

South Central School District No. 26-5

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

**For the Year Ended
June 30, 2022**

South Central School District No. 26-5

School District Officials

June 30, 2022

Board Members

Jason Jons----- Board President

Laurie Pistulka -----Vice President

Greg Hausmann ----- Member

Clinton Fuhrer----- Member

Dan Cahoy ----- Member

Jeremy Wollman -----Superintendent

Billie Rae Person-----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, 2022 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 7, 2023.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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.

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

Elk Point, South Dakota
February 7, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central School District No. 26-5’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of South Central School District’s major federal programs for the year ended June 30, 2022. South Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. 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 City of Beresford'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 City of Beresford'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.

Report on Internal Control Over Compliance

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

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Elk Point, South Dakota
February 7, 2023

South Central School District No. 26-5
Schedule of Prior Audit Findings
Year ended June 30, 2022

Prior Audit Findings

There are no prior audit findings.

South Central School District No. 26-5
 Schedule of Audit Findings and Questioned Costs
 Year ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	None
Significant deficiencies identified not considered to be material weaknesses:	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major program:	
Material weakness identified:	No
Significant deficiencies identified not considered to be material weaknesses:	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No
Identification of major program:	
<u>Name of Federal Program</u>	<u>CFDA Number</u>
Impact Aid	84.041
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

South Central School District No. 26-5
Schedule of Audit Findings and Questioned Costs
Year ended June 30, 2022 (Continued)

Section II – Financial Statement Findings

There are no Financial Statement Findings to report

Section III – Federal Awards Findings and Questioned Costs

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



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, 2022, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 City of Beresford'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 City of Beresford'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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2023 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.



Elk Point, South Dakota
February 7, 2023

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

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, 2022. 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 \$7,793,738 to \$8,548,021 from FY 21 to FY 22.
- The District's total revenue increased by 80.62%. Factors contributing to the revenue increasing are an increase of over \$950,000 in impact aid funds received in FY22 compared to FY 21 and an increase of over \$50,000 in state aid from FY 21 to FY 22.
- The total cost of all the District's programs increased by 8.52%
- 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 2022 \$600,000 of Impact Aid funds were transferred to the General Fund and \$15,000 to the Food Service 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, 2022

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 remainder 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	<ul style="list-style-type: none"> • Accrual accounting and economic resources focus 	Modified accrual accounting and current financial resources focus	<ul style="list-style-type: none"> • Accrual accounting and economic resources focus 	<ul style="list-style-type: none"> • Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

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, 2022

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
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 3,902,141	\$ 4,914,944	\$ 3,515	\$ 16,296	\$ 3,905,656	\$ 4,931,240	26.26%
Capital Assets (Net of Depreciation)	4,191,825	4,101,085	1,216	6,717	4,193,041	4,107,802	-2.03%
Total Assets	8,093,966	9,016,029	4,731	23,013	8,098,697	9,039,042	11.61%
Pension Related Deferred Outflows	291,675	372,160	--	--	291,675	372,160	27.59%
Total Deferred Outflows or Resources	291,675	372,160	--	--	291,675	372,160	27.59%
Long-Term Liabilities Outstanding	6,100	3,900	--	--	6,100	3,900	-36.07%
Other Liabilities	59,304	63,005	1,557	7,853	60,861	70,858	16.43%
Total Liabilities	65,404	66,905	1,557	7,853	66,961	74,758	11.64%
Taxes Levied for Future Period	349,947	328,376	--	--	349,947	328,376	-6.16%
Pension Related Deferred Inflows	179,726	460,047	--	--	179,726	460,047	155.97%
Total Deferred Inflows of Resources	529,673	788,423	--	--	529,673	788,423	48.85%
Net Investment in Capital Assets	4,190,695	4,101,085	1,216	6,717	4,191,911	4,107,802	-2.01%
Restricted	834,714	963,096	--	--	834,714	963,096	15.38%
Unrestricted	2,765,155	3,468,680	1,958	8,443	2,767,113	3,477,123	25.66%
Total Net Position	7,790,564	8,532,861	3,174	15,160	7,793,738	8,548,021	9.68%
Beginning Net Position	8,085,806	7,790,564	10,906	3,174	8,096,712	7,793,738	-3.74%
Increase (Decrease) in Net Position	\$ (295,242)	\$ 742,297	\$ (7,732)	\$ 11,986	\$ (302,974)	\$ 754,283	348.96%
Percentage of Increase (Decrease) in Net Position	-3.65%	9.53%	-70.90%	377.63%	-3.74%	9.68%	

The School's combined net position of approximately \$8.5 million is approximately \$754,283 or 9.68% larger than on June 30, 2021. The increase in the School's financial position was primarily in its governmental activities due in part to additional general revenues in taxes and federal sourced income.

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

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The South Central School District’s total revenues (excluding transfers) in FY22 were \$2,713,304. More than 34% of the School’s revenue comes from property and other taxes, with approximately 49% coming from state aid. (See Table A-2.)

Table A-2
South Central School District 26-5
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 913,770	33.67%
State Sources	1,317,804	48.57%
Operating Grants & Contributions	351,363	12.95%
Charges For Services	70,510	2.60%
Other General Revenues	15,163	0.56%
Unrestricted Investment Earnings	44,694	1.65%
Total Revenue	<u>\$ 2,713,304</u>	<u>100.00%</u>

Total expenditures of all programs and services decreased by approximately 8.52%. The South Central School District expenses totaled \$1,959,021 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, food services, and driver’s education. (See Table A-3.)

Table A-3
South Central School District 26-5
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 1,134,224	57.91%
Support Services	720,802	36.79%
Cocurricular Activities	46,311	2.36%
Food Service	57,684	2.94%
Total Expenditures	<u>\$ 1,959,021</u>	<u>100.00%</u>

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

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>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Revenues							
Program Revenues							
Charge for Services	\$ 20,043	\$ 66,476	\$ 3,623	\$ 4,034	\$ 23,666	\$ 70,510	197.94%
Operating Grants/ Contributions	88,331	301,230	34,447	50,133	122,778	351,363	186.18%
General Revenues							
Taxes	928,088	913,770	--	--	928,088	913,770	-1.54%
Revenue State Sources	141,423	1,317,804	--	--	141,423	1,317,804	831.82%
Federal State Sources	228,711	--	--	--	228,711	--	-100.00%
Other							
Other general revenues	12,457	15,163	--	--	12,457	15,163	21.72%
Unrestricted Investment Earnings	45,074	44,691	--	3	45,074	44,694	-0.84%
	<u>1,464,127</u>	<u>2,659,134</u>	<u>38,070</u>	<u>54,170</u>	<u>1,502,197</u>	<u>2,713,304</u>	<u>80.62%</u>
Expenses							
Instruction	1,026,492	1,134,224	--	--	1,026,492	1,134,224	10.50%
Support Services	680,730	720,802	--	--	680,730	720,802	5.89%
Interest on long-term debt	12	--	--	--	12	--	-100.00%
Co-Curricular activities	44,135	46,311	--	--	44,135	46,311	4.93%
Food Service	--	--	53,802	57,684	53,802	57,684	7.22%
	<u>1,751,369</u>	<u>1,901,337</u>	<u>53,802</u>	<u>57,684</u>	<u>1,805,171</u>	<u>1,959,021</u>	<u>8.52%</u>
Excess (Deficiency)							
Before transfers	(287,242)	757,797	(15,732)	(3,514)	(302,974)	754,283	-348.96%
Transfers	(8,000)	(15,500)	8,000	15,500	--	--	0.00%
Increase (Decrease) in Net Assets	(295,242)	742,297	(7,732)	11,986	(302,974)	754,283	-348.96%
Beginning Adjusted Net Position	<u>8,085,806</u>	<u>7,790,564</u>	<u>10,906</u>	<u>3,174</u>	<u>8,096,712</u>	<u>7,793,738</u>	<u>-3.74%</u>
Ending 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>

Governmental Activities

Revenues for the School's governmental activities increased approximately 81.6% while expenses for governmental activities increased by approximately 7.9%. One of the largest revenue increases occurred in operating grants/contributions and federal state sources. Expenditures increased by approximately 7.9%, largely due to the increase in salary expense in the current fiscal year. The General Fund increased in fund balance from FY21 to FY22 by \$701,109 and the Capital Outlay fund balance decreased by \$10,756 in FY22. The Special Education Fund had an increase in fund balance of \$102,812, which was mostly caused by an increase in tax valuations.

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

Business-Type Activities

Expenditures of the School’s business-type activities (Food Service Operation) increased 7.22% 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 FY22, the School had invested \$4,107,802 (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 \$85,239.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>		
Land	\$ 43,251	\$ 43,251	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	4,039,332	3,983,228	--	--	(56,104)	-1.39%
Machinery & Equipment	109,242	74,606	1,216	6,717	(29,135)	-26.38%
Total Capital Assets	<u>\$ 4,191,825</u>	<u>\$ 4,101,085</u>	<u>\$ 1,216</u>	<u>\$ 6,717</u>	<u>\$ (85,239)</u>	<u>-2.03%</u>

Major capital outlay purchases in FY22 included the Uecker House and a heat pump.

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

At year-end, the School had \$3,900 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

	Governmental Activities		Total Dollar Change	Total % Change
	2021	2022		
Intangible Lease Liabilities	\$ 1,130	\$ --	\$ (1,130)	-100.00%
Accrued Compensated Absences - Governmental Funds	4,970	3,900	(1,070)	-21.53%
Total Outstanding Debt	\$ 6,100	\$ 3,900	\$ (2,200)	-36.07%

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 an increase in total property valuation from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

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, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 4,262,283	\$ 13,788	\$ 4,276,071
Accounts receivable	70,414	402	70,816
Taxes receivable	345,093	--	345,093
Inventories	--	2,106	2,106
Net pension asset	237,154	--	237,154
Capital assets:			
Land and construction in progress	43,251	--	43,251
Other capital assets, net of depreciation	4,057,834	6,717	4,064,551
Total Assets	9,016,029	23,013	9,039,042
Deferred Outflows of Resources:			
Pension-related deferred outflows	372,160	--	372,160
Total Deferred Outflows of Resources	372,160	--	372,160
Liabilities:			
Unearned revenue	--	5,535	5,535
Other current liabilities	63,005	2,318	65,323
Long-term liabilities:			
Due within one year	3,900	--	3,900
Total Liabilities	66,905	7,853	74,758
Deferred Inflows of Resources:			
Taxes levied for future periods	328,376	--	328,376
Pension related deferred inflows	460,047	--	460,047
Total Deferred Inflows of Resources	788,423	--	788,423
Net Position:			
Net investment in capital assets	4,101,085	6,717	4,107,802
Restricted for:			
Capital outlay	43,232	--	43,232
Special education	770,597	--	770,597
SDRS pension purposes	149,267	--	149,267
Unrestricted	3,468,680	8,443	3,477,123
Total Net Position	\$ 8,532,861	\$ 15,160	\$ 8,548,021

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, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 1,134,224	\$ --	\$ 301,230	\$ (832,994)	\$ --	\$ (832,994)
Support services	720,802	58,286	--	(662,516)	--	(662,516)
Cocurricular activities	46,311	8,190	--	(38,121)	--	(38,121)
Total Governmental Activities	<u>1,901,337</u>	<u>66,476</u>	<u>301,230</u>	<u>(1,533,631)</u>	<u>--</u>	<u>(1,533,631)</u>
Business-Type Activities:						
Food service	57,684	4,034	50,133	--	(3,517)	(3,517)
Total Business Type Activities	<u>57,684</u>	<u>4,034</u>	<u>50,133</u>	<u>--</u>	<u>(3,517)</u>	<u>(3,517)</u>
Total Primary Government	<u>\$ 1,959,021</u>	<u>\$ 70,510</u>	<u>\$ 351,363</u>	<u>(1,533,631)</u>	<u>(3,517)</u>	<u>(1,537,148)</u>
General Revenues:						
Taxes:						
				867,724	--	867,724
				46,046	--	46,046
Revenue from state sources:						
				1,317,804	--	1,317,804
				44,691	3	44,694
				15,163	--	15,163
				(15,500)	15,500	--
				<u>2,275,928</u>	<u>15,503</u>	<u>2,291,431</u>
				742,297	11,986	754,283
				<u>7,790,564</u>	<u>3,174</u>	<u>7,793,738</u>
				<u>\$ 8,532,861</u>	<u>\$ 15,160</u>	<u>\$ 8,548,021</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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 3,455,256	\$ 31,410	\$ 775,617	\$ 4,262,283
Taxes receivable -- current	201,596	29,702	97,079	328,377
Taxes receivable -- delinquent	13,253	702	2,761	16,716
Due from other governments	59,295	11,119	--	70,414
Total Assets	<u>\$ 3,729,400</u>	<u>\$ 72,933</u>	<u>\$ 875,457</u>	<u>\$ 4,677,790</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,335	\$ --	\$ --	\$ 1,335
Contracts payable	37,496	--	5,446	42,942
Payroll deductions and withholding and employer matching payable	15,718	--	2,335	18,053
Deposits payable	675	--	--	675
Total Liabilities	<u>55,224</u>	<u>--</u>	<u>7,781</u>	<u>63,005</u>
Deferred Inflows of Resources:				
Taxes levied for future period	201,596	29,701	97,079	328,376
Delinquent taxes not available	13,253	702	2,761	16,716
Total Deferred Inflows of Resources	<u>214,849</u>	<u>30,403</u>	<u>99,840</u>	<u>345,092</u>
Fund Balances:				
Restricted:				
For capital outlay	--	42,530	--	42,530
For special education	--	--	767,836	767,836
Unassigned	3,459,327	--	--	3,459,327
Total Fund Balances	<u>3,459,327</u>	<u>42,530</u>	<u>767,836</u>	<u>4,269,693</u>
Total Liabilities and Fund Balances	<u>\$ 3,729,400</u>	<u>\$ 72,933</u>	<u>\$ 875,457</u>	<u>\$ 4,677,790</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, 2022

Total Fund Balances - Governmental Funds		\$ 4,269,693
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.		4,101,085
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Accrued Leave	<u>(3,900)</u>	(3,900)
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		16,716
Proportionate Share of Net Pension Asset		237,154
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(460,047)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds.		<u>372,160</u>
Net Position - Governmental Activities		<u>\$ 8,532,861</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, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 521,307	\$ 77,143	\$ 257,525	\$ 855,975
Prior years' ad valorem taxes	5,434	531	1,840	7,805
Utility taxes	46,046	--	--	46,046
Penalties and interest on taxes	1,536	164	582	2,282
Earnings on investments and deposits	44,691	--	--	44,691
Tuition and Fees:				
Other	8,190	--	--	8,190
Other Revenue from Local Sources:				
Contributions and donations	--	4,543	--	4,543
Contracted services other LEAs	22,553	--	--	22,553
Refund of prior year's expenditures	618	--	--	618
Charges for services	2,351	--	371	2,722
Other	1,865	--	147	2,012
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	4,893	--	--	4,893
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,308,713	126	8,965	1,317,804
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	208,863	92,367	--	301,230
Total Revenues	<u>\$ 2,177,060</u>	<u>\$ 174,874</u>	<u>\$ 269,430</u>	<u>\$ 2,621,364</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, 2022 (Continued)

	General	Capital Outlay	Special Education	Total Governmental Funds
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 520,745	\$ 61,136	\$ --	\$ 581,881
Middle/junior high	186,015	--	--	186,015
High school	138,945	--	--	138,945
Preschool	28,896	--	--	28,896
Special Programs:				
Programs for special education	--	--	101,385	101,385
Educationally deprived	50,792	--	--	50,792
Support Services:				
Students:				
Guidance	15,327	--	--	15,327
Counseling services	--	--	7,880	7,880
Health	317	--	--	317
Speech pathology	--	--	11,031	11,031
Student therapy services	--	--	4,728	4,728
Instructional Staff:				
Improvement of instruction	19,287	--	--	19,287
Educational media	54,087	1,000	--	55,087
General Administration:				
Board of education	38,474	639	--	39,113
Executive administration	52,430	--	--	52,430
School Administration:				
Office of the principal	47,437	710	--	48,147
Other	36,238	--	--	36,238
Business:				
Fiscal services	65,791	2,209	--	68,000
Facilities acquisition and construction	--	10,590	--	10,590
Operation and maintenance of plant	180,674	22,946	--	203,620
Student transportation	55,580	400	--	55,980
Internal services	3,580	--	--	3,580
Special Education:				
Administrative costs	--	--	39,823	39,823
Capital outlay:	--	53,982	--	53,982
Total Expenditures	1,494,615	153,612	164,847	1,813,074
Excess of Revenue Over (Under) Expenditures	682,445	21,262	104,583	808,290
Other Financing Sources (Uses):				
Transfer in	33,789	--	--	33,789
Transfer out	(15,500)	(32,018)	(1,771)	(49,289)
Sale of surplus property	375	--	--	375
Total Other Financing Sources (Uses)	18,664	(32,018)	(1,771)	(15,125)
Net Change in Fund Balances	701,109	(10,756)	102,812	793,165
Fund Balance, Beginning of Year	2,758,218	53,286	665,024	3,476,528
Fund Balance, End of Year	\$ 3,459,327	\$ 42,530	\$ 767,836	\$ 4,269,693

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, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 793,165
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		53,982
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.		(144,722)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position		
Direct borrowing note	1,130	1,130
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."		1,662
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.		1,070
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		36,010
Change in net position of governmental activities		\$ 742,297

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, 2022

	Food Service Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 13,788
Due from other government	402
Inventory - supplies	581
Inventory - stores for resale	1,195
Inventory of donated food	330
Total Current Assets	16,296
Noncurrent Assets:	
Machinery and equipment - local funds	97,656
Less accumulated depreciation	(90,939)
Total Noncurrent Assets	6,717
Total Assets	\$ 23,013
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 1,033
Accrued payroll expenses	1,285
Unearned revenue	5,535
Total Current Liabilities	7,853
Net Position:	
Net investment in capital assets	6,717
Unrestricted net position	8,443
Total Net Position	\$ 15,160

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, 2022

	Food Service Fund
Operating Revenue:	
Food Sales:	
Student	\$ 654
Adult	3,105
Other charges for goods and services	180
Other	95
Total Operating Revenue	4,034
Operating Expenses:	
Food Service:	
Salaries	24,791
Employee benefits	10,448
Purchased services	640
Supplies	41
Cost of sales - purchased	15,490
Cost of sales - donated	3,739
Other	1,891
Depreciation	644
Total Operating Expenses	57,684
Operating Income(Loss)	(53,650)
Nonoperating Revenues/Expenses:	
Investment Earnings	3
State grants	90
Federal grants	46,259
Donated food	3,784
Total Nonoperating Revenue/ (Expenses)	50,136
Income (Loss) Before Transfers	(3,514)
Transfer	15,500
Change in Net Position	11,986
Net Position - Beginning of Year	3,174
Net Position - End of Year	\$ 15,160

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, 2022

	<u>Food Service Fund</u>
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 9,570
Cash payments to suppliers	(17,340)
Cash payments to employees	<u>(35,059)</u>
Net Cash (Used) by Operating Activities	<u>(42,829)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers in	15,500
Cash reimbursements - state	90
Cash reimbursements - federal	<u>45,857</u>
Net Cash Provided by Noncapital Financing Activities	<u>61,447</u>
Cash Flows from Capital and related Financing Activities:	
Purchase of capital assets	<u>(6,145)</u>
Net Cash Provided by Noncapital Financing Activities	<u>(6,145)</u>
Cash Flows from Investing Activities:	
Investment earnings	<u>3</u>
Net Cash Provided by Investing Activities	<u>3</u>
Net Change in Cash and Cash Equivalents	12,476
Cash and Cash Equivalents, Beginning of Year	<u>1,312</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 13,788</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ (53,650)
Adjustments to reconcile operating (loss) to Net Cash (Used) by Operating Activities:	
Depreciation expense	644
Value of commodities used	3,739
Change in Assets and Liabilities:	
Accounts receivable	453
Inventory	(311)
Deferred revenue	5,083
Accrued payroll expenses	180
Accounts payable	1,033
Net Cash (Used) by Operating Activities:	<u><u>\$ (42,829)</u></u>
Noncash Investing, Capital and Financing Activities	
Value of Commodities Received	<u><u>\$ 3,784</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, 2022

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 1,085</u>
Total Assets	<u><u>\$ 1,085</u></u>
Net Position:	
Flex plan	\$ 1,068
Individuals, organizations, and other governments	<u>17</u>
Total Net Position	<u><u>\$ 1,085</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, 2022

	Custodial Funds
Additions:	
Interest	\$ 5
Flex	1,619
	1,624
Total Additions	1,624
No Deductions:	--
Change in Net Position	1,624
Net Position - Beginning	(539)
Net Position - Ending	\$ 1,085

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, 2022

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 District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

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

The School District participates in a cooperative service unit with several other School Districts. See detailed note entitled "Consortium Information" for specific disclosures. Consortiums 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.

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the 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.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

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, 2022 are due from federal governments, local governments, rural electric and telephone gross receipts.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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.

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, 2022

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

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

The total June 30, 2022 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. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2022 balance of capital assets for business-type activities are all valued at original cost.

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

	<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, 2022

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. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 10.

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

i. Program Revenues:

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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.

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Major Special Revenue Fund ---- Revenue Source

Capital Outlay Fund----- Taxes

Special Education Fund ----- Taxes

o. Use of Estimates:

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

p. Pensions:

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

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

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

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

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

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

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

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

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

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

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.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investment to the General Fund, except for the private purpose trust funds which retains its investments income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported.

Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

3. Inventory:

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

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2022.

4. 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."

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.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2022 is as follows:

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
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	5,468,664	53,982	--	5,522,646
Machinery & Equipment	629,432	--	--	629,432
Library Books	114,966	--	--	114,966
Total capital assets being depreciated/amortized	<u>6,213,062</u>	<u>53,982</u>	<u>--</u>	<u>6,267,044</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	1,429,332	110,086	--	1,539,418
Machinery & Equipment	520,190	34,636	--	554,826
Library Books	114,966	--	--	114,966
Total accumulated depreciation/amortized	<u>2,064,488</u>	<u>144,722</u>	<u>--</u>	<u>2,209,210</u>
Total capital assets being depreciated/amortized, net	<u>4,148,574</u>	<u>(90,740)</u>	<u>--</u>	<u>4,057,834</u>
Net Capital Assets	<u>\$ 4,191,825</u>	<u>\$ (90,740)</u>	<u>\$ --</u>	<u>\$ 4,101,085</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 46,311
Support services	52,100
Co-curricular activities	46,311
Total Depreciation/Amortization Expense	<u>\$ 144,722</u>

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets: (Continued)

	<u>6/30/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 91,508	\$ 6,148	\$ --	\$ 97,656
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>90,292</u>	<u>647</u>	<u>--</u>	<u>90,939</u>
Total capital assets being depreciated, net	<u>\$ 1,216</u>	<u>\$ 5,501</u>	<u>\$ --</u>	<u>\$ 6,717</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 647</u>

7. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 4,970	\$ 2,080	\$ 3,150	\$ 3,900	\$ 3,900
Direct borrowing note	<u>1,130</u>	<u>--</u>	<u>1,130</u>	<u>--</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$ 6,100</u>	<u>\$ 2,080</u>	<u>\$ 4,280</u>	<u>\$ 3,900</u>	<u>\$ 3,900</u>

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

Debt payable at June 30, 2022 is comprised of the following:

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 3,900

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

8. Interfund Transfers:

Transfers to/from other funds at June 30, 2022, consist of the following:

	<u>Transfer To:</u>		
<u>Transfer From:</u>	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Totals</u>
General Fund	\$ --	\$ 15,500	\$ 15,500
Capital Outlay	32,018	--	32,018
Special Education	1,771	--	1,771
Totals	<u>\$ 33,789</u>	<u>\$ 15,500</u>	<u>\$ 49,289</u>

The School District transferred \$32,000 to the General Fund from the Capital Outlay Fund to help pay operating costs per SDCL.

The School district transferred interest income to the General Fund from the Capital Outlay and Special Education Funds.

The General Fund transferred \$15,500 to the Food Service Fund to help cover expenses.

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2022 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 43,232
Special Education	Law	770,597
SDRS Pension Purposes	Law	149,267
Total		<u>\$ 963,096</u>

10. Pension Plan:

a. Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer 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.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

b. Benefits Provided:

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.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit.

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

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 42,442
2021	\$ 42,165
2020	\$ 39,651

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

At June 30, 2021, SDRS is 105.52% 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, 2022 are as follows:

Proportionate share of pension liability	\$ 4,293,999
Less proportionate share of net pension restricted for pension	<u>4,531,153</u>
Proportionate share of net pension (asset)	<u><u>\$ (237,154)</u></u>

At June 30, 2022, the School District reported an asset of (\$237,154) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 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, 2021, the School District's proportion was 0.030967%, which is a decrease of 0.008554% from its proportion measured as of June 30, 2020.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$36,010. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,514	\$ 622
Changes in assumption	272,725	118,762
Net difference between projected and actual earnings on pension plan investments	--	338,780
Changes in proportion and difference between district contributions and proportionate share of contributions	48,479	1,883
District contributions subsequent to the measurement date	<u>42,442</u>	<u>--</u>
Total	<u><u>\$ 372,160</u></u>	<u><u>\$ 460,047</u></u>

\$42,442 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2023	\$ (13,086)
2024	(14,329)
2025	(7,610)
2026	<u>(95,304)</u>
Total	<u><u>\$ (130,329)</u></u>

e. Actuarial Assumptions:

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

Inflation	2.25%
Salary increases	Graded by years of service, from 6.5% at entry to 3% after 25years of service
Discount rate	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

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, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	<u>\$ 384,012</u>	<u>\$ (237,154)</u>	<u>\$ (741,396)</u>

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

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

11. 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	12.18%
Avon School District No. 4-1	9.38%
Bon Homme School District No. 4-2	17.64%
Menno School District No. 33-2	10.47%
Tripp-Delmont School District No. 33-5	10.43%
Wagner Community School District No. 11-4	4.08%
South Central School District No. 26-5	6.82%
Scotland School District No. 4-3	28.90%

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.

At June 30, 2022, this joint venture had the following:

General Fund

Assets	\$ 1,157,600
Liabilities	\$ 216,306
Net Position	\$ 941,294

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

12. Risk Management:

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2022, 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 \$2,000,000 lifetime maximum payment per person.

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. 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.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2022

12. Risk Management: (Continued)

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, 2022, no claims had been filed for unemployment and none are anticipated in the next fiscal year.

13. 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 \$8,337 was paid for materials during fiscal year 2022. This contract falls within the provisions of SDCL 6-1-2.

14. Subsequent Events:

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

Required Supplementary Information

South Central School District No. 26-5

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 520,000	\$ 520,000	\$ 521,307	\$ 1,307
Prior years' ad valorem taxes	5,500	5,500	5,434	(66)
Utility taxes	28,000	28,000	46,046	18,046
Penalties and interest on taxes	1,700	1,700	1,536	(164)
Tuitions and Fees:				
Earnings on Investments and Deposits	7,000	7,000	9,395	2,395
Cocurricular Activities:				
Other	--	--	8,190	8,190
Other Revenue from Local Sources:				
Contracted Services other LEAs	16,500	16,500	22,553	6,053
Refund of Prior Years' Expenditures	--	--	618	618
Charges for services	2,400	2,400	2,351	(49)
Other	2,000	2,000	1,865	(135)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	3,500	3,500	4,893	1,393
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	142,200	142,200	191,308	49,108
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	130,750	130,750	208,863	78,113
Total Revenues	<u>\$ 859,550</u>	<u>\$ 859,550</u>	<u>\$ 1,024,359</u>	<u>\$ 164,809</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 – General Fund – Budgetary Basis
June 30, 2022 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures:				
Instructional Services:				
Regular Programs:				
Elementary	\$ 494,650	\$ 520,050	\$ 520,745	\$ (695)
Middle/junior high	167,000	187,000	186,015	985
High school	167,000	147,000	138,945	8,055
PreSchool	27,600	29,200	28,896	304
Special Programs:				
Educationally deprived	28,350	48,350	50,792	(2,442)
Support Services:				
Students:				
Guidance	16,450	16,450	15,327	1,123
Health	800	1,300	317	983
Instructional Staff:				
Improvement of instruction	4,250	24,250	19,287	4,963
Educational media	52,750	49,500	54,087	(4,587)
General Administration:				
Board of education	55,600	77,900	38,474	39,426
Executive administration	68,150	68,150	52,430	15,720
School Administration:				
Office of the principal	64,800	64,800	47,437	17,363
Other	48,100	48,100	36,238	11,862
Business:				
Fiscal services	68,150	68,150	65,791	2,359
Operation and maintenance of plant	173,650	174,650	180,674	(6,024)
Student transportation	51,300	54,800	55,580	(780)
Internal service	4,100	4,100	3,580	520
Total Expenditures	<u>1,492,700</u>	<u>1,583,750</u>	<u>1,494,615</u>	<u>89,135</u>
Excess of Revenues Over Expenditures	<u>(633,150)</u>	<u>(724,200)</u>	<u>(470,256)</u>	<u>253,944</u>
Other Financing Sources				
Operating transfers in	651,100	651,100	641,394	(9,706)
Sale of surplus property	<u>1,500</u>	<u>1,500</u>	<u>375</u>	<u>(1,125)</u>
Total Other Financing Sources	<u>652,600</u>	<u>652,600</u>	<u>641,769</u>	<u>(10,831)</u>
Net Change in Fund Balances	19,450	(71,600)	171,513	243,113
Fund Balance, Beginning of Year	<u>108,330</u>	<u>108,330</u>	<u>108,330</u>	<u>--</u>
Fund Balance, Ending of Year	<u>\$ 127,780</u>	<u>\$ 36,730</u>	<u>\$ 279,843</u>	<u>\$ 243,113</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 76,000	\$ 76,000	\$ 77,143	\$ 1,143
Prior years' ad valorem taxes	450	450	531	81
Penalties and interest on taxes	150	150	164	14
Other Revenue from Local Sources:				
Contributions and Donations	3,700	3,700	4,543	843
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	--	--	126	126
Restricted grants-in-aid received from federal government through the state	83,500	83,500	92,367	8,867
Total Revenues	<u>163,800</u>	<u>163,800</u>	<u>174,874</u>	<u>11,074</u>
Expenditures:				
Instructional Services:				
Regular Programs:				
Elementary	62,300	62,300	61,136	1,164
Support Services:				
Instructional Staff:				
Educational media	9,500	9,500	1,000	8,500
General Administration:				
Board of education	700	700	639	61
Office of the principal	800	800	710	90
Business:				
Fiscal services	2,300	2,300	2,209	91
Facilities acquisition and construction		11,000	10,590	410
Operation and maintenance of plant	21,830	81,830	76,928	4,902
Student transportation	500	500	400	100
Total Expenditures	<u>97,930</u>	<u>168,930</u>	<u>153,612</u>	<u>15,318</u>
Excess of Revenue Over (Under) Expenditures	<u>65,870</u>	<u>(5,130)</u>	<u>21,262</u>	<u>26,392</u>
Other Financing Sources (Uses)				
Transfers out	<u>(34,200)</u>	<u>(34,200)</u>	<u>(32,018)</u>	<u>2,182</u>
Total Other Financing Sources (Uses)	<u>(34,200)</u>	<u>(34,200)</u>	<u>(32,018)</u>	<u>2,182</u>
Net Change in Fund Balances	31,670	(39,330)	(10,756)	28,574
Fund Balance, Beginning of Year	<u>53,286</u>	<u>53,286</u>	<u>53,286</u>	<u>--</u>
Fund Balance, Ending of Year	<u>\$ 84,956</u>	<u>\$ 13,956</u>	<u>\$ 42,530</u>	<u>\$ 28,574</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 – Special Education Fund – Budgetary Basis
June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 231,000	\$ 231,000	\$ 257,525	\$ 26,525
Prior years' ad valorem taxes	1,500	1,500	1,840	340
Penalties and interest on taxes	500	500	582	82
Earnings on investments & deposits	200	200	--	(200)
Other Revenue from Local Sources:				
Charges for services	300	300	371	71
Contributions and donations	--	--	147	147
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	10,000	10,000	8,965	(1,035)
Total Revenues	<u>243,500</u>	<u>243,500</u>	<u>269,430</u>	<u>25,930</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for Special Education	94,800	102,300	101,385	915
Support Services:				
Students:				
Counseling services	6,300	8,300	7,880	420
Speech pathology	11,050	11,050	11,031	19
Student therapy services	6,300	6,300	4,728	1,572
Special Education:				
Administrative costs	2,450	42,450	39,823	2,627
Total Expenditures	<u>120,900</u>	<u>170,400</u>	<u>164,847</u>	<u>5,553</u>
Excess of Revenues Over (Under) Expenditures	<u>122,600</u>	<u>73,100</u>	<u>104,583</u>	<u>31,483</u>
Other Financing Sources (Uses)				
Transfer out	--	--	(1,771)	(1,771)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(1,771)</u>	<u>(1,771)</u>
Net Change in Fund Balance	122,600	73,100	102,812	29,712
Fund Balance, Beginning of Year	<u>665,024</u>	<u>665,024</u>	<u>665,024</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 787,624</u>	<u>\$ 738,124</u>	<u>\$ 767,836</u>	<u>\$ 29,712</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, 2022

1. Basis of Presentation:

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 number 8.
- 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).

South Central School District No. 26-5
Notes to the Required Supplementary Information
June 30, 2022 (Continued)

l) The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

	<u>Year Ended</u> <u>6/30/2021</u>
General Fund:	
USGAAP Basis Fund Balance	\$ 3,459,327
Reconciling Items:	
Impact Aid Fund Balance	<u>(3,179,484)</u>
Budgetary Basis Fund Balance	<u><u>\$ 279,843</u></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>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)	0.0309670%	0.0301116%	0.0344941%	0.0610931%	0.0572688%	0.0549457%	0.0535114%	0.0542807%
District's proportionate share of net pension liability (asset)	\$ (237,154)	\$ (1,308)	\$ (3,655)	\$ (1,425)	\$ (5,197)	\$ 185,601	\$ (226,957)	\$ (391,070)
District's covered-employee payroll	\$ 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	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)	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 42,442	\$ 42,165	\$ 39,651	\$ 44,033	\$ 74,447	\$ 71,572	\$ 61,818	\$ 58,618	\$ 56,953
Contributions in relation to the contractually-required contribution	<u>42,442</u>	<u>42,165</u>	<u>39,651</u>	<u>44,033</u>	<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>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
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
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

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, 2022

Changes from Prior Valuation

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

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

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low¹²⁻²² or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% 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%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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

Supplementary Information

South Central School District No. 26-5
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NA	\$ 5,688
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	11,739
National School Lunch Program (Note 3)	10.555	NA	<u>27,505</u>
Total Child Nutrition Cluster			<u>44,932</u>
Other Programs:			
Child Nutrition Discretionary Grant	10.579	NA	6,148
Fresh Fruit and Vegetable Program	10.582	NA	<u>3,657</u>
Total U.S. Department of Agriculture			<u>54,737</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Impact Aid (Title VIII of ESEA)	84.041	NA	615,500
Title I Grants to Local Educational Agencies	84.010	NA	69,330
Rural Education	84.358	NA	1,844
Supporting Effective Instruction State Grant	84.367	NA	12,994
Student Support and Academic Enrichment Program	84.424A	NA	10,000
Cares ESSER funds	84.425D	NA	41,301
American Rescue Plan	84.425U	NA	<u>162,506</u>
Total U.S. Department of Education			<u>913,475</u>
Grand Total			<u>\$ 968,212</u>

South Central School District No. 26-5
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis Of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of South Central School District No. 26-5 under programs of the federal government for the year ended . The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of South Central School District No. 26-5, it is not intended to and does not present the financial position, changes in net position, or cash flows of South Central School District No. 26-5.

2. Summary of Significant Accounting Policies:

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

3. Indirect Cost Rate:

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

4. Federal Reimbursements:

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