

Tri-Valley School District No. 49-6

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

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

Tri-Valley School District No. 49-6

School District Officials

June 30, 2023

Board Members

Ryan Fods ----- Board President

Jessica Alvey-----Vice President

Jeff McAreavey ----- Member

Chad Moller ----- Member

Tom Van Asselt ----- Member

Mike Lodmel -----Superintendent

Cameron Kerkhove -----Business Manager

Tri-Valley School District No. 49-6

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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
Tri-Valley School District No. 49-6
Minnehaha County, 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 Tri-Valley School District No. 49-6, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 20, 2024, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any weaknesses or significant deficiencies that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as item 2023-002 to be a material weakness.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
March 20, 2024



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

School Board
Tri-Valley School District No. 49-6
Minnehaha County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Tri-Valley School District No. 49-6, South Dakota (School District), 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 the School District’s major federal programs for the year ended June 30, 2023. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Tri-Valley School District No. 49-6 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

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

Elk Point, South Dakota
March 20, 2024

Tri-Valley School District No. 49-6
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

Schedule of Prior Audit Findings:

Finding Number 2022-001 - Compliance Finding

A material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance for the Special Education Fund was noted. This finding has not been corrected and is being restated as current audit finding number 2023-001.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

An unmodified opinion was issued on the financial statements of the business-type activities, the capital outlay, special education, and bond redemption governmental funds and the food service and driver's education enterprise funds. A qualified opinion for not implementing GASB Statement No. 84 Fiduciary Activities was issued for the statements of the governmental activities, the general governmental fund and the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness identified: Yes None reported

Significant deficiencies identified not considered to be material weaknesses: Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes None reported

Significant deficiencies identified not considered to be material weaknesses: Yes None reported

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 Yes No

Identification of major program:

ALN Number	Name of Federal Program
84.027 & 84.173	Special Education Cluster
84.425D & 84.425U	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Tri-Valley School District No. 49-6
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2023 (Continued)

Section II - Financial Statement Findings

Finding Number 2023-001 - Compliance Finding

Material Weakness

There is a material weakness resulting from budgeted expenditures exceeding budgeted means for the General Fund, Capital Outlay Fund, and the Special Education Fund.

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

Criteria: There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance for the General Fund, Capital Outlay Fund, and Special Education Fund.

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

Views of Responsible Officials: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: Yes

Tri-Valley School District No. 49-6
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2023 (Continued)

Finding Number 2023-002 - Internal Control Finding

Material Weakness

Internal Control Over Year-End Closing Procedures Including Preparation of Financial Statements

Criteria: Tri-Valley School District No. 49-6 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2023. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

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

Cause: The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes.

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

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

Views of Responsible Officials: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Section III - Federal Award 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).

Tri-Valley School District No. 49-6

Office of the Business Manager
Phone: (605) 446-3538

46450 252nd Street
Colton, SD 57018-5712

Corrective Action Plan (Unaudited)

Tri-Valley School District No. 49-6 respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC
1101 W Main
Elk Point, SD 57025

Material Weakness

Budgeted expenditures exceeding budgeted means for the General Fund, Capital Outlay Fund, and the Special Education Fund.

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: ELO Prof LLC examined budgets prepared by management and compared them to actual expenditures and concluded that budgeted expenditures exceeded budgeted means for the General Fund, Capital Outlay Fund, and the Special Education Fund.

Responsible Individual: Cameron Kerkhove

Corrective Action Plan: The Tri Valley School District’s Board will continue to monitor the budgets, and, if the expenditures are anticipated to exceed the annual appropriation, and/or the fund balance the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to the maximum allowable.

Anticipated Completion Date: 2024

If there are any questions regarding this plan, please contact Cameron Kerkhove at (605) 446-3538.

Sincerely,

Mike Lodmel, Superintendent
Tri-Valley School District No. 49-6

Tri-Valley School District No. 49-6

Office of the Business Manager
Phone: (605) 446-3538

46450 252nd Street
Colton, SD 57018-5712

Corrective Action Plan (Unaudited) (Continued)

Tri-Valley School District No. 49-6 respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ELO Prof. LLC
1101 W Main
Elk Point, SD 57025

Finding No. 2023-002

Material Weakness

Internal Control Over Year-End Closing Procedures Including Preparation of Financial Statements

Initial Fiscal Year Finding Occurred: 2023

Finding Summary: ELO Prof LLC prepared our draft financial statements and notes to the financial statements.

Responsible Individual: Cameron Kerkhove

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and notes to the financial statements. We requested that our auditors, ELO Prof LLC, prepare the financial statements and notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes.

Anticipated Completion Date: Ongoing

If there are any questions regarding this plan, please contact Cameron Kerkhove at (605) 446-3538.

Sincerely,

Mike Lodmel, Superintendent
Tri-Valley School District No. 49-6



Independent Auditor's Report

School Board
Tri-Valley School District No. 49-6
Minnehaha County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Tri-Valley School District No. 49-6, South Dakota (School District), as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tri-Valley School District No. 49-6 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

The School District did not adopt Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses/expenditures of the governmental activities, the general governmental fund, and the aggregate remaining fund information is not reasonably determinable.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, Schedule of Changes in Total OPEB Liability, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
March 20, 2024

Tri-Valley School District No. 49-6
Management Discussion and Analysis (MD&A)
June 30, 2023

This section of Tri-Valley School District No. 49-6's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the district's overall net position decreased by \$922,845.
- The Food Service Fund had a net operating loss of \$284,645 and a decrease in net position of \$15,156.
- The Other Enterprise Fund had a net operating loss of \$737 but an increase in net position of \$2,763.

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. There are two proprietary funds operated by the school which are the food service and the Out of School Time/preschool.
 - 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.

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.

Tri-Valley School District No. 49-6
Management Discussion and Analysis (MD&A)
June 30, 2023

Figure A-1

Major Features of Tri-Valley 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.	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 Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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

Tri-Valley School District No. 49-6
Management Discussion and Analysis (MD&A)
June 30, 2023

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District'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 District's net position and how they have changed. Net position is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District'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 District are reported in two categories:

- **Governmental Activities** – This category includes the District'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 and federal grants finance most of these activities.
- **Business-type Activities** - The District charges a fee to students to help cover the costs providing services to all students.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices that the District 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, e.g., various scholarship trust funds.

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The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’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 District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The District uses an enterprise fund (one type of proprietary fund) to report the activities of its Food Service and Drivers’ Education programs, a business-type activity. The District does not use an internal service fund at this time.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for various external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’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 District’s government-wide financial statements because the District cannot use these assets to finance its operations.

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Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
 Tri-Valley School District 49-6
 Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$69,806,241	\$45,013,488	\$ 282,762	\$ 282,278	\$70,089,003	\$45,295,766	-35.37%
Capital Assets (Net of Depreciation)	20,671,742	44,290,487	22,075	13,830	20,693,817	44,304,317	114.09%
Total Assets	90,477,983	89,303,975	304,837	296,108	90,782,820	89,600,083	-1.30%
OPEB Related Deferred Outflows	151,362	130,837	--	--	151,362	130,837	-13.56%
Pension Related Deferred Outflows	2,474,662	2,265,718	--	--	2,474,662	2,265,718	-8.44%
Total Deferred Outflows or Resources	2,626,024	2,396,555	--	--	2,626,024	2,396,555	-8.74%
Long-Term Liabilities Outstanding	70,030,458	71,486,940	--	--	70,030,458	71,486,940	2.08%
Other Liabilities	2,452,046	2,051,590	46,666	49,050	2,498,712	2,100,640	-15.93%
Total Liabilities	72,482,504	73,538,530	46,666	49,050	72,529,170	73,587,580	1.46%
Taxes Levied for Future Period	3,139,643	3,620,902	--	--	3,139,643	3,620,902	15.33%
OPEB Related Deferred Inflows	516,287	587,157	--	--	516,287	587,157	13.73%
Pension Related Deferred Inflows	3,455,209	1,354,038	--	--	3,455,209	1,354,038	-60.81%
Total Deferred Inflows of Resources	7,111,139	5,562,097	--	--	7,111,139	5,562,097	-21.78%
Net Investment in Capital Assets	10,098,935	8,246,750	22,075	13,830	10,121,010	8,260,580	-18.38%
Restricted	2,563,684	2,871,603	--	--	2,563,684	2,871,603	12.01%
Unrestricted	847,745	1,481,550	236,096	233,228	1,083,841	1,714,778	58.21%
Total Net Position	13,510,364	12,599,903	258,171	247,058	13,768,535	12,846,961	-6.69%
Beginning Net Position	13,633,567	13,510,364	171,596	258,171	13,805,163	13,768,535	-0.27%
Increase (Decrease) in Net Position	<u>\$ (123,203)</u>	<u>\$ (910,461)</u>	<u>\$ 86,575</u>	<u>\$ (11,113)</u>	<u>\$ (36,628)</u>	<u>\$ (921,574)</u>	<u>-2416.04%</u>
Percentage of Increase (Decrease) in Net Position	<u>-0.90%</u>	<u>-6.74%</u>	<u>50.45%</u>	<u>-4.30%</u>	<u>-0.27%</u>	<u>-6.69%</u>	

The District's combined net position of approximately \$12.8 million is approximately \$921,565 or about 2416% smaller than on June 30, 2022. The decrease in the District's financial position was primarily in its governmental activities due to a decrease in the Capital Projects Fund.

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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 District, consisting of bonds payable, capital outlay certificates, direct borrowing notes, and other post-employment benefits have been reported in this manner on the Statement of Net Position. The difference between the District’s assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Changes in Net Position

The Tri-Valley School District’s total revenues (excluding transfers and extraordinary items) in FY23 were \$14,073,620. More than 54% of the School’s revenue comes from property and other taxes, with approximately 27% coming from state aid. (See Table A-2).

Table A-2
Tri-Valley School District 49-6
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 7,717,186	54.83%
State Sources	3,752,049	26.66%
Operating Grants & Contributions	1,413,816	10.05%
Charges For Services	530,224	3.77%
Other General Revenues	367,633	2.61%
Unrestricted Investment Earnings	<u>292,712</u>	<u>2.08%</u>
Total Revenue	<u>\$ 14,073,620</u>	<u>100.00%</u>

Total expenditures of all programs and services increased by approximately 12.45%. The Tri-Valley School District expenses totaled \$14,995,185. The District’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, food services, and other enterprises. (See Table A-3).

Table A-3
Tri-Valley School District 49-6
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 6,833,694	45.58%
Support Services	4,559,124	30.40%
Interest - on Long-Term Debt	2,388,945	15.93%
Cocurricular Activities	503,005	3.35%
Food Service	658,491	4.39%
Nonprogrammed Charges	34,448	0.23%
Other Enterprise	<u>17,487</u>	<u>0.12%</u>
Total Expenditures	<u>\$ 14,995,194</u>	<u>100.00%</u>

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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 District:

Table A-4
 Tri-Valley School District No. 49-6
 Changes in Net Position

	<u>Government Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Revenues							
Program Revenues							
Charge for Services	\$ 499,957	\$ 138,348	\$ 89,266	\$ 391,876	\$ 589,223	\$ 530,224	-10.01%
Operating Grants/ Contributions	927,848	1,144,327	673,252	269,489	1,601,100	1,413,816	-11.70%
General Revenues							
Taxes	6,957,659	7,717,186	--	--	6,957,659	7,717,186	10.92%
Revenue State Sources	3,695,265	3,752,049	--	--	3,695,265	3,752,049	1.54%
Other							
Other general revenues	274,048	367,633	--	--	274,048	367,633	34.15%
Unrestricted Investment Earnings	181,657	292,712	--	--	181,657	292,712	61.13%
	<u>12,536,434</u>	<u>13,412,255</u>	<u>762,518</u>	<u>661,365</u>	<u>13,298,952</u>	<u>14,073,620</u>	<u>5.83%</u>
Expenses							
Instruction	6,327,627	6,833,694	--	--	6,327,627	6,833,694	8.00%
Support Services	4,801,179	4,559,124	--	--	4,801,179	4,559,124	-5.04%
Non-programmed Charges	34,448	34,448	--	--	34,448	34,448	0.00%
Interest on long-term debt	1,002,528	2,388,945	--	--	1,002,528	2,388,945	138.29%
Co-curricular Activities	493,855	503,005	--	--	493,855	503,005	1.85%
Food Service	--	--	663,409	658,491	663,409	658,491	-0.74%
Other Enterprise	--	--	12,534	17,487	12,534	17,487	39.52%
	<u>12,659,637</u>	<u>14,319,216</u>	<u>675,943</u>	<u>675,978</u>	<u>13,335,580</u>	<u>14,995,194</u>	<u>12.45%</u>
Excess (Deficiency)							
Before Transfers	(123,203)	(906,961)	86,575	(14,613)	(36,628)	(921,574)	2416.04%
Transfers	--	(3,500)	--	3,500	--	--	0.00%
Increase (Decrease) in Net Position	(123,203)	(910,461)	86,575	(11,113)	(36,628)	(921,574)	2416.04%
Beginning Net Position	<u>13,633,567</u>	<u>13,510,364</u>	<u>171,596</u>	<u>258,171</u>	<u>13,805,163</u>	<u>13,768,535</u>	<u>-0.27%</u>
Ending Net Position	<u>\$13,510,364</u>	<u>\$12,599,903</u>	<u>\$ 258,171</u>	<u>\$ 247,058</u>	<u>\$13,768,535</u>	<u>\$12,846,961</u>	<u>-6.69%</u>

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Governmental Activities

Revenues for the governmental activities increased by approximately 6.99% due to an increase in charges for services, tax and other general revenues. Expenses increased by 13.11% due to support and interest on long-term debt.

Business-Type Activities

Revenues for the business-type activities decreased by approximately 13.27% due to a decrease in operating grants. Expenses increased by 0.19% due to increases in salaries and benefits.

Financial Analysis of the School’s Funds

The General Fund balance, the Capital Outlay Fund balance, and the Special Education increased from FY22, while the Capital Projects Fund had a decrease in fund balance.

Capital Asset Administration

By the end of 2023, the school had invested \$44,304,317 across a broad range of capital assets, including, land, construction in progress, buildings, improvements, and various machinery and equipment. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$23,610,500 or approximately 114.09%, above last year.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2022	2023	2022	2023		
Land	\$ 934,005	\$ 934,005	\$ --	\$ --	\$ --	0.00%
Construction in progress	11,148,566	34,770,626	--	--	23,622,060	211.88%
Buildings & Improvements	8,349,861	8,391,046	--	--	41,185	0.49%
Machinery & Equipment	239,310	194,810	22,075	13,830	(52,745)	-20.18%
Total Capital Assets	\$ 20,671,742	\$ 44,290,487	\$ 22,075	\$ 13,830	\$ 23,610,500	114.09%

This year’s major capital asset purchases consisted of an entrance improvement, a Dell server, library books, and a HVAC project.

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Long-Term Debt

At year-end, the school had \$71,486,940 in general obligation bonds payable, capital outlay certificates and other long-term obligations. This is an increase of 2.08% as shown on Table A-6 below which is due primarily to the new General Obligation bonds.

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>		
General Obligation Bonds	\$ 49,950,000	\$ 52,000,000	\$ 2,050,000	4.10%
Plus: Unamortized Premiums	9,008,143	8,856,242	(151,901)	-1.69%
Capital Outlay Certificates	8,360,000	8,060,000	(300,000)	-3.59%
Plus: Unamortized Premiums	1,618,700	1,528,772	(89,928)	-5.56%
Direct Borrowing Note	5,699	--	(5,699)	-100.00%
Other Post Employment Benefits	1,087,916	1,041,926	(45,990)	-4.23%
Total Outstanding Debt	<u>\$ 70,030,458</u>	<u>\$ 71,486,940</u>	<u>\$ 1,456,482</u>	<u>2.08%</u>

Economic Factors and Next Year’s Budgets And Rates

The District’s current economic position has shown little change. One of the primary sources of revenue to the School District is funding from the State. The state aid funding formula change in FY17 from a per pupil allocation to a funding formula based on enrollment and target teacher compensation. The change in the funding formula resulted in the District receiving an increase in funding. The State’s goal with the funding formulas was to increase teacher compensation, which the District will have to maintain moving forward. The District’s enrollment is projected to increase at a steady pace in future years. Property valuations are expected to continue to increase due to significant growth in the district.

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 Tri-Valley School District 49-6 Business Office, 46450 252nd St. Colton, SD 57018.

Tri-Valley School District No. 49-6
Statement of Net Position – Government-Wide
June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 40,516,592	\$ 256,921	\$ 40,773,513
Accounts receivable	756,028	20,554	776,582
Taxes receivable	3,705,667	--	3,705,667
Inventories	12,197	4,803	17,000
Net pension asset	23,004	--	23,004
Capital assets:			
Land and construction in progress	35,704,631	--	35,704,631
Other capital assets, net of depreciation	8,585,856	13,830	8,599,686
Total Assets	89,303,975	296,108	89,600,083
Deferred Outflows of Resources:			
OPEB-related deferred outflows	130,837		130,837
Pension-related deferred outflows	2,265,718	--	2,265,718
Total Deferred Outflows of Resources	2,396,555	--	2,396,555
Liabilities:			
Unearned revenue	--	46,077	46,077
Other current liabilities	2,051,590	2,973	2,054,563
Long-term liabilities:			
Due within one year	721,613	--	721,613
Due in more than one year	70,765,327	--	70,765,327
Total Liabilities	73,538,530	49,050	73,587,580
Deferred Inflows of Resources:			
Taxes levied for future periods	3,620,902	--	3,620,902
Pension related deferred inflows	1,354,038	--	1,354,038
OBEP-related deferred inflows	587,157	--	587,157
Total Deferred Inflows of Resources	5,562,097	--	5,562,097
Net Position:			
Net investment in capital assets	8,246,750	13,830	8,260,580
Restricted for:			
Capital outlay	1,794,057	--	1,794,057
Special education	142,862	--	142,862
SDRS pension purposes	934,684	--	934,684
Unrestricted	1,481,550	233,228	1,714,778
Total Net Position	\$ 12,599,903	\$ 247,058	\$ 12,846,961

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

Tri-Valley School District No. 49-6
Statement of Activities – Government-Wide
June 30, 2023

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	\$ 6,833,694	\$ --	\$ 1,144,327	\$ (5,689,367)	\$ --	\$ (5,689,367)
Support services	4,559,124	114,312	--	(4,444,812)	--	(4,444,812)
Nonprogrammed charges	34,448	--	--	(34,448)	--	(34,448)
Interest on long-term debt*	2,388,945	--	--	(2,388,945)	--	(2,388,945)
Cocurricular activities	503,005	24,036	--	(478,969)	--	(478,969)
Total Governmental Activities	14,319,216	138,348	1,144,327	(13,036,541)	--	(13,036,541)
Business-Type Activities:						
Food service	658,491	375,126	269,489	--	(13,876)	(13,876)
Other enterprise	17,487	16,750	--	--	(737)	(737)
Total Business Type Activities	675,978	391,876	269,489	--	(14,613)	(14,613)
Total Primary Government	\$ 14,995,194	\$ 530,224	\$ 1,413,816	(13,036,541)	(14,613)	(13,051,154)
General Revenues:						
Taxes:						
		Property taxes		7,421,068	--	7,421,068
		Gross receipts taxes		296,118	--	296,118
Revenue from State Sources:						
		State aid		3,075,072	--	3,075,072
		Other		676,977	--	676,977
		Unrestricted investment earnings		292,712	--	292,712
		Other general revenues		367,633	--	367,633
		Transfers		(3,500)	3,500	--
		Total General Revenues and Transfers		12,126,080	3,500	12,129,580
		Change in Net Position		(910,461)	(11,113)	(921,574)
		Net Position - Beginning of Year		13,510,364	258,171	13,768,535
		Net Position - End of Year		\$ 12,599,903	\$ 247,058	\$ 12,846,961

*The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

Tri-Valley School District No. 49-6
Balance Sheet – Governmental Funds
June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 3,024,166	\$ 1,774,771	\$ 244,459	\$ 35,473,196	\$ 40,516,592
Taxes receivable - current	1,892,268	1,065,808	662,826	--	3,620,902
Taxes receivable - delinquent	52,153	20,367	12,245	--	84,765
Due from other governments	685,133	--	70,895	--	756,028
Inventory	12,197	--	--	--	12,197
Total Assets	<u>\$ 5,665,917</u>	<u>\$ 2,860,946</u>	<u>\$ 990,425</u>	<u>\$ 35,473,196</u>	<u>\$ 44,990,484</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	\$ 47,703	\$ 1,081	\$ 80,061	\$ 1,071,919	\$ 1,200,764
Contracts payable	622,092	--	86,941	--	709,033
Payroll deductions and withholding and employer matching payable	124,058	--	17,735	--	141,793
Total Liabilities	<u>793,853</u>	<u>1,081</u>	<u>184,737</u>	<u>1,071,919</u>	<u>2,051,590</u>
Deferred Inflows of Resources:					
Taxes levied for future period	1,892,268	1,065,808	662,826	--	3,620,902
Delinquent taxes not available	52,153	20,367	12,245	--	84,765
Total Deferred Inflows of Resources	<u>1,944,421</u>	<u>1,086,175</u>	<u>675,071</u>	<u>--</u>	<u>3,705,667</u>
Fund Balances:					
Nonspendable - inventory	12,197	--	--	--	12,197
Restricted:					
For capital outlay	--	1,773,690	--	34,401,277	36,174,967
For special education	--	--	130,617	--	130,617
Unassigned	2,915,446	--	--	--	2,915,446
Total Fund Balances	<u>2,927,643</u>	<u>1,773,690</u>	<u>130,617</u>	<u>34,401,277</u>	<u>39,233,227</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,665,917</u>	<u>\$ 2,860,946</u>	<u>\$ 990,425</u>	<u>\$ 35,473,196</u>	<u>\$ 44,990,484</u>

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

Tri-Valley School District No. 49-6
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balances - Governmental Funds		\$ 39,233,227
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		44,290,487
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
GO Bonds	(60,856,242)	
Other Postemployment Benefits Payable	(1,041,926)	
Capital Outlay Certificates	<u>(9,588,772)</u>	(71,486,940)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		84,765
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		23,004
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(1,941,195)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds.		<u>2,396,555</u>
Net Position - Governmental Activities		<u><u>\$ 12,599,903</u></u>

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

Tri-Valley School District No. 49-6

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 3,759,784	\$ 2,221,859	\$ 1,356,444	\$ --	\$ 7,338,087
Prior years' ad valorem taxes	20,711	9,881	5,849	--	36,441
Utility taxes	296,118	--	--	--	296,118
Penalties and interest on taxes	7,349	2,977	1,749	--	12,075
Earnings on Investments and Deposits	292,712	--	--	--	292,712
Cocurricular Activities:					
Admissions	24,036	--	--	--	24,036
Other Revenue from Local Sources:					
Charges for services	9,559	--	16,588	--	26,147
Other	107,293	1,709	--	30,691	139,693
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	27,570	--	--	--	27,570
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	3,075,072	--	--	--	3,075,072
Restricted grants-in-aid	18,218	--	658,759	--	676,977
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	485,444	450,919	207,964	--	1,144,327
Total Revenues	<u>\$ 8,123,866</u>	<u>\$ 2,687,345</u>	<u>\$ 2,247,353</u>	<u>\$ 30,691</u>	<u>\$ 13,089,255</u>

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

Tri-Valley School District No. 49-6

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular programs:					
Elementary	\$ 1,549,789	\$ 252,744	\$ --	\$ --	\$ 1,802,533
Middle/junior high	1,199,113	23,163	--	--	1,222,276
High school	1,262,344	211,967	--	--	1,474,311
Other regular programs	176,329	--	--	--	176,329
Special programs:					
Programs for special education	--	--	1,449,937	--	1,449,937
Culturally different	77,160	--	--	--	77,160
Gifted and talented	72,785	--	--	--	72,785
Educationally deprived	142,122	--	--	--	142,122
Support Services:					
Students:					
Attendance and social work	204,169	--	--	--	204,169
Guidance	129,941	--	--	--	129,941
Psychological	--	--	70,838	--	70,838
Speech pathology	--	--	129,561	--	129,561
Student therapy services	--	--	205,323	--	205,323
Instructional Staff:					
Improvement of instruction	18,525	--	--	--	18,525
Educational media	267,010	58,170	--	--	325,180
General Administration:					
Board of education	141,185	--	--	--	141,185
Executive administration	251,382	--	--	--	251,382
School Administration:					
Office of the principal	438,450	--	--	--	438,450
Other	1,013	--	--	--	1,013
Business:					
Fiscal services	249,883	--	--	--	249,883
Facilities acquisition and construction	--	--	--	91,522	91,522
Operation and maintenance of plant	1,074,085	1,278	--	--	1,075,363
Student transportation	791,638	--	--	--	791,638
Internal services	4,498	--	--	--	4,498

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

Tri-Valley School District No. 49-6

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Special Education:					
Administrative costs	--	--	157,726	--	157,726
Transportation costs	--	--	104,856	--	104,856
Nonprogrammed Charges:					
Early retirement payments	34,448	--	--	--	34,448
Debt Services	--	684,620	--	2,400,223	3,084,843
Cocurricular Activities:					
Male activities	94,327	28,797	--	--	123,124
Female activities	62,934	17,000	--	--	79,934
Transportation	80,355	--	--	--	80,355
Combined activities	214,267	5,325	--	--	219,592
Capital Outlay	--	466,448	--	23,705,774	24,172,222
Total Expenditures	<u>8,537,752</u>	<u>1,749,512</u>	<u>2,118,241</u>	<u>26,197,519</u>	<u>38,603,024</u>
Excess of Revenue Over (Under) Expenditures	(413,886)	937,833	129,112	(26,166,828)	(25,513,769)
Other Financing Sources (Uses):					
Transfer in	900,000	--	--	--	900,000
Transfer out	(3,500)	(900,000)	--	--	(903,500)
General Long-Term Debt Issued	--	--	--	2,198,370	2,198,370
Compensation for loss of general capital assets	174,223	--	--	--	174,223
Total Other Financing Sources (Uses)	<u>1,070,723</u>	<u>(900,000)</u>	<u>--</u>	<u>2,198,370</u>	<u>2,369,093</u>
Net Change in Fund Balances	656,837	37,833	129,112	(23,968,458)	(23,144,676)
Fund Balance, Beginning of Year	<u>2,270,806</u>	<u>1,735,857</u>	<u>1,505</u>	<u>58,369,735</u>	<u>62,377,903</u>
Fund Balance, End of Year	<u><u>\$ 2,927,643</u></u>	<u><u>\$ 1,773,690</u></u>	<u><u>\$ 130,617</u></u>	<u><u>\$ 34,401,277</u></u>	<u><u>\$ 39,233,227</u></u>

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

Tri-Valley School District No. 49-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (23,144,676)

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. 24,172,222

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. (553,477)

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.

GO Bond	300,271	
Direct Borrowing Notes	5,699	
CO Certificate	<u>389,928</u>	695,898

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." 34,465

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (2,198,370)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 128,882

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. (45,405)

Change in net position of governmental activities \$ (910,461)

Tri-Valley School District No. 49-6
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 246,246	\$ 10,675	\$ 256,921
Accounts receivable, net	20,554	--	20,554
Inventory - stores for resale	1,663	--	1,663
Inventory of donated food	3,140	--	3,140
Total Current Assets	<u>271,603</u>	<u>10,675</u>	<u>282,278</u>
Noncurrent Assets:			
Machinery and equipment - local funds	175,081	--	175,081
Less accumulated depreciation	<u>(161,251)</u>	<u>--</u>	<u>(161,251)</u>
Total Noncurrent Assets	<u>13,830</u>	<u>--</u>	<u>13,830</u>
Total Assets	<u><u>\$ 285,433</u></u>	<u><u>\$ 10,675</u></u>	<u><u>\$ 296,108</u></u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 1,865	\$ 1,108	\$ 2,973
Unearned revenue	<u>46,077</u>	<u>--</u>	<u>46,077</u>
Total Current Liabilities	<u>47,942</u>	<u>1,108</u>	<u>49,050</u>
Net Position:			
Net investment in capital assets	13,830	--	13,830
Unrestricted net position	<u>223,661</u>	<u>9,567</u>	<u>233,228</u>
Total Net Position	<u><u>\$ 237,491</u></u>	<u><u>\$ 9,567</u></u>	<u><u>\$ 247,058</u></u>

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

Tri-Valley School District No. 49-6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Driver's education fees	\$ --	\$ 16,750	\$ 16,750
Food Sales:			
Student	358,065	--	358,065
Adult	650	--	650
Other charges for goods and services	16,411	--	16,411
Total Operating Revenue	<u>375,126</u>	<u>16,750</u>	<u>391,876</u>
Operating Expenses:			
Food Service:			
Salaries	213,526	11,550	225,076
Employee benefits	86,517	1,576	88,093
Purchased services	11,396	57	11,453
Supplies	18,331	4,031	22,362
Cost of sales - purchased	263,795	--	263,795
Cost of sales - donated	56,009	--	56,009
Other	672	273	945
Depreciation	8,245	--	8,245
Total Operating Expenses	<u>658,491</u>	<u>17,487</u>	<u>675,978</u>
Operating Income(Loss)	(283,365)	(737)	(284,102)
Nonoperating Revenues/Expenses:			
State grants	1,315	--	1,315
Federal grants	212,165	--	212,165
Donated food	56,009	--	56,009
Total Nonoperating Revenue/ (Expenses)	<u>269,489</u>	<u>--</u>	<u>269,489</u>
Income (Loss) Before Contributions and Transfers	(13,876)	(737)	(14,613)
Transfer	<u>--</u>	<u>3,500</u>	<u>3,500</u>
Change in Net Position	(13,876)	2,763	(11,113)
Net Position - Beginning of Year	251,367	6,804	258,171
Net Position - End of Year	<u>\$ 237,491</u>	<u>\$ 9,567</u>	<u>\$ 247,058</u>

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

Tri-Valley School District No. 49-6
Statement of Cash Flows – Proprietary Funds
June 30, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 363,589	\$ 16,750	\$ 380,339
Cash payments to suppliers	(292,329)	(3,914)	(296,243)
Cash payments to employees	(300,043)	(13,126)	(313,169)
Net Cash (Used) by Operating Activities	(228,783)	(290)	(229,073)
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	3,500	3,500
Cash reimbursements - state	1,315	--	1,315
Cash reimbursements - federal	212,165	--	212,165
Net Cash Provided by Noncapital Financing Activities	213,480	3,500	216,980
Net Change in Cash and Cash Equivalents	(15,303)	3,210	(12,093)
Cash and Cash Equivalents, Beginning of Year	261,549	7,465	269,014
Cash and Cash Equivalents, End of Year	<u>\$ 246,246</u>	<u>\$ 10,675</u>	<u>\$ 256,921</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (283,365)	\$ (737)	\$ (284,102)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	8,245	--	8,245
Value of commodities used	56,009	--	56,009
Change in Assets and Liabilities:			
Accounts receivable	(11,609)	--	(11,609)
Deferred revenue	72	--	72
Accounts payable	1,865	447	2,312
Net cash (used) by operating activities:	<u>\$ (228,783)</u>	<u>\$ (290)</u>	<u>\$ (229,073)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 56,009</u>	<u>\$ --</u>	<u>\$ 56,009</u>

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

Tri-Valley School District No. 49-6
Statement of Net Position – Fiduciary Funds
June 30, 2023

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 234,797	\$ 257,045
Accounts receivable	--	15,382
Total Assets	\$ 234,797	\$ 272,427
Amounts held for others	\$ --	\$ 272,427
Total Liabilities	--	\$ 272,427
Net Position:		
Individuals, organizations, and other governments	234,797	
Total Net Position	\$ 234,797	
Total Liabilities and Net Position	\$ 234,797	

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

Tri-Valley School District No. 49-6
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2023

	Private-Purpose Trust Funds
Additions:	
Contributions and donations	\$ --
Total Additions	--
Deductions:	
Trust deductions for scholarships awarded	--
Total Deductions	--
Change in Net Position	--
Net Position - Beginning	234,797
Net Position - Ending	\$ 234,797

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

Tri-Valley School District No. 49-6

Notes to the Financial Statements

June 30, 2023

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. Financial Reporting Entity:

The reporting entity of Tri-Valley School District No. 49-6, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

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.

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.

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Proprietary Funds:

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

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

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education instruction. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains private-purpose trust funds for scholarships.

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

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 fund types 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 Tri-Valley School District No. 49-6, the length of that cycle is 60 days. Revenues accrued at June 30, 2023 are amounts due from other governments.

Tri-Valley School District No. 49-6

Notes to the Financial Statements

June 30, 2023

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.

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

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

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 1% for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities are valued at original costs.

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:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All Land	--	--
Buildings	\$ 5,000	Straight-line	50 years
Improvements	\$ 5,000	Straight-line	15-25 years
Intangible lease assets	\$ 45,000	Straight-line	5-50 years
Equipment - governmental activities	\$ 5,000	Straight-line	5-20 years
Equipment - proprietary funds	\$ 1,000	Straight-line	5-20 years

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

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital 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.

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

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 general obligation bonds, capital outlay certificates payable, direct borrowing notes and other post-employment benefits payable.

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

h. Leases:

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

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

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

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

The School District has no recorded lease liabilities.

i. Subscription-Based Information Technology Arrangements:

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

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

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

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

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

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

j. Program Revenues:

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

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

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Tri-Valley School District No. 49-6

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- 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 District does not have a formal minimum fund balance policy.

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

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

q. Pensions:

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

2. Implementation of New Accounting Standards:

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

Tri-Valley School District No. 49-6

Notes to the Financial Statements

June 30, 2023

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

The School District is prohibited by statutes from spending in excess of appropriated amounts and/or estimated fund balance available at the fund level. The General Fund for the 2023 fiscal year was budgeted to spend \$8,422,699, but the School District spent \$115,053 more than the budgeted amount. The Capital Outlay Fund for the 2023 fiscal year was budgeted to spend \$1,747,538, but the School District spent \$1,974 more than the budgeted amount. The Special Education Fund for the 2023 fiscal year was budgeted to spend \$1,823,896, but the School District spent \$294,345 more than the budgeted amount. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

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

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

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent. As of June 30, 2019, the school districts investments consist of certificates of deposit.

As of June 30, 2023, the School District did not have any investments.

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

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2023.

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.

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

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

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 investments to the General Fund except the private-purpose trust fund(s) which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income.

5. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectible accounts has been established, as the School District believes all receivables are ultimately collectable.

6. Inventory:

Inventory held for consumption is stated at cost.

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

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

In the government fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a nonspendable fund balance classification which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. Property Tax:

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

7. Property Tax: (Continued)

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 inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

8. Changes in Capital Assets:

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

	<u>6/30/2022</u>			<u>6/30/2023</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 934,005	\$ --	\$ --	\$ 934,005
Construction in progress	11,148,566	24,156,693	534,633	34,770,626
Total capital assets not being depreciated/amortized	<u>12,082,571</u>	<u>24,156,693</u>	<u>534,633</u>	<u>35,704,631</u>
Capital assets being depreciated/amortized:				
Buildings	12,430,074	5,400	--	12,435,474
Improvements	4,988,501	534,633	--	5,523,134
Machinery & equipment	979,834	5,599	--	985,433
Library books	170,151	4,530	6,445	168,236
Total capital assets being depreciated/amortized	<u>18,568,560</u>	<u>550,162</u>	<u>6,445</u>	<u>19,112,277</u>
Less accumulated depreciation/amortization for:				
Buildings	6,271,453	271,646	--	6,543,099
Improvements	2,797,261	227,202	--	3,024,463
Machinery & equipment	740,524	50,099	--	790,623
Library books	170,151	4,530	6,445	168,236
Total accumulated depreciation/amortization	<u>9,979,389</u>	<u>553,477</u>	<u>6,445</u>	<u>10,526,421</u>
Total capital assets being depreciated/amortized, net	<u>8,589,171</u>	<u>(3,315)</u>	<u>--</u>	<u>8,585,856</u>
Net Capital Assets	<u>\$ 20,671,742</u>	<u>\$ 24,153,378</u>	<u>\$ 534,633</u>	<u>\$ 44,290,487</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 416,240
Support services	<u>137,237</u>
Total Depreciation/Amortization Expense	<u>\$ 553,477</u>

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

8. Changes in Capital Assets: (Continued)

	6/30/2022	Increases	Decreases	6/30/2023
	Balance			Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 175,081	\$ --	\$ --	\$ 175,081
Less accumulated depreciation for:				
Less: Accumulated Depreciation	153,006	8,245	--	161,251
Total capital assets being depreciated, net	\$ 22,075	\$ (8,245)	\$ --	\$ 13,830

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 8,245

Construction Work in Progress at June 30, 2023 is comprised of the following:

Project name	Project Authorization	Expended through 6/30/2023	Committed
High School Project	\$ 45,126,735	\$ 14,330,644	\$ 30,796,091
Elementary School	21,536,292	20,439,982	1,096,310
Total Construction in Progress	\$ 66,663,027	\$ 34,770,626	\$ 31,892,401

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

9. Long-Term Liabilities:

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

Primary Government	6/30/2022	Increase	Decrease	6/30/2023	Due Within One Year
Governmental Activities:					
Bonds and CO Certificates Payable:					
General obligation bonds	\$ 49,950,000	\$ 2,050,000	\$ --	\$ 52,000,000	\$ --
Plus: Unamortized Premiums	9,008,143	148,370	300,271	8,856,242	311,685
Capital outlay certificates	8,360,000	--	300,000	8,060,000	320,000
Plus: Unamortized Premiums	1,618,700	--	89,928	1,528,772	89,928
	<u>68,936,843</u>	<u>2,198,370</u>	<u>690,199</u>	<u>70,445,014</u>	<u>721,613</u>
Other Liabilities:					
OPEB	1,087,916	137,828	183,818	1,041,926	--
Direct Borrowing Notes	5,699	--	5,699	--	--
Total Long-Term Liabilities	<u>\$ 70,030,458</u>	<u>\$ 2,336,198</u>	<u>\$ 879,716</u>	<u>\$ 71,486,940</u>	<u>\$ 721,613</u>

Other post-employment benefits for governmental activities typically have been liquidated from the General Fund.

General Obligation Bonds and Capital Outlay Certificates at June 30, 2023 is comprised of the following:

Tri-Valley School District No 49-6 General Obligation Construction Bonds, Series 2022	During 2022, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$2,050,000. There is an interest rate of 4% assessed on these bonds. Final payment is June 2036. A new Bond Redemption Fund should be setup to make payment on this debt.	\$ 2,050,000
Tri-Valley School District No 49-6 General Obligation Construction Bonds, Series 2021	During 2021, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$49,950,000. There is an interest rate of 4% assessed on these bonds. Final payment is July 2051. A new Bond Redemption Fund should be setup to make payment on this debt.	\$ 49,950,000
Tri-Valley School District No 49-6 Capital Outlay Certificates, Series 2020	During February 2021, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$8,650,000. There is a varying interest rate from 4 to 5% assessed on these bonds. Final payment is August 2039. The Capital Outlay Fund makes payment on this debt.	\$ 8,060,000

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

9. Long-Term Liabilities: (Continued)

Other liabilities at June 30, 2023 is comprised of the following:

OPEB

Obligations to individuals who are retired or will retire from the School District and will receive post-employment benefits.

Payments are made from the General Fund. \$ 1,041,926

The annual requirements to amortize all debt outstanding, other than other post-employment benefits outstanding at June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates	
	Principal	Interest	Principal	Interest
2024	\$ 311,685	\$ 2,116,850	\$ 409,928	\$ 344,950
2025	476,685	2,113,225	424,928	328,575
2026	596,685	2,103,025	439,928	311,450
2027	706,685	2,087,175	459,928	293,450
2028	826,685	2,065,675	479,928	274,450
2029-2033	6,238,425	9,779,825	2,699,640	1,061,750
2034-2038	9,315,598	8,440,000	3,219,640	541,000
2039-2043	11,926,355	6,647,100	1,454,852	51,500
2044-2048	15,311,355	4,228,400	--	--
2049-2053	15,146,084	1,150,900	--	--
Totals	<u>\$ 60,856,242</u>	<u>\$ 40,732,175</u>	<u>\$ 9,588,772</u>	<u>\$ 3,207,125</u>

Year Ending, June 30,	Totals	
	Principal	Interest
2024	\$ 721,613	\$ 2,461,800
2025	901,613	2,441,800
2026	1,036,613	2,414,475
2027	1,166,613	2,380,625
2028	1,306,613	2,340,125
2029-2033	8,938,065	10,841,575
2034-2038	12,535,238	8,981,000
2039-2043	13,381,207	6,698,600
2044-2048	15,311,355	4,228,400
2049-2053	15,146,084	1,150,900
Totals	<u>\$ 70,445,014</u>	<u>\$ 43,939,300</u>

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

10. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 1,794,057
Special Education	Law	142,862
SDRS Pension Purposes	Law	934,684
Total		\$ 2,871,603

11. Interfund Transfers:

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

Transfer from the General Fund to Other Enterprise to supplement Driver's Ed.	\$	3,500
Transfer from the Capital Outlay Fund to the General Fund under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay Funds.	\$	900,000

12. Pension Plan:

Plan Information:

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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.

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

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

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, 2023, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 363,321
2022	348,750
2021	317,601

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,776,718</u>	<u>\$ (23,004)</u>	<u>\$ (3,945,646)</u>

At June 30, 2023, the School District reported an (asset) of (\$23,004) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.24342000%, which is an increase of 0.0195813% from its proportion measured as of June 30, 2020.

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$128,883. At June 30, 2023, 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	\$ 437,912	\$ 1,494
Changes in assumption	1,462,109	1,281,343
Net difference between projected and actual earnings on pension plan investments	--	55,130
Changes in proportion and difference between district contributions and proportionate share of contributions	2,376	16,071
District contributions subsequent to the measurement date	363,321	--
Total	\$ 2,265,718	\$ 1,354,038

\$363,321 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,	
2024	\$ 148,344
2025	314,840
2026	(368,839)
2027	454,014
Total	\$ 548,359

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, 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

12. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

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

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 liability (asset)	<u>\$ 4,776,718</u>	<u>\$ (23,004)</u>	<u>\$ (3,945,646)</u>

Pension Plan Fiduciary Net Position:

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

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

13. Other Postemployment Benefits – Medical Plan:

Plan Description: Tri-Valley School District has a pooled defined benefit medical plan administered by either DakotaCare or Sanford Health. The Plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Tri-Valley School District, 46456 252nd Street, Colton, SD 57018-5712 or by calling 605-446-3538.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2023, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	6
Active Employees	124
	130

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS) as provided in the June 30, 2021 Actuarial Valuation Report. See Note 12 – Pension Note.

Changes in the Total OPEB Liability

Beginning of Year Balance	\$ 1,087,916
Service cost	112,116
Interest on total OPEB liability	25,712
Effect of economic/demographic gains or losses	
Effect of assumption changes or inputs	(164,328)
Benefit payments	(19,490)
End of Year Balance	\$ 1,041,926

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

13. Other Postemployment Benefits – Medical Plan: (Continued)

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.54%.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,157,269	\$ 1,041,926	\$ 943,201

For the year ended June 30, 2023, the School District recognized OPEB expense \$45,990. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ (70,029)	\$ 51,983
Changes in assumption	(517,128)	78,854
Total	\$ (587,157)	\$ 130,837

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

<u>Year Ended June 30,</u>		
2024	\$	(72,933)
2025		(72,933)
2026		(72,933)
2027		(72,148)
2028		(63,892)
Thereafter		(101,481)
Total	\$	(456,320)

Tri-Valley School District No. 49-6

Notes to the Financial Statements

June 30, 2023

14. Joint Ventures:

The school district participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative services to the member School Districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

Baltic School District No. 49-1	8%	Garretson School District No. 49-4	8%
Chester Area School District No. 39-1	5%	Howard School District No. 48-3	8%
Colman-Egan School District No. 50-5	4%	Madison Central School District No. 39-2	15%
Dell Rapids School District No. 49-3	16%	Tri-Valley School District No. 49-6	15%
Flandreau School District No. 50-3	21%		

The co-op's governing board is composed of one 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 Prairie Lakes Educational Cooperative.

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

	<u>June 30, 2023</u>
Total Assets	\$ 119,561
Total Liabilities	\$ 57,836
Total Net Position	\$ 61,725

15. Risk Management:

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

Liability Insurance:

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

Worker's Compensation:

The school district purchase liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Tri-Valley School District No. 49-6
Notes to the Financial Statements
June 30, 2023

15. Risk Management: (Continued)

Unemployment Benefits:

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

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

16. 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

Tri-Valley School District No. 49-6
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,495,759	\$ 3,495,759	\$ 3,759,784	\$ 264,025
Prior years' ad valorem taxes	15,000	15,000	20,711	5,711
Utility taxes	269,202	269,202	296,118	26,916
Penalties and interest on taxes	5,000	5,000	7,349	2,349
Earnings on Investments and Deposits	85,000	85,000	292,712	207,712
Cocurricular Activities:				
Admissions	22,000	22,000	24,036	2,036
Other Revenue from Local Sources:				
Charges for services	12,000	12,000	9,559	(2,441)
Other	15,000	15,000	107,293	92,293
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	30,000	30,000	27,570	(2,430)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	3,636,999	3,636,999	3,075,072	(561,927)
Restricted grants-in-aid	16,000	16,000	18,218	2,218
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through an intermediate source	3,500	3,500	--	(3,500)
Restricted grants-in-aid received from federal government through the state	175,389	175,389	485,444	310,055
Other	120,000	120,000	--	(120,000)
Total Revenues	\$ 7,900,849	\$ 7,900,849	\$ 8,123,866	\$ 223,017

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

Tri-Valley School District No. 49-6
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,555,903	\$ 1,555,903	\$ 1,549,789	\$ 6,114
Middle/junior high	1,183,180	1,183,180	1,199,113	(15,933)
High school	1,201,132	1,201,132	1,262,344	(61,212)
Other regular programs	130,541	130,541	176,329	(45,788)
Special programs				
Gifted and talented	74,554	74,554	72,785	1,769
Culturally different	87,433	87,433	77,160	10,273
Educationally deprived	201,346	201,346	142,122	59,224
Support Services:				
Students:				
Attendance and social work	212,749	212,749	204,169	8,580
Guidance	125,093	125,093	129,941	(4,848)
Instructional Staff:				
Improvement of instruction	32,730	32,730	18,525	14,205
Educational media	270,705	270,705	267,010	3,695
General Administration:				
Board of education	162,174	162,174	141,185	20,989
Executive administration	226,509	226,509	251,382	(24,873)
School Administration:				
Office of the principal	416,319	416,319	438,450	(22,131)
Other	1,500	1,500	1,013	487
Business:				
Fiscal services	233,795	233,795	249,883	(16,088)
Operation and maintenance of plant	1,010,248	1,010,248	1,074,085	(63,837)
Student transportation	824,110	824,110	791,638	32,472
Internal service	20,000	20,000	4,498	15,502
Nonprogrammed Charges:				
Payments to state - unemployment	6,000	6,000	--	6,000
Early retirement payments	34,448	34,448	34,448	--
Cocurricular Activities:				
Male activities	93,208	93,208	94,327	(1,119)
Female activities	77,762	77,762	62,934	14,828
Transportation	75,000	75,000	80,355	(5,355)
Combined activities	166,260	166,260	214,267	(48,007)
Total Expenditures	<u>8,422,699</u>	<u>8,422,699</u>	<u>8,537,752</u>	<u>(115,053)</u>
Excess of Revenues Over Expenditures	<u>(521,850)</u>	<u>(521,850)</u>	<u>(413,886)</u>	<u>107,964</u>
Other Financing Sources:				
Operating transfers in	521,591	521,591	900,000	378,409
Operating transfers out	--	--	(3,500)	(3,500)
Compensation for loss of general capital assets	--	--	174,223	174,223
Total Other Financing Sources:	<u>521,591</u>	<u>521,591</u>	<u>1,070,723</u>	<u>549,132</u>
Net Change in Fund Balances	(259)	(259)	656,837	657,096
Fund Balance, Beginning of Year	<u>2,270,806</u>	<u>2,270,806</u>	<u>2,270,806</u>	<u>--</u>
Fund Balance, End of year	<u>\$ 2,270,547</u>	<u>\$ 2,270,547</u>	<u>\$ 2,927,643</u>	<u>\$ 657,096</u>

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

Tri-Valley School District No. 49-6
 Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
 June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,256,529	\$ 2,256,529	\$ 2,221,859	\$ (34,670)
Prior years' ad valorem taxes	10,000	10,000	9,881	(119)
Penalties and interest on taxes	1,500	1,500	2,977	1,477
Other Revenue from Local Sources:				
Other	1,000	1,000	1,709	709
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the intermediate source	100	100	--	(100)
Restricted grants-in-aid received from federal government through the state	--	--	450,919	450,919
Total Revenues	<u>2,269,129</u>	<u>2,269,129</u>	<u>2,687,345</u>	<u>418,216</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	432,047	432,047	252,744	179,303
Middle/junior high	23,000	23,000	23,163	(163)
High school	258,000	258,000	211,967	46,033
Support Services:				
Instructional Staff:				
Educational media	16,000	16,000	68,299	(52,299)
Business:				
Fiscal services	10,000	10,000	--	10,000
Operation and maintenance of plant	247,695	247,695	457,597	(209,902)
Debt Services	699,646	699,646	684,620	15,026
Cocurricular Activities:				
Male activities	37,000	37,000	28,797	8,203
Female activities	23,150	23,150	17,000	6,150
Combined activities	1,000	1,000	5,325	(4,325)
Total Expenditures	<u>1,747,538</u>	<u>1,747,538</u>	<u>1,749,512</u>	<u>(1,974)</u>
Excess of Revenue Over (Under)				
Expenditures	<u>521,591</u>	<u>521,591</u>	<u>937,833</u>	<u>416,242</u>
Other Financing Sources (Uses):				
Transfers out	<u>(521,591)</u>	<u>(521,591)</u>	<u>(900,000)</u>	<u>(378,409)</u>
Total Other Financing Sources (Uses)	<u>(521,591)</u>	<u>(521,591)</u>	<u>(900,000)</u>	<u>(378,409)</u>
Net Change in Fund Balances	--	--	37,833	37,833
Fund Balance, Beginning of Year	<u>1,735,857</u>	<u>1,735,857</u>	<u>1,735,857</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,735,857</u>	<u>\$ 1,735,857</u>	<u>\$ 1,773,690</u>	<u>\$ 37,833</u>

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

Tri-Valley School District No. 49-6
 Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis
 June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,168,687	\$ 1,168,687	\$ 1,356,444	\$ 187,757
Prior years' ad valorem taxes	7,500	7,500	5,849	(1,651)
Penalties and interest on taxes	800	800	1,749	949
Other Revenue from Local Sources:				
Charges for services	13,500	13,500	16,588	3,088
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	428,621	428,621	658,759	230,138
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	204,788	204,788	207,964	3,176
Total Revenues	<u>1,823,896</u>	<u>1,823,896</u>	<u>2,247,353</u>	<u>423,457</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	1,326,437	1,326,437	1,449,937	(123,500)
Support Services:				
Students:				
Psychological	45,000	45,000	70,838	(25,838)
Speech pathology	141,791	141,791	129,561	12,230
Student therapy services	130,000	130,000	205,323	(75,323)
Special Education:				
Administrative costs	108,668	108,668	157,726	(49,058)
Transportation costs	72,000	72,000	104,856	(32,856)
Total Expenditures	<u>1,823,896</u>	<u>1,823,896</u>	<u>2,118,241</u>	<u>(294,345)</u>
Net Change in Fund Balance	--	--	129,112	129,112
Fund Balance, Beginning of Year	<u>1,505</u>	<u>1,505</u>	<u>1,505</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,505</u>	<u>\$ 1,505</u>	<u>\$ 130,617</u>	<u>\$ 129,112</u>

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

Tri-Valley School District No. 49-6

Notes to the Required Supplementary Information – Budgetary Comparison Schedules June 30, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in 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 school 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 h.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows 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 school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/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/Student Transportation function of government, along with all other current Pupil Transportation related expenditures.

Tri-Valley School District No. 49-6
Schedule of Changes in Total OPEB Liability
June 30, 2023

Total OPEB Liability

Service cost	\$ 112,116
Interest on total OPEB liability	25,712
Effect of economic/demographic gains or losses	
Effect of assumption changes or inputs	(164,328)
Benefit payments	<u>(19,490)</u>
Net change in total OPEB liability	(45,990)
Total OPEB liability, beginning	<u>1,087,916</u>
Total OPEB liability, ending	<u><u>\$ 1,041,926</u></u>

Tri-Valley School District No. 49-6
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.2434200%	0.2332570%	0.2238387%	0.2225458%	0.2269737%	0.2214873%	0.2069730%	0.1957816%	0.1955178%
District's proportionate share of net pension liability (asset)	\$ (23,004)	\$ (1,786,349)	\$ (9,721)	\$ (23,584)	\$ (5,294)	\$ (20,100)	\$ 877,832	\$ (830,366)	\$ (1,408,626)
District's covered-employee payroll	\$ 5,812,495	\$ 5,293,333	\$ 4,921,662	\$ 4,686,933	\$ 4,746,779	\$ 4,500,167	\$ 3,946,197	\$ 3,574,800	\$ 3,419,178
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	22.25%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	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.

Tri-Valley School District No. 49-6
Schedule of the School District Contributions
South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 363,321	\$ 348,750	\$ 317,601	\$ 294,755	\$ 281,216	\$ 262,752	\$ 269,968	\$ 236,136	\$ 214,489	\$ 205,151
Contributions in relation to the contractually-required contribution	<u>363,321</u>	<u>348,750</u>	<u>317,601</u>	<u>294,755</u>	<u>281,216</u>	<u>262,752</u>	<u>269,968</u>	<u>236,136</u>	<u>214,489</u>	<u>205,151</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 6,055,340	\$ 5,812,495	\$ 5,293,333	\$ 4,921,662	\$ 4,686,933	\$ 4,746,779	\$ 4,500,167	\$ 3,946,197	\$ 3,574,800	\$ 3,419,178
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	5.99%	6.00%	5.54%	6.00%	5.98%	6.00%	6.00%

Tri-Valley School District No. 49-6

Notes to Required Supplementary Information - Schedule of the Proportionate Share of the Net Pension Liability
(Asset) and Schedule of Pension Contributions
For the Year Ended June 30, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

Tri-Valley School District No. 49-6

Notes to Required Supplementary Information - Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2023 (Continued)

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

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

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

Actuarial Method Changes

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

Supplementary Information

Tri-Valley School District No. 49-6
Schedule of Expenditures of Federal Awards
June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing 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	\$ 56,009
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NA	36,693
National School Lunch Program (Note 3)	10.555	NA	<u>175,471</u>
Total Child Nutrition Cluster			<u>268,173</u>
Total U.S. Department of Agriculture			<u>268,173</u>
U.S. Department of the Interior			
Pass Through Minnehaha County			
Payments in Lieu of Taxes (Note 3)	15.226	NA	<u>1,578</u>
Total U.S. Department of Interior			<u>1,578</u>
National Foundation on the Arts and Humanities -			
Pass-Through Programs From:			
SD Department of Tourism			
Promotion of the Arts - Partnership Agreements	45.025	NA	<u>450</u>
Total U.S. Department of Treasury			<u>450</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	127,284
Career and Technical Education	84.048	NA	3,667
Supporting Effective Instruction State Grant	84.367	NA	47,499
Student Support and Academic Enrichment Program	84.424A	NA	13,035
ESSER Funds (Note 4)	84.425D	NA	179,386
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>563,464</u>
Total ESSER Funds			742,850
Special Education Cluster: (Note 4)			
Special Education Grants to States	84.027	NA	204,240
Special Education - Preschool Grants	84.173	NA	<u>3,724</u>
Total Special Education Cluster			<u>207,964</u>
Total U.S. Department of Education			<u>1,142,299</u>
Grand Total			<u>\$ 1,412,500</u>

Tri-Valley School District No. 49-6
Schedule of Expenditures of Federal Awards
June 30, 2023 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Tri-Valley School District No. 49-6 under programs of the federal government for the year ended June 30, 2023. 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 Tri-Valley School District No. 49-6, it is not intended to and does not present the financial position, changes in net position, or cash flows of Tri-Valley School District No. 49-6.

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. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursements:

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

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.