ended June 30, 2023

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**Prior Audit Findings**

There are no prior audit findings.

**South Central School District No. 26-5**  
Schedule of Current Audit Findings  
Year Ended June 30, 2023

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**Current Audit Findings**

**Finding Number 2023-001 – Compliance Finding**

Criteria: There is a material weakness resulting from budgeted expenditures exceeding budgeted means of finance for the Special Education Fund.

Condition, Cause and Effect: SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district had more expenditures than budgeted and did not supplement for the additional costs. As a result, the expenditures were in excess of the budget for the Special Education Fund in total.

Recommendation: We recommend that district officials be aware of and adhere to the budgetary requirements and supplement the budget, when necessary, in the future.

Management's Response: The School Board will continue to monitor the budgets, and if the expenditures are anticipated to exceed the annual appropriations, will adopt a supplemental appropriation to utilized unobligated fund balances only up to the maximum allowable.



## **Independent Auditor's Report**

School Board  
South Central School District No. 26-5  
Bonesteel, South Dakota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Central School District No. 26-5, Bonesteel, South Dakota, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise South Central School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 South Central School District No. 26-5, South Dakota 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. 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 South Central School District No. 26-5, Bonesteel, South Dakota, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the South Center School District, Bonesteel, South Dakota, 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 generally accepted 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 generally accepted auditing standards, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of School District Contributions listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2024 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 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.

A handwritten signature in cursive script that reads "CIO Prof LHC".

Elk Point, South Dakota  
February 23, 2024

**South Central School District No. 26-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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This section of South Central School District 26-5's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

### **Financial Highlights**

- The District's net assets from governmental and business-type activities increase from \$8,548,021 to \$8,448,835 from FY22 to FY23.
- The District's total revenue decreased by 32.23%. Revenue decreased mainly due to a decrease of \$623,463 in impact aid funds received in FY23 compared to FY22.
- The total cost of all the District's programs decreased by 1.08%
- The Impact Aid Fund is no longer recognized as a special revenue fund for year-end reporting. The Impact Aid Fund is maintained throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY 2023 \$400,000 of Impact Aid funds was transferred to the General Fund.

### **Overview of the Financial Statements**

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

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

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

**South Central School District No. 26-5**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

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

Figure A-1

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

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

**South Central School District No. 26-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Government-Wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

**South Central School District No. 26-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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The School has three kinds of funds:

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

**South Central School District No. 26-5**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

**Financial Analysis of the School as a Whole**

**Net Position**

The School's combined net position increased as follows:

Table A-1  
 South Central School District 26-5  
 Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 4,914,944	\$ 4,775,388	\$ 16,296	\$ 13,023	\$ 4,931,240	\$ 4,788,411	-2.90%
Capital Assets (Net of Depreciation)	4,101,085	3,993,091	6,717	6,070	4,107,802	3,999,161	-2.64%
Total Assets	9,016,029	8,768,479	23,013	19,093	9,039,042	8,787,572	-2.78%
Pension Related Deferred Outflows	372,160	292,935	--	--	372,160	292,935	-21.29%
Total Deferred Outflows or Resources	372,160	292,935	--	--	372,160	292,935	-21.29%
Long-Term Liabilities Outstanding	3,900	4,610	--	--	3,900	4,610	18.21%
Other Liabilities	63,005	87,539	7,853	10,126	70,858	97,665	37.83%
Total Liabilities	66,905	92,149	7,853	10,126	74,758	102,275	36.81%
Taxes Levied for Future Period	328,376	366,568	--	--	328,376	366,568	11.63%
Pension Related Deferred Inflows	460,047	162,829	--	--	460,047	162,829	-64.61%
Total Deferred Inflows of Resources	788,423	529,397	--	--	788,423	529,397	-32.85%
Net Investment in Capital Assets	4,101,085	3,993,091	6,717	6,070	4,107,802	3,999,161	-2.64%
Restricted	963,096	1,027,570	--	--	963,096	1,027,570	6.69%
Unrestricted	3,468,680	3,419,207	8,443	2,897	3,477,123	3,422,104	-1.58%
Total Net Position	8,532,861	8,439,868	15,160	8,967	8,548,021	8,448,835	-1.16%
Beginning Net Position	7,790,564	8,532,861	3,174	15,160	7,793,738	8,548,021	9.68%
Increase (Decrease) in Net Position	\$ 742,297	\$ (92,993)	\$ 11,986	\$ (6,193)	\$ 754,283	\$ (99,186)	113.15%
Percentage of Increase (Decrease) in Net Position	9.53%	-1.09%	377.63%	-40.85%	9.68%	-1.16%	

The School's combined net position of approximately \$8.4 million is approximately \$99,186 less or 1.16% smaller than on June 30, 2022. The decrease in the School's financial position was primarily in its governmental activities due in part to less general revenues in taxes and state sourced income.

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

**South Central School District No. 26-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Changes in Net Position**

The South Central School District’s total revenues (excluding transfers) in FY23 were \$1,838,683. More than 48% of the School’s revenue comes from property and other taxes, with approximately 27% coming from federal aid. (See Table A-2.)

Table A-2  
South Central School District 26-5  
Sources of Revenues  
Fiscal Year 2022-2023

Taxes	\$ 898,350	48.86%
State Sources	215,565	11.72%
Operating Grants & Contributions	164,491	8.95%
Federal Sources	503,976	27.41%
Charges For Services	17,655	0.96%
Other General Revenues	19,531	1.06%
Unrestricted Investment Earnings	19,115	1.04%
Total Revenue	\$ 1,838,683	100.00%

Total expenditures of all programs and services decreased by approximately 1.08%. The South Central School District expenses totaled \$1,937,869. The School’s expenses cover a range of services, encompassing instruction, support services, co-curricular activities, and food service. (See Table A-3.)

Table A-3  
South Central School District 26-5  
Statement of Expenditures  
Fiscal Year 2022-2023

Instruction	\$ 1,119,276	57.76%
Support Services	715,982	36.95%
Cocurricular Activities	42,270	2.18%
Food Service	60,341	3.11%
Total Expenditures	\$ 1,937,869	100.00%



**South Central School District No. 26-5**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

**Governmental and Business-Type Activities**

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

Table A-4

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Revenues							
Program Revenues							
Charge for Services	\$ 66,476	\$ 5,953	\$ 4,034	\$ 11,702	\$ 70,510	\$ 17,655	-74.96%
Operating Grants/ Contributions	301,230	122,094	50,133	42,397	351,363	164,491	-53.18%
General Revenues							
Taxes	913,770	898,350	--	--	913,770	898,350	-1.69%
Revenue State Sources	1,317,804	215,565	--	--	1,317,804	215,565	-83.64%
Revenue Federal Sources	--	503,976	--	--	--	503,976	100.00%
Other							
Other general revenues	15,163	19,531	--	--	15,163	19,531	28.81%
Unrestricted Investment Earnings	44,691	19,066	3	49	44,694	19,115	-57.23%
	<u>2,659,134</u>	<u>1,784,535</u>	<u>54,170</u>	<u>54,148</u>	<u>2,713,304</u>	<u>1,838,683</u>	<u>-32.23%</u>
Expenses							
Instruction	1,134,224	1,119,276	--	--	1,134,224	1,119,276	-1.32%
Support Services	720,802	715,982	--	--	720,802	715,982	-0.67%
Co-Curricular activities	46,311	42,270	--	--	46,311	42,270	-8.73%
Food Service	--	--	57,684	60,341	57,684	60,341	4.61%
	<u>1,901,337</u>	<u>1,877,528</u>	<u>57,684</u>	<u>60,341</u>	<u>1,959,021</u>	<u>1,937,869</u>	<u>-1.08%</u>
Excess (Deficiency)							
Before transfers	757,797	(92,993)	(3,514)	(6,193)	754,283	(99,186)	-113.15%
Transfers	(15,500)	--	15,500	--	--	--	0.00%
Increase (Decrease) in Net Assets	742,297	(92,993)	11,986	(6,193)	754,283	(99,186)	-113.15%
Beginning Adjusted Net Position	<u>7,790,564</u>	<u>8,532,861</u>	<u>3,174</u>	<u>15,160</u>	<u>7,793,738</u>	<u>8,548,021</u>	<u>9.68%</u>
Ending Net Position	<u>\$ 8,532,861</u>	<u>\$ 8,439,868</u>	<u>\$ 15,160</u>	<u>\$ 8,967</u>	<u>\$ 8,548,021</u>	<u>\$ 8,448,835</u>	<u>-1.16%</u>

**Governmental Activities**

Revenues for the School's governmental activities decreased approximately 32.9% while expenses for governmental activities decreased by approximately 1.3%. One of the largest revenue decreases occurred in operating grants/contributions and federal and state sources. Expenditures stayed consistent. The General Fund decreased in fund balance from FY22 to FY23 by \$45,137 and the Capital Outlay fund balance decreased by \$16,126 in FY23. The Special Education Fund had an increase in fund balance of \$97,544, which was mostly caused by maintaining expenditures.

**South Central School District No. 26-5**  
Management Discussion and Analysis (MD&A)  
June 30, 2023

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**Business-Type Activities**

Expenditures of the School’s business-type activities (Food Service Operation) increased 4.61% while revenues remained consistent with last year’s total.

**General Fund Budgetary Highlights**

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.
- Changes made to reflect the wage increase and new hires throughout the year.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns in the general fund.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

**Capital Asset Administration**

By the end of FY23, the School had invested \$3,999,161 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$108,641.

Table A-5  
Capital Assets  
(Net of Depreciation)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Dollar Change</b>	<b>Total % Change</b>
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>		
Land	\$ 43,251	\$ 43,251	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	3,983,228	3,895,167	--	--	(88,061)	-2.21%
Machinery & Equipment	74,606	54,673	6,717	6,070	(20,580)	-25.31%
<b>Total Capital Assets</b>	<b>\$ 4,101,085</b>	<b>\$ 3,993,091</b>	<b>\$ 6,717</b>	<b>\$ 6,070</b>	<b>\$ (108,641)</b>	<b>-2.64%</b>

Major capital outlay purchases in FY23 include a security system and heat pump.

**South Central School District No. 26-5**  
**Management Discussion and Analysis (MD&A)**  
**June 30, 2023**

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**Long-Term Debt**

At year-end, the School had \$4,610 in general long-term obligations. This balance includes accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6  
 Outstanding Debt and Obligations

	<b>Governmental Activities</b>		<b>Total Dollar</b>	<b>Total %</b>
	<b>2022</b>	<b>2023</b>	<b>Change</b>	<b>Change</b>
	<u>2022</u>	<u>2023</u>	<u>Change</u>	<u>Change</u>
Accrued Compensated Absences - Governmental Funds	\$ 3,900	\$ 4,610	\$ 710	18.21%
Total Outstanding Debt	<u>\$ 3,900</u>	<u>\$ 4,610</u>	<u>\$ 710</u>	<u>18.21%</u>

The school is liable for the repayment accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District.

**Economic Factors And Next Year’s Budgets And Rates**

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

**Contacting the School’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the South Central School’s Business Office, 401 Birdsell Street, Bonesteel, SD 57317.

**South Central School District No. 26-5**  
Statement of Net Position – Government-Wide  
June 30, 2023

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<b>Assets:</b>			
Cash and cash equivalents	\$ 2,304,650	\$ 10,301	\$ 2,314,951
Investments	2,000,000	--	2,000,000
Accounts receivable	88,863	--	88,863
Taxes receivable	379,075	--	379,075
Inventories	--	2,722	2,722
Net pension asset	2,800	--	2,800
Capital assets:			
Land and construction in progress	43,251	--	43,251
Other capital assets, net of depreciation	3,949,840	6,070	3,955,910
<b>Total Assets</b>	<u>8,768,479</u>	<u>19,093</u>	<u>8,787,572</u>
<b>Deferred Outflows of Resources:</b>			
Pension-related deferred outflows	292,935	--	292,935
<b>Total Deferred Outflows of Resources</b>	<u>292,935</u>	<u>--</u>	<u>292,935</u>
<b>Liabilities:</b>			
Unearned revenue	--	10,060	10,060
Other current liabilities	87,539	66	87,605
Long-term liabilities:			
Due within one year	4,610	--	4,610
<b>Total Liabilities</b>	<u>92,149</u>	<u>10,126</u>	<u>102,275</u>
<b>Deferred Inflows of Resources:</b>			
Taxes levied for future periods	366,568	--	366,568
Pension related deferred inflows	162,829	--	162,829
<b>Total Deferred Inflows of Resources</b>	<u>529,397</u>	<u>--</u>	<u>529,397</u>
<b>Net Position:</b>			
Net investment in capital assets	3,993,091	6,070	3,999,161
Restricted for:			
Capital outlay	27,076	--	27,076
Special education	867,588	--	867,588
SDRS pension purposes	132,906	--	132,906
Unrestricted	3,419,207	2,897	3,422,104
<b>Total Net Position</b>	<u>\$ 8,439,868</u>	<u>\$ 8,967</u>	<u>\$ 8,448,835</u>

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

**South Central School District No. 26-5**  
Statement of Activities – Government-Wide  
June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities:						
Instruction	\$ 1,119,276	\$ --	\$ 122,094	\$ (997,182)	\$ --	\$ (997,182)
Support services	715,982	5,060	--	(710,922)	--	(710,922)
Cocurricular activities	42,270	893	--	(41,377)	--	(41,377)
Total Governmental Activities	<u>1,877,528</u>	<u>5,953</u>	<u>122,094</u>	<u>(1,749,481)</u>	<u>--</u>	<u>(1,749,481)</u>
Business-Type Activities:						
Food service	60,341	11,702	42,397	--	(6,242)	(6,242)
Total Business Type Activities	<u>60,341</u>	<u>11,702</u>	<u>42,397</u>	<u>--</u>	<u>(6,242)</u>	<u>(6,242)</u>
Total Primary Government	<u>\$ 1,937,869</u>	<u>\$ 17,655</u>	<u>\$ 164,491</u>	<u>(1,749,481)</u>	<u>(6,242)</u>	<u>(1,755,723)</u>
General Revenues:						
Taxes:						
Property taxes				851,545	--	851,545
Gross receipts taxes				46,805	--	46,805
Revenue from state sources:						
State aid				215,565	--	215,565
Revenue from Federal Sources:						
Unrestricted investment earnings				19,066	49	19,115
Other general revenues				19,531	--	19,531
Total General Revenues and Transfers				<u>1,656,488</u>	<u>49</u>	<u>1,656,537</u>
Change in Net Position				(92,993)	(6,193)	(99,186)
<b>Net Position - Beginning of Year</b>				<u>8,532,861</u>	<u>15,160</u>	<u>8,548,021</u>
<b>Net Position - Ending of Year</b>	<u>\$ 8,439,868</u>			<u>\$ 8,439,868</u>	<u>\$ 8,967</u>	<u>\$ 8,448,835</u>

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

**South Central School District No. 26-5**  
Balance Sheet – Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,405,151	\$ 26,404	\$ 873,095	\$ 2,304,650
Investments	2,000,000	--	--	2,000,000
Taxes receivable -- current	225,785	31,236	109,547	366,568
Taxes receivable -- delinquent	9,627	672	2,208	12,507
Due from other governments	88,863	--	--	88,863
Total Assets	<u>\$ 3,729,426</u>	<u>\$ 58,312</u>	<u>\$ 984,850</u>	<u>\$ 4,772,588</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,967	\$ --	\$ --	\$ 2,967
Contracts payable	57,603	--	5,497	63,100
Payroll deductions and withholding and employer matching payable	18,579	--	2,218	20,797
Deposits payable	675	--	--	675
Total Liabilities	<u>79,824</u>	<u>--</u>	<u>7,715</u>	<u>87,539</u>
<b>Deferred Inflows of Resources:</b>				
Taxes levied for future period	225,785	31,236	109,547	366,568
Delinquent taxes not available	9,627	672	2,208	12,507
Total Deferred Inflows of Resources	<u>235,412</u>	<u>31,908</u>	<u>111,755</u>	<u>379,075</u>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
For capital outlay	--	26,404	--	26,404
For special education	--	--	865,380	865,380
Unassigned	3,414,190	--	--	3,414,190
Total Fund Balances	<u>3,414,190</u>	<u>26,404</u>	<u>865,380</u>	<u>4,305,974</u>
Total Liabilities and Fund Balances	<u>\$ 3,729,426</u>	<u>\$ 58,312</u>	<u>\$ 984,850</u>	<u>\$ 4,772,588</u>

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

**South Central School District No. 26-5**  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2023

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Total Fund Balances - Governmental Funds		\$ 4,305,974
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		3,993,091
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Accrued Leave	(4,610)	(4,610)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:		
Delinquent Property Taxes Receivable		12,507
Proportionate Share of Net Pension Asset		2,800
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(162,829)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds.		292,935
Net Position - Governmental Activities		\$ 8,439,868

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

**South Central School District No. 26-5**  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 518,690	\$ 74,492	\$ 254,212	\$ 847,394
Prior years' ad valorem taxes	4,252	379	1,424	6,055
Utility taxes	46,805	--	--	46,805
Penalties and interest on taxes	1,626	138	541	2,305
Earnings on investments and deposits	15,300	125	3,641	19,066
Cocurricular Activities:				
Other	893	--	--	893
Other Revenue from Local Sources:				
Rentals	3,872	--	--	3,872
Contributions and donations	--	4,601	--	4,601
Contracted services other LEAs	22,569	--	--	22,569
Refund of prior year's expenditures	385	--	--	385
Charges for services	2,470	--	388	2,858
Other	2,873	--	--	2,873
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	4,003	--	--	4,003
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	215,565	--	--	215,565
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from federal government	493,942	--	10,034	503,976
Restricted grants-in-aid received from federal government through the state	122,094	--	--	122,094
<b>Total Revenues</b>	<u>\$ 1,455,339</u>	<u>\$ 79,735</u>	<u>\$ 270,240</u>	<u>\$ 1,805,314</u>

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



**South Central School District No. 26-5**  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
<b><u>Expenditures</u></b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 471,904	\$ 12,514	\$ --	\$ 484,418
Middle/junior high	203,279	--	--	203,279
High school	184,506	--	--	184,506
Preschool	30,921	--	--	30,921
Special Programs:				
Programs for special education	--	--	104,906	104,906
Educationally deprived	69,457	--	--	69,457
Support Services:				
Students:				
Guidance	2,345	--	--	2,345
Psychological	--	--	6,134	6,134
Speech pathology	--	--	9,199	9,199
Student therapy services	--	--	6,132	6,132
Instructional Staff:				
Improvement of instruction	8,370	--	--	8,370
Educational media	56,140	3,682	--	59,822
General Administration:				
Board of education	50,869	713	--	51,582
Executive administration	57,440	--	--	57,440
School Administration:				
Office of the principal	52,847	713	--	53,560
Other	36,979	--	--	36,979
Business:				
Fiscal services	60,388	910	--	61,298
Facilities acquisition and construction	--	1,555	--	1,555
Operation and maintenance of plant	186,138	18,218	--	204,356
Student transportation	64,476	--	--	64,476
Food services	3,472	--	--	3,472
Special Education:				
Administrative costs	--	--	42,684	42,684
Cocurricular Activities:				
Combined activities	480	--	--	480
Capital outlay	--	22,601	--	22,601
Total Expenditures	<u>1,540,011</u>	<u>60,906</u>	<u>169,055</u>	<u>1,769,972</u>
Excess of Revenue Over (Under) Expenditures	(84,672)	18,829	101,185	35,342
<b>Other Financing Sources (Uses):</b>				
Transfer in	38,596	--	--	38,596
Transfer out	--	(34,955)	(3,641)	(38,596)
Sale of surplus property	939	--	--	939
Total Other Financing Sources (Uses)	<u>39,535</u>	<u>(34,955)</u>	<u>(3,641)</u>	<u>939</u>
Net Change in Fund Balances	(45,137)	(16,126)	97,544	36,281
<b>Fund Balance, Beginning of Year</b>	<u>3,459,327</u>	<u>42,530</u>	<u>767,836</u>	<u>4,269,693</u>
<b>Fund Balance, End of Year</b>	<u>\$ 3,414,190</u>	<u>\$ 26,404</u>	<u>\$ 865,380</u>	<u>\$ 4,305,974</u>

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

**South Central School District No. 26-5**  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
 to the Statement of Activities  
 June 30, 2023

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Net Change in Fund Balances - Total Governmental Funds	\$ 36,281
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	22,601
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.	(130,595)
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."	(4,209)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.	(710)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(16,361)</u>
Change in net position of governmental activities	<u><u>\$ (92,993)</u></u>

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

**South Central School District No. 26-5**  
Statement of Net Position – Proprietary Funds  
June 30, 2023

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	<b>Food Service Fund</b>
<b>Assets:</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 10,301
Inventory - supplies	832
Inventory - stores for resale	1,430
Inventory of donated food	460
Total Current Assets	13,023
 <b>Noncurrent Assets:</b>	
Machinery and equipment - local funds	97,656
Less accumulated depreciation	(91,586)
Total Noncurrent Assets	6,070
Total Assets	\$ 19,093
 <b>Liabilities:</b>	
<b>Current Liabilities:</b>	
Accrued payroll expenses	\$ 66
Unearned revenue	10,060
Total Current Liabilities	10,126
 <b>Net Position:</b>	
Net investment in capital assets	6,070
Unrestricted net position	2,897
Total Net Position	\$ 8,967

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

**South Central School District No. 26-5**  
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
June 30, 2023

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	<b>Food Service Fund</b>
<b>Operating Revenue:</b>	
Food Sales:	
Student	\$ 8,707
Adult	2,591
Other charges for goods and services	404
Total Operating Revenue	11,702
<b>Operating Expenses:</b>	
Food Service:	
Salaries	25,984
Employee benefits	9,303
Purchased services	1,624
Supplies	91
Cost of sales - purchased	15,292
Cost of sales - donated	7,399
Depreciation	648
Total Operating Expenses	60,341
Operating Income(Loss)	(48,639)
<b>Nonoperating Revenues/Expenses:</b>	
Investment Earnings	49
State grants	73
Federal grants	34,795
Donated food	7,529
Total Nonoperating Revenue/ (Expenses)	42,446
Change in Net Position	(6,193)
<b>Net Position - Beginning of Year</b>	15,160
<b>Net Position - End of Year</b>	\$ 8,967

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

**South Central School District No. 26-5**  
Statement of Cash Flows – Proprietary Funds  
June 30, 2023

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	<u>Food Service Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash receipts from customers	\$ 16,227
Cash payments to suppliers	(18,526)
Cash payments to employees	<u>(36,506)</u>
Net Cash (Used) by Operating Activities	<u>(38,805)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Cash reimbursements - state	73
Cash reimbursements - federal	<u>35,197</u>
Net Cash Provided by Noncapital Financing Activities	<u>35,270</u>
<b>Cash Flows from Investing Activities:</b>	
Investment earnings	<u>49</u>
Net Cash Provided by Investing Activities	<u>49</u>
Net Change in Cash and Cash Equivalents	(3,486)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>13,788</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 10,302</u></u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>	
Operating (Loss)	\$ (48,639)
Adjustments to reconcile operating (loss) to Net Cash (Used) by Operating Activities:	
Depreciation expense	648
Value of commodities used	7,399
Change in Assets and Liabilities:	
Inventory	(486)
Deferred revenue	4,525
Accrued payroll expenses	(1,219)
Accounts payable	<u>(1,033)</u>
Net Cash (Used) by Operating Activities:	<u><u>\$ (38,805)</u></u>
<b>Noncash Investing, Capital and Financing Activities</b>	
Value of Commodities Received	<u><u>\$ 7,529</u></u>

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

**South Central School District No. 26-5**  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Custodial Funds</b>
<b>Assets:</b>	
Accounts receivable	<u>\$          219</u>
 Total Assets	 <u><u>\$          219</u></u>
 Total Liabilities	 <u><u>\$          --</u></u>
 <b>Net Position:</b>	
Flex plan	\$          166
Individuals, organizations, and other governments	<u>              53</u>
 Total Net Position	 <u><u>\$          219</u></u>

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

**South Central School District No. 26-5**  
Statement of Changes in Net Position – Fiduciary Funds  
June 30, 2023

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	<b>Custodial Funds</b>
<b>Additions:</b>	
Interest	\$ 36
Flex	6,553
Total Additions	6,589
<b>Deductions:</b>	
Flex	7,455
Total Deductions	7,455
Change in Net Position	(866)
<b>Net Position - Beginning</b>	1,085
<b>Net Position - Ending</b>	\$ 219

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

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies:

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

##### a. Reporting Entity:

The reporting entity of South Central School District No. 26-5, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other School Districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint Ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the School District.

##### b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

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

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.



## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

#### **Governmental Funds:**

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

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

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

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

## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

#### Proprietary Funds:

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

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

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.

#### Fiduciary Funds:

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

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

#### c. Measurement Focus and Basis of Accounting:

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

## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

#### Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

#### Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the South Central School District 26-5, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2023 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

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

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

##### d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. 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.

##### e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely 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.

##### f. Capital Assets:

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

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

**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

Government-Wide Financial Statements:

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than two percent 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 are all valued at original cost.

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

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	ALL	--	--
Buildings	\$ 2,500	Straight-line	50 years
Improvements	2,500	Straight-line	10-50 years
Equipment (governmental activities)	2,500	Straight-line	2-20 years
Equipment (proprietary funds)	750	Straight-line	12 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 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.

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### g. Long-Term Liabilities:

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

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

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

##### h. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial individual value of \$45,000 or more.

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

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

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

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

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

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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#### 1. Summary of Significant Accounting Policies: (Continued)

##### i. Subscription-Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

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

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

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

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

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

##### j. 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.

## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### k. Deferred Outflows/Inflows of Resources:

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

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

#### l. Proprietary Funds Revenue and Expense Classifications:

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

#### m. Cash and Cash Equivalents:

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

#### n. Equity Classifications:

Government-Wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.



## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 1. Summary of Significant Accounting Policies: (Continued)

2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

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

**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

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**1. Summary of Significant Accounting Policies: (Continued)**

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

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

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

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

q. Use of Estimates:

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

r. Pensions:

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

**2. Implementation of New Accounting Standards:**

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

**3. Violations of Finance-Related Legal and Contractual Provisions:**

The School District is prohibited by statutes from spending in excess of appropriated amounts and/or estimated fund balance available at the fund level. The Special Education Fund for the 2023 fiscal year was budgeted to spend \$163,100, but the School District spent \$5,955 more than the budgeted amount of expenditures. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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

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

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

**Investments** – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. As of June 30, 2023, the school district’s investments consist of certificates of deposit.

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

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

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

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

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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#### 5. 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 allowance for estimated uncollectible accounts has been established, as the School District believes all receivables are ultimately collectable.

#### 6. Inventory:

Inventory held for consumption is stated at cost.

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

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

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

#### 7. Property Tax:

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

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

**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

**8. Changes in Capital Assets:**

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

	<u>06/30/2022</u>			<u>06/30/2023</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated/amortized:				
Land	\$ 43,251	\$ --	\$ --	\$ 43,251
Total capital assets not being depreciated	<u>43,251</u>	<u>--</u>	<u>--</u>	<u>43,251</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	5,522,646	22,601	--	5,545,247
Machinery & Equipment	629,432	--	--	629,432
Library Books	114,966	--	--	114,966
Total capital assets being depreciated/amortized	<u>6,267,044</u>	<u>22,601</u>	<u>--</u>	<u>6,289,645</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	1,539,418	110,662	--	1,650,080
Machinery & Equipment	554,826	19,933	--	574,759
Library Books	114,966	--	--	114,966
Total accumulated depreciation/amortized	<u>2,209,210</u>	<u>130,595</u>	<u>--</u>	<u>2,339,805</u>
Total capital assets being depreciated/amortized, net	<u>4,057,834</u>	<u>(107,994)</u>	<u>--</u>	<u>3,949,840</u>
Net Capital Assets	<u>\$ 4,101,085</u>	<u>\$ (107,994)</u>	<u>\$ --</u>	<u>\$ 3,993,091</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 41,790
Support services	47,015
Co-curricular activities	41,790
Total Depreciation/Amortization Expense	<u>\$ 130,595</u>

	<u>06/30/2022</u>			<u>06/30/2023</u>
		<u>Increases</u>	<u>Decreases</u>	
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Equipment	\$ 97,656	\$ --	\$ --	\$ 97,656
Less accumulated depreciation for:				
Less: Accumulated Depreciation	90,939	647	--	91,586
Total capital assets being depreciated, net	<u>\$ 6,717</u>	<u>\$ (647)</u>	<u>\$ --</u>	<u>\$ 6,070</u>

**South Central School District No. 26-5**  
Notes to the Financial Statements  
June 30, 2023

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**8. Changes in Capital Assets: (Continued)**

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 647

**9. Long-Term Liabilities:**

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

	06/30/2022	Increase	Decrease	06/30/2023	Due Within One Year
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	\$ 3,900	\$ 4,610	\$ 3,900	\$ 4,610	\$ 4,610
Total Long-Term Liabilities	\$ 3,900	\$ 4,610	\$ 3,900	\$ 4,610	\$ 4,610

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Debt payable at June 30, 2023 is comprised of the following:

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 4,610

**10. Interfund Transfers:**

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

Transfer from the Capital Outlay Fund to the General Fund for Interest Income.	\$	125
Transfer from the Special Education Fund to the General Fund for Interest Income.	\$	3,641
Transfer from the Capital Outlay Fund to the General Fund to help pay operating costs per SDCL.	\$	34,830

**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

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**11. Restricted Net Position:**

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 27,076
Special Education	Law	867,588
SDRS Pension Purposes	Law	132,906
Total		<u>\$ 1,027,570</u>

**12. Pension Plan:**

Plan Information:

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

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 Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

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**12. Pension Plan: (Continued)**

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

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

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

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

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

Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 43,589
2022	42,442
2021	42,165



**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

**12. Pension Plan: (Continued)**

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

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

Proportionate share of pension liability	\$ 4,181,907
Less proportionate share of net pension restricted for pension	4,184,707
Proportionate share of net pension (asset)	<u>\$ (2,800)</u>

At June 30, 2023, the School District reported an asset of (\$2,800) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.02962400%, which is a decrease of -0.0004876% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense of \$16,363. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 53,294	\$ 182
Changes in assumption	177,937	155,938
Net difference between projected and actual earnings on pension plan investments	--	6,709
Changes in proportion and difference between district contributions and proportionate share of contributions	18,115	--
District contributions subsequent to the measurement date	43,589	--
Total	<u>\$ 292,935</u>	<u>\$ 162,829</u>

**South Central School District No. 26-5**

Notes to the Financial Statements

June 30, 2023

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**12. Pension Plan: (Continued)**

\$43,589 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<b>Year Ended</b>	
<b>June 30,</b>	
2024	\$ 34,386
2025	40,176
2026	(43,745)
2027	55,700
Total	<u>\$ 86,517</u>

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, 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

## South Central School District No. 26-5

### Notes to the Financial Statements

June 30, 2023

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#### 12. Pension Plan: (Continued)

##### Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

##### Discount Rate:

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

## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 12. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	\$ 581,322	\$ (2,800)	\$ (480,182)

#### Pension Plan Fiduciary Net Position:

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

### 13. Joint Venture Information:

The School District participates in a joint venture known as South Central Educational Cooperative a cooperative service unit (co-op) formed for the purpose of providing education services to the member school districts. The members of the co-op and their relative percentage participation in co-op are as follows:

<u>District</u>	<u>Percentage</u>
Andes Central School District No. 11-1	12.86%
Avon School District No. 4-1	9.36%
Bon Homme School District No. 4-2	17.98%
Menno School District No. 33-2	10.81%
Scotland School District No. 4-3	10.18%
South Central School District No. 26-5	3.96%
Tripp-Delmont School District No. 33-5	7.17%
Wagner Community School District No. 11-4	27.68%

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The school district retains no equity in the Net Position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the South Central Educational Cooperative.

## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 13. Joint Venture Information: (Continued)

At June 30, 2023, this joint venture had the following:

Assets	\$ 1,832,949
Liabilities	\$ 526,809
Net Position	\$ 1,306,140

### 14. Risk Management:

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

#### Employee Health Insurance

The school district joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the South Dakota local government 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 its members. The coverage also includes a lifetime maximum payment per person based on service type.

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

#### Liability Insurance

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

#### Worker's Compensation

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

## South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2023

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### 14. Risk Management: (Continued)

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 an additional \$1,000,000 per individual per incident.

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

#### Unemployment Benefits

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

The school has no Assigned Fund Balance in the General Fund for the payment of future unemployment benefits.

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

### 15. Related Party Transactions:

The School District currently has a board member who is the owner of Cahoy's General Store for which the sum of \$8,519 was paid for materials during fiscal year 2023. This contract falls within the provisions of SDCL 6-1-2.

### 16. Significant Contingencies – Litigation:

At June 30, 2023, the School District was not involved in any litigation.

### 17. Subsequent Events:

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

## **Required Supplementary Information**

**South Central School District No. 26-5**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 494,500	\$ 494,500	\$ 518,690	\$ 24,190
Prior years' ad valorem taxes	5,000	5,000	4,252	(748)
Utility taxes	48,000	48,000	46,805	(1,195)
Penalties and interest on taxes	1,500	1,500	1,626	126
Earnings on Investments and Deposits	9,000	9,000	476	(8,524)
Cocurricular Activities:				
Other	--	--	893	893
Other Revenue from Local Sources:				
Rentals	--	--	3,872	3,872
Contracted Services other LEAs	21,000	21,000	22,569	1,569
Refund of Prior Years' Expenditures	--	--	385	385
Charges for services	2,300	2,300	2,470	170
Other	2,300	2,300	2,873	573
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	4,300	4,300	4,003	(297)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	275,600	275,600	215,565	(60,035)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	145,000	145,000	122,094	(22,906)
Johnson O'Malley funds	500	500	--	(500)
<b>Total Revenues</b>	<b>\$ 1,009,000</b>	<b>\$ 1,009,000</b>	<b>\$ 946,573</b>	<b>\$ (62,427)</b>

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



## South Central School District No. 26-5

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures:</b>				
Instructional Services:				
Regular Programs:				
Elementary	\$ 470,000	\$ 490,000	\$ 471,904	\$ 18,096
Middle/junior high	211,500	211,500	203,279	8,221
High school	200,500	200,500	184,506	15,994
Preschool	31,500	31,500	30,921	579
Special Programs:				
Educationally deprived	44,500	69,500	69,457	43
Support Services:				
Students:				
Guidance	3,000	3,000	2,345	655
Health	800	800	--	800
Instructional Staff:				
Improvement of instruction	6,500	8,500	8,370	130
Educational media	55,500	56,700	56,140	560
General Administration:				
Board of education	49,000	54,300	50,869	3,431
Executive administration	57,300	58,300	57,440	860
School Administration:				
Office of the principal	49,950	52,900	52,847	53
Other	37,550	37,550	36,979	571
Business:				
Fiscal services	73,000	73,000	60,388	12,612
Operation and maintenance of plant	192,000	192,000	186,138	5,862
Student transportation	61,000	68,000	64,476	3,524
Food service	4,200	4,200	3,472	728
Cocurricular Activities:				
Combined activities	--	300	480	(180)
Contingencies	20,000	20,000	--	20,000
Total Expenditures	<u>1,567,800</u>	<u>1,632,550</u>	<u>1,540,011</u>	<u>92,539</u>
Excess of Revenues Over Expenditures	<u>(558,800)</u>	<u>(623,550)</u>	<u>(593,438)</u>	<u>30,112</u>
<b>Other Financing Sources</b>				
Operating transfers in	558,300	558,300	456,837	(101,463)
Sale of surplus property	500	500	939	439
Total Other Financing Sources	<u>558,800</u>	<u>558,800</u>	<u>457,776</u>	<u>(101,024)</u>
Net Change in Fund Balances	--	(64,750)	(135,662)	(70,912)
<b>Fund Balance, Beginning of Year</b>	<u>279,843</u>	<u>279,843</u>	<u>279,843</u>	<u>--</u>
<b>Fund Balance, Ending of Year</b>	<u>\$ 279,843</u>	<u>\$ 215,093</u>	<u>\$ 144,181</u>	<u>\$ (70,912)</u>

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

## South Central School District No. 26-5

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 75,400	\$ 75,400	\$ 74,492	\$ (908)
Prior years' ad valorem taxes	600	600	379	(221)
Penalties and interest on taxes	200	200	138	(62)
Earnings on investments & deposits	--	--	125	125
Other Revenue from Local Sources:				
Contributions and donations	3,500	3,500	4,601	1,101
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	94,000	94,000	--	(94,000)
Total Revenues	173,700	173,700	79,735	(93,965)
<b>Expenditures:</b>				
Instructional Services:				
Regular Programs:				
Elementary	5,000	15,000	12,514	2,486
Support Services:				
Instructional Staff:				
Educational media	1,000	4,000	3,682	318
General Administration:				
Board of education	800	800	713	87
Office of the principal	800	800	713	87
Business:				
Fiscal services	1,000	1,000	910	90
Facilities acquisition and construction	98,000	98,000	1,555	96,445
Operation and maintenance of plant	1,700	41,700	40,819	881
Total Expenditures	108,300	161,300	60,906	100,394
Excess of Revenue Over (Under) Expenditures	65,400	12,400	18,829	6,429
<b>Other Financing Sources (Uses)</b>				
Transfers out	(34,500)	(34,500)	(34,955)	(455)
Total Other Financing Sources (Uses)	(34,500)	(34,500)	(34,955)	(455)
Net Change in Fund Balances	30,900	(22,100)	(16,126)	5,974
<b>Fund Balance, Beginning of Year</b>	42,530	42,530	42,530	--
<b>Fund Balance, Ending of Year</b>	\$ 73,430	\$ 20,430	\$ 26,404	\$ 5,974

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

**South Central School District No. 26-5**  
Required Supplementary Information – Budgetary Comparison  
Schedule – Special Education Fund – Budgetary Basis  
June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 211,500	\$ 211,500	\$ 254,212	\$ 42,712
Prior years' ad valorem taxes	2,000	2,000	1,424	(576)
Penalties and interest on taxes	500	500	541	41
Earnings on investments & deposits	--	--	3,641	3,641
Other Revenue from Local Sources:				
Charges for services	350	350	388	38
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from federal government	8,500	8,500	10,034	1,534
Total Revenues	<u>222,850</u>	<u>222,850</u>	<u>270,240</u>	<u>47,390</u>
<b>Expenditures</b>				
Instructional Services:				
Special Programs:				
Programs for Special Education	90,000	98,500	104,906	(6,406)
Support Services:				
Students:				
Psychological	6,200	6,200	6,134	66
Speech pathology	9,200	9,200	9,199	1
Student therapy services	6,200	6,200	6,132	68
Special Education:				
Administrative costs	43,000	43,000	42,684	316
Total Expenditures	<u>154,600</u>	<u>163,100</u>	<u>169,055</u>	<u>(5,955)</u>
Excess of Revenues Over (Under) Expenditures	<u>68,250</u>	<u>59,750</u>	<u>101,185</u>	<u>41,435</u>
<b>Other Financing Sources (Uses)</b>				
Transfer out	--	--	(3,641)	(3,641)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(3,641)</u>	<u>(3,641)</u>
Net Change in Fund Balance	68,250	59,750	97,544	37,794
<b>Fund Balance, Beginning of Year</b>	<u>767,836</u>	<u>767,836</u>	<u>767,836</u>	<u>--</u>
<b>Fund Balance, End of Year</b>	<u>\$ 836,086</u>	<u>\$ 827,586</u>	<u>\$ 865,380</u>	<u>\$ 37,794</u>

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

**South Central School District No. 26-5**  
Notes to the Required Supplementary Information  
June 30, 2023

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**1. Budgets and Budgetary Accounting:**

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

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

**South Central School District No. 26-5**  
Notes to the Required Supplementary Information  
June 30, 2023 (Continued)

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	<b>Year Ended</b> <b><u>6/30/2023</u></b>
General Fund:	
USGAAP Basis Fund Balance	\$ 3,414,190
Reconciling Items:	
Impact Aid Fund Balance	<u>(3,270,009)</u>
Budgetary Basis Fund Balance	<u>\$ 144,181</u>

**2. GAAP/ Budgetary Accounting Basis Differences:**

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

The budgetary basis comparison schedule for the General Fund includes only the budgeted amounts for the General Fund and does not include any amounts for the blended Impact Aid Fund.

**South Central School District No. 26-5**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0296240%	0.0309670%	0.0301116%	0.0344941%	0.0610931%	0.0572688%	0.0549457%	0.0535114%	0.0542807%
District's proportionate share of net pension liability (asset)	\$ (2,800)	\$ (237,154)	\$ (1,308)	\$ (3,655)	\$ (1,425)	\$ (5,197)	\$ 185,601	\$ (226,957)	\$ (391,070)
District's covered-employee payroll	\$ 707,369	\$ 702,912	\$ 660,857	\$ 733,416	\$ 1,240,776	\$ 1,192,875	\$ 1,030,298	\$ 976,965	\$ 949,221
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.74%	0.20%	0.50%	0.11%	0.44%	18.01%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.01%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

**South Central School District No. 26-5**  
Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 43,589	\$ 42,442	\$ 42,165	\$ 39,651	\$ 44,033
Contributions in relation to the contractually-required contribution	<u>43,589</u>	<u>42,442</u>	<u>42,165</u>	<u>39,651</u>	<u>44,033</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 726,286	\$ 707,369	\$ 702,912	\$ 660,857	\$ 733,416
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 74,447	\$ 71,572	\$ 61,818	\$ 58,618	\$ 56,953
Contributions in relation to the contractually-required contribution	<u>74,447</u>	<u>71,572</u>	<u>61,818</u>	<u>58,618</u>	<u>56,953</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,240,776	\$ 1,192,875	\$ 1,030,298	\$ 976,965	\$ 949,221
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%

## South Central School District No. 26-5

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

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#### Changes from Prior Valuation

The June 30, 2022 Actuarial 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 from 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%.



## South Central School District No. 26-5

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

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

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

#### Actuarial Method Changes

Actuarial method changes with minor impact were implemented this valuation after recommendation by Cavanaugh Macdonald Consulting as part of the 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.