

**SOUTH DAKOTA
HIGH SCHOOL ACTIVITIES ASSOCIATION**

AUDIT REPORT

June 30, 2022



**State of South Dakota
Department of Legislative Audit**
427 South Chapelle
% 500 East Capitol
Pierre, SD 57501-5070

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
ASSOCIATION OFFICIALS
June 30, 2022

Board of Directors:

Tom Culver – Chairperson
Mark Murphy – Vice Chairperson
Derek Barrios
Eric Denning
Barry Mann
Kelly Messmer
Terry Rotert
Michael Talley
Marty Weismantel

Executive Director:

Dr. Daniel Swartos

Finance Director:

Ryan Mikkelsen

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| 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 <i>Government Auditing Standards</i> | 1 |
| Schedule of Prior Audit Findings..... | 3 |
| Independent Auditor's Report | 4 |
| Management's Discussion & Analysis..... | 7 |
| <i>Basic Financial Statements:</i> | |
| Statement of Net Position..... | 9 |
| Statement of Revenues, Expenses and Changes in Fund Net Position..... | 10 |
| Statement of Cash Flows..... | 12 |
| Notes to the Financial Statements..... | 13 |
| <i>Required Supplementary Information:</i> | |
| Schedule of the Association's Pension Contributions..... | 25 |
| Schedule of the Association's Proportionate Share of the Net Pension Liability (Asset)..... | 26 |
| Notes to the Required Supplementary Information..... | 27 |
| <i>Supplementary Information:</i> | |
| Schedule of Budgeted and Actual Revenues – Cash Basis..... | 28 |
| Schedule of Budgeted and Actual Expenditures – Cash Basis..... | 29 |
| Notes to the Schedules of Budgeted and Actual Revenues and Expenditures | 31 |



427 SOUTH CHAPELLE
C/O 500 EAST CAPITOL
PIERRE, SD 57501-5070
(605) 773-3595

RUSSELL A. OLSON
AUDITOR GENERAL

**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***

Board of Directors
South Dakota High School Activities Association

We have audited, in accordance with the 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 South Dakota High School Activities Association (Association), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated August 16, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Russell A. Olson". The signature is written in a cursive, flowing style.

Russell A. Olson, Auditor General
Pierre, South Dakota

August 16, 2023

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Audit Finding:

Finding No. 2021-001: Financial Statement Reporting Errors

Type of Finding: Material Weakness

Condition:

During our audit we identified the annual "Expense Allowance" payments to schools competing in Fiscal Year 2021 (FY2021) state tournament events occurred later than in prior years, resulting in the FY2021 payments being made in July 2021 (FY2022). The total of all payments was determined to be \$250,761.19. As the payments relate to expenses incurred in FY2021, Generally Accepted Accounting Principles requires the payments be recognized in FY2021. An accrual entry of \$250,761.19 was necessary to properly recognize the payments in FY2021.

Recommendations:

1. We recommend the Association review significant transactions posted after June 30 to identify those which must be accrued to the proper period.
2. We recommend the Association strengthen internal controls over financial reporting.

Views of Responsible Officials:

SDHSAA concurs with the finding.

FY 2022 Status:

Finding resolved.



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PIERRE, SD 57501-5070
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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Dakota High School Activities Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Dakota High School Activities Association (Association), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2022, the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Association 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 opinion.

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 Association'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 opinion. 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 Association'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 Association'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*, *Schedule of the Association's Pension Contributions*, and the *Schedule of the Association'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 an opinion on the financial statements that collectively comprise the Association's basic financial statements. The *Schedule of Budgeted and Actual Revenue – Cash Basis*, *Schedule of Budgeted and Actual Expenditures – Cash Basis*, and *Notes to the Schedules of Budget and Actual Revenues and Expenditures* are presented for purposes of additional analysis and are 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 Budgeted and Actual Revenue – Cash Basis*, *Schedule of Budgeted and Actual Expenditures – Cash Basis*, and *Notes to the Schedules of Budget and Actual Revenues and Expenditures* are 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 August 16, 2023, on our consideration of the Associations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Russell A. Olson, Auditor General
Pierre, South Dakota

August 16, 2023

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the South Dakota High School Activities Association (SDHSAA) annual financial report presents management's discussion and analysis of the SDHSAA's financial performance during the fiscal year ended June 30, 2022. This analysis should be read in conjunction with the Independent Auditor's Report, Financial Statements, and notes to the financial statements.

Financial Analysis

- Throughout the year, SDHSAA saw attendance and ticket sales at state and sub-state events increase, with the numbers falling more in line with those seen prior to the COVID-19 pandemic. State events increased by \$814,011 (or 77.07%) over FY21, due to the lessening of restrictions and general public uneasiness from the COVID-19 pandemic. Sub-state events also increased from FY21 by \$262,998 (or 44.36%) for the same reasons.
- Non-operating revenue saw a dramatic decrease from FY21 to FY22 for two reasons. First, In FY22 SDHSAA had their second Paycheck Protection Program (PPP) Loan forgiven for \$176,047 which was a decrease from FY21 when SDHSAA received both a SD Business Grant and had the first Paycheck Protection Program (PPP) Loan forgiven. Second, SDHSAA had \$202,825 in Unrealized Losses on Investments in FY22, a change from the \$203,038 in Unrealized Gains on Investments from FY21. These changes can be attributed to market fluctuations throughout FY21 and FY22.

Financial Highlights as of June 30, 2022

- Net Pension Asset increased by \$270,678 due to South Dakota Retirement System (SDRS) being funded at 105.52%, an increase from FY21's 100.04%.
- Deferred Outflows of Resources increased by \$115,766 (or 44.97%) and Deferred Inflow of Resources increased by \$315,694 (147.38%) due to GASB 68 annual adjustments.

Economic Conditions and Outlook

- SDHSAA Board of Directors voted in June of 2021 to suspend both the participation fee revenues and state event team expenses for FY22 and the foreseeable future.
- With the COVID-19 pandemic now mostly behind us, SDHSAA anticipates its state and sub-state events to continue to stay the course for the foreseeable future.

Change in Assets and Liabilities

| | FY 2021 | FY 2022 | Increase (Decrease) | % Increase (Decrease) |
|--|---------------------|---------------------|------------------------|-----------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 739,867 | \$ 454,394 | \$ (285,473) | (38.58) |
| Investments | 1,119,690 | 862,494 | (257,196) | (22.97) |
| Accounts Receivable | 286,937 | 563,766 | 276,829 | 96.48 |
| Capital Assets (Net of Depreciation) | 720,305 | 702,874 | (17,431) | (2.42) |
| Deferred Outflows of Resources | 257,416 | 373,182 | 115,766 | 44.97 |
| Net Pension Asset | 1,589 | 272,267 | 270,678 | 17,034.49 |
| Total Assets and Deferred Outflows | <u>3,125,804</u> | <u>3,228,977</u> | <u>103,173</u> | <u>3.30</u> |
| Liabilities | | | | |
| Current Liabilities | 512,288 | 226,633 | (285,655) | (55.76) |
| Non-Current Liabilities | 65,782 | 81,839 | 16,057 | 24.41 |
| Deferred Inflow of Resources (GASB 68) | 214,197 | 529,891 | 315,694 | 147.38 |
| Total Liabilities and Deferred Inflows | <u>792,267</u> | <u>838,363</u> | <u>46,096</u> | <u>5.82</u> |
| Net Investment in Capital Assets | 720,305 | 702,874 | (17,431) | (2.42) |
| Restricted for SDRS Pension Purposes (GASB 68) | 44,807 | 115,559 | 70,752 | 157.90 |
| Unrestricted Net Position | <u>1,568,424</u> | <u>1,572,182</u> | <u>3,758</u> | <u>0.24</u> |
| Total Net Position | <u>\$ 2,333,536</u> | <u>\$ 2,390,615</u> | <u>\$ 57,079</u> | <u>2.45</u> |

Change in Net Position

| | FY 2021 | FY 2022 | Increase (Decrease) | % Increase (Decrease) |
|----------------------------|------------------|------------------|------------------------|-----------------------------|
| Operating Revenues: | | | | |
| State Events | \$ 1,056,139 | \$ 1,870,150 | \$ 814,011 | 77.07 |
| Sub-State Events | 592,897 | 855,895 | 262,998 | 44.36 |
| Corporate Partner | 578,377 | 620,211 | 41,834 | 7.23 |
| Fees | 159,055 | 0 | (159,055) | (100.00) |
| Miscellaneous | 151,018 | 155,318 | 4,300 | 2.85 |
| Non-Operating Revenue | 643,914 | 68,491 | (575,423) | (89.36) |
| Total Revenue | <u>3,181,400</u> | <u>3,570,065</u> | <u>388,665</u> | <u>12.22</u> |
| Expenses: | | | | |
| General and Administrative | 1,706,486 | 1,812,364 | 105,878 | 6.20 |
| Activities | 1,401,704 | 1,683,241 | 281,537 | 20.09 |
| Depreciation Expense | 17,394 | 17,381 | (13) | (0.07) |
| Total Expenses | <u>3,125,584</u> | <u>3,512,986</u> | <u>387,402</u> | <u>12.39</u> |
| Changes in Net Position | <u>\$ 55,816</u> | <u>\$ 57,079</u> | <u>\$ 1,263</u> | <u>2.26</u> |

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF NET POSITION
JUNE 30, 2022

Assets:

Current Assets:

| | |
|---------------------------|---------------------|
| Cash and Cash Equivalents | \$ 454,393.90 |
| Investments | 156,069.34 |
| Accounts Receivable | 563,765.54 |
| Total Current Assets | <u>1,174,228.78</u> |

Non-Current Assets:

| | |
|--|---------------------|
| Investments | 706,425.61 |
| Land | 163,870.75 |
| Land Improvements | 48,027.26 |
| Less: Accumulated Depreciation-Land Improvements | (47,626.84) |
| Building | 787,943.97 |
| Less: Accumulated Depreciation-Building | (275,179.32) |
| Equipment, Furniture and Fixtures | 165,285.87 |
| Less: Accumulated Depreciation-Equipment, Furniture and Fixtures | (139,447.67) |
| Net Pension Asset | 272,267.48 |
| Total Non-Current Assets | <u>1,681,567.11</u> |

| | |
|--------------|---------------------|
| Total Assets | <u>2,855,795.89</u> |
|--------------|---------------------|

Deferred Outflows of Resources:

| | |
|-----------------------------------|------------|
| Pension Related Deferred Outflows | 373,181.97 |
|-----------------------------------|------------|

Liabilities:

Current Liabilities:

| | |
|---------------------------|-------------------|
| Wages Payable | 20,839.66 |
| Vouchers Payable | 150,492.64 |
| Accrued Vacation | 40,266.93 |
| Accrued Sick Pay | 449.60 |
| Severance Pay Benefit | 9,784.32 |
| Post Employment Benefit | 4,800.00 |
| Total Current Liabilities | <u>226,633.15</u> |

Non-Current Liabilities:

| | |
|-------------------------------|------------------|
| Accrued Vacation | 48,551.34 |
| Accrued Sick Leave | 22,030.40 |
| Severance Pay Benefit | 9,784.32 |
| Post Employment Benefit | 1,472.77 |
| Total Non-Current Liabilities | <u>81,838.83</u> |

| | |
|-------------------|-------------------|
| Total Liabilities | <u>308,471.98</u> |
|-------------------|-------------------|

Deferred Inflows of Resources:

| | |
|----------------------------------|------------|
| Pension Related Deferred Inflows | 529,890.78 |
|----------------------------------|------------|

Net Position:

| | |
|--------------------------------------|------------------------|
| Investment in Capital Assets | 702,874.02 |
| Restricted for SDRS Pension Purposes | 115,558.67 |
| Unrestricted | 1,572,182.41 |
| Total Net Position | <u>\$ 2,390,615.10</u> |

The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating Revenue:

Basketball:

| | | |
|---------------------------|-------------------|-----------------|
| State Tournament - Boys | \$ 501,121.52 | |
| State Tournament - Girls | 264,060.00 | |
| Sub-State Events | <u>427,783.00</u> | |
| Total Basketball Receipts | | \$ 1,192,964.52 |

Wrestling:

| | | |
|--------------------------|------------------|------------|
| State Tournament | 282,886.00 | |
| Sub-State Events | <u>26,754.00</u> | |
| Total Wrestling Receipts | | 309,640.00 |

Volleyball:

| | | |
|---------------------------|-------------------|------------|
| State Tournament | 163,351.14 | |
| Sub-State Events | <u>145,889.00</u> | |
| Total Volleyball Receipts | | 309,240.14 |

Football:

| | | |
|-------------------------|-------------------|------------|
| State Tournament | 218,740.00 | |
| Sub-State Events | <u>255,469.00</u> | |
| Total Football Receipts | | 474,209.00 |

| | | |
|------------------------------|--|------------------|
| Cross Country | | 34,890.42 |
| State Track and Field Meet | | 198,557.13 |
| State Gymnastics Meet | | 15,192.00 |
| Cheer and Dance | | 40,628.00 |
| Soccer | | 26,819.00 |
| All State Chorus & Orchestra | | 51,395.00 |
| All State Band | | 9,190.00 |
| All-State Jazz Band | | 4,710.00 |
| Student Council | | 58,610.00 |
| Television Contract | | 135,472.00 |
| Ball Bids | | 50,000.00 |
| Corporate Partner | | 312,500.00 |
| Merchandise Partner | | 122,238.95 |
| Sale of Medals | | 1,075.00 |
| Music Supplies | | 1,947.73 |
| Rule Books/Publications | | 31,435.00 |
| Registration of Officials | | 80,734.80 |
| Officials/Coaches Penalties | | 5,385.00 |
| Speech Ads/Programs/Shirts | | 401.00 |
| Miscellaneous | | <u>34,339.70</u> |

| | | |
|-------------------------|--|---------------------|
| Total Operating Revenue | | <u>3,501,574.39</u> |
|-------------------------|--|---------------------|

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | |
|---------------------------------------|-------------------------------|
| Operating Expenses: | |
| General and Administrative | 1,812,364.36 |
| Activities | 1,683,241.27 |
| Depreciation Expense | 17,380.94 |
| Total Operating Expenses | <u>3,512,986.57</u> |
| Operating Income (Loss) | <u>(11,412.18)</u> |
| Non-operating Revenue (Expense): | |
| Earnings on Deposits and Investments | 73,483.89 |
| Unrealized Gain (Loss) on Investments | (202,824.91) |
| Grant Revenue | 176,047.00 |
| Contributions and Donations | 32,192.38 |
| Investment Expense | (10,407.12) |
| Total Non-operating Revenue (Expense) | <u>68,491.24</u> |
| Change in Net Position | 57,079.06 |
| Net Position, July 1, 2021 | <u>2,333,536.04</u> |
| Net Position, June 30, 2022 | <u><u>\$ 2,390,615.10</u></u> |

The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | | |
|--|-----------------|------------------------|
| Cash Flows from Operating Activities: | | |
| Cash Received from Customers | \$ 2,500,782.01 | |
| Cash Payments to Suppliers for Goods and Services | (1,703,183.68) | |
| Cash Payments to Employees for Services | (1,200,518.18) | |
| Net Cash Provided (Used) by Operating Activities | | <u>(402,919.85)</u> |
| Cash Flows from Investing Activities: | | |
| Sale of Investments | 117,442.50 | |
| Interest Received on Investments | 4.05 | |
| Net Cash Provided by Investing Activities | | <u>117,446.55</u> |
| Net Increase in Cash and Cash Equivalents During the Fiscal Year | | (285,473.30) |
| Cash and Cash Equivalents at Beginning of Year | | <u>739,867.20</u> |
| Cash and Cash Equivalents at End of Year | | <u>\$ 454,393.90</u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | | \$ (11,412.18) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Activities Expense - Value of Donated Automobiles | 32,192.38 | |
| Depreciation Expense | 17,380.94 | |
| Loss on Disposal of Capital Assets | 50.00 | |
| Change in Assets and Liabilities: | | |
| Increase in Net Pension Asset | (270,678.63) | |
| Increase in Pension Related Deferred Outflows | (115,765.96) | |
| Increase in Pension Related Deferred Inflows | 315,693.34 | |
| Increase in Accounts Receivable | (276,828.55) | |
| Decrease in Vouchers Payable | (126,537.47) | |
| Increase in Wages Payable | 1,069.71 | |
| Increase in Accrued Vacation Liability | 375.92 | |
| Increase in Accrued Sick Leave Liability | 17,172.01 | |
| Increase in Severance Pay Benefit | 19,568.64 | |
| Decrease in Post Employment Benefit | (5,200.00) | |
| Total Adjustments | | <u>(391,507.67)</u> |
| Net Cash Provided by Operating Activities | | <u>\$ (402,919.85)</u> |
| Non-cash Investing, Capital and Financing Activities: | | |
| Value of Donated Automobiles | \$ 32,192.38 | |
| Decrease in Fair Value of Investments | \$ (202,824.91) | |

The notes to the financial statements are an integral part of this statement.

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

a. Nature of Activities:

The Associations of the State of South Dakota, acting by and through their duly elected school board members, associated together in the creation and development of a voluntary, nonprofit association, the South Dakota High School Activities Association (Association), to direct and coordinate interscholastic activities carried on by member high schools of South Dakota.

b. Significant Accounting Policies:

Date of Management's Review:

Management has evaluated subsequent events through August 16, 2023, the date the financial statements were available to be issued.

Estimates:

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

c. Basis of Presentation:

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Proprietary Funds:

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

The Association has one enterprise fund.

d. 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 expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

The "economic resources" measurement focus and the accrual basis of accounting are applied to proprietary fund types.

Basis of Accounting:

The financial statements are presented on the accrual basis of accounting; revenues are recorded when earned and expenses are recorded when the obligation is incurred.

e. Capital Assets:

On July 1, 2004, the Association and Delta Dental Plan of South Dakota entered into an agreement of joint venture for the construction of an office building together with related improvements. The Association's undivided interest is 63% and Delta Dental Plan of South Dakota's is 37%. Each entity was liable for their share of the construction costs of the building and related improvements, in proportion to their undivided interest. Buildings and land improvements are valued at historical cost. The value reported by the Association reflects their undivided interest of 63% in the building and land improvements. All non-structural and routine repairs are at the expense of the applicable owner.

Land was valued at estimated fair value at the time the joint venture agreement was executed. This value was arrived at by Delta Dental Plan of South Dakota, who prior to entering into an agreement of joint venture with the Association was the sole owner of the property. The value assigned to the property was arrived at by analyzing similar commercial property values. The property is currently held jointly between the Association and Delta Dental Plan of South Dakota as tenants in common. The value reported by the Association represents their undivided interest of 63% in the property.

Equipment, furniture, and fixtures are valued at historical cost.

Capital assets acquired after July 1, 2007 are capitalized, based on the criteria of a useful life of one year or more, tangible in nature, and a unit cost of \$2,500 or more. Capital assets acquired prior to July 1, 2007 were capitalized at a cost of \$300 or more.

Buildings, equipment and furniture, and land improvements are depreciated over their estimated useful life using the straight-line method of depreciation. The estimated useful life for buildings is 45 years. The estimated useful life for land improvements is 10 years. The estimated useful life for equipment and furniture varies from 3 to 50 years.

f. Budget:

The Association follows these procedures in establishing the budget:

1. At the meeting just prior to the fiscal year end, the Executive Director submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Board of Directors approves the first reading of the budget at this meeting.
3. The Board of Directors approves the second reading of the budget and formally adopts the budget at the July meeting.
4. The Board of Directors must approve any revisions to the budget.
5. The budget is developed and approved using the cash basis of accounting. Therefore, the schedule of budgeted and actual revenues and expenditures in the supplementary information is presented on the cash basis of accounting.

g. Employee Fringe Benefits:

The Association pays the cost of single health insurance coverage for those administrative assistant employees and family health insurance coverage for those executive employees who enroll in the Association's group health plan with Avera Health Plans.

The Association also pays the cost of a maximum single health savings account for administrative assistant employees and maximum family health savings account for executive employees.

Payments made during fiscal year 2022 amounted to \$199,981.34.

The Association pays dental insurance for all employees. Family coverage is optional at the employee's expense. Payments made during fiscal year 2022 amounted to \$4,530.60.

h. Accumulated Unpaid Vacation and Sick Leave:

Sick Leave:

Executive staff, the technology director, the finance director, and administrative assistants earn sick leave at the rate of 12 days per fiscal year and this can be accumulated without limit.

Board action on April 15-16, 2008 changed the reimbursement of unused sick leave. Only employees employed before June 30, 2008 will be eligible for reimbursement of unused sick leave upon termination. The amount is determined by multiplying current base pay times a maximum of 50 days of unused sick leave. Base pay is computed by dividing the current annual salary by 260 days.

Vacation Leave:

Vacation leave is earned by the executive staff, the technology director, and the finance director at a rate of 12 working days after 1 year of service, 15 working days after 2 years, and 20 working days after 7 years. The full-time administrative assistants are eligible for 12 working days of paid vacation after 1 year of service, 15 working days after 2 years, and 18 working days after 7 years. Administrative assistants having 7 years of continuous service are granted 18 working days. Vacation leave is accrued monthly, with a maximum amount of accrual equal to twice the annual rate.

Executive staff, the technology director, and the finance director are eligible for reimbursement of unused vacation leave up to a maximum of 40 days. The administrative assistants are eligible up to a maximum of 36 days. The amount is determined by multiplying current base pay times the number of unused vacation days up to the limits set forth in the policy. Base pay is computed by dividing the current annual salary by 260 days.

The financial statements give effect to these liabilities.

i. Investments:

Investments of the Association are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Unrealized gains and losses due to fluctuations in market value are included in investment income.

j. Cash Flows:

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

k. Revenue and Expense Classifications:

In the Statement of Revenues, Expenses and Changes in Fund Net Position, 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.

l. Net Position:

Net Position is classified in the following three components:

1. Investment in capital assets – Consists of capital assets, net of accumulated depreciation.
2. Restricted – 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; or (c) contractual constraints.
3. Unrestricted – Consists of net position that does not meet the definition of restricted or net investment in capital assets.

m. Application of Net Position:

It is the Association's policy to first use restricted resources, prior to the use of unrestricted resources, when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

n. Long-Term Liabilities:

The accounting for proprietary fund long-term debt is on the accrual basis. The long-term liabilities consist of compensated absences, accrued payroll taxes for the compensated absences, a severance pay benefit, and a post-employment benefit.

o. Available Credit:

The Association holds six corporate credit cards through their corporate partner, Dacotah Bank. The combined credit limit for all six cards is \$75,000.00. At fiscal year end, the Association had outstanding credit card debt of \$39,048.67 which was paid in full in August 2022.

2. **DEPOSITS AND INVESTMENTS AND CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK:**

State law does not limit the Association's deposit and investment choices.

Custodial Credit Risk – The Association does not have a formal custodial credit risk deposit policy. The Association maintains deposits with two banks: Dacotah Bank and BankWest. Each deposit is insured by the FDIC up to \$250,000. The amount held in deposit over this limit, and therefore uninsured and subject to custodial credit risk, was \$175,116.31.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Association's mutual fund investments are susceptible to credit risk because mutual funds are not rated nor does the U.S. Government guarantee them. The Association does not have a formal credit risk investment policy.

Concentration of Credit Risk – The Association places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The Association does 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.

As of June 30, 2022, the Association had investments maturing as follows:

| Investment Type | Fair Value | 2022 Investment Maturities (in Years) | | | |
|-----------------------|-------------------|---------------------------------------|-------------------|------------------|-----------------|
| | | Less Than 1 | 1 to 5 | 6 to 10 | Greater than 10 |
| Mutual Funds | \$ 136,966 | \$ 44,717 | \$ 73,585 | \$ 18,664 | \$ - |
| Exchange-Traded Funds | 182,881 | 111,352 | 71,529 | - | - |
| | <u>\$ 319,847</u> | <u>\$ 156,069</u> | <u>\$ 145,114</u> | <u>\$ 18,664</u> | <u>\$ -</u> |

3. FAIR VALUE MEASUREMENTS:

Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three-level fair value hierarchy is defined as follows:

Level One: observable inputs such as quoted market prices for identical assets or liabilities in active markets. The types of assets and liabilities included in Level One are highly liquid and actively traded instruments with quoted market prices.

Level Two: inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The types of assets and liabilities included in Level Two are typically either comparable to actively traded securities or priced with models using observable inputs.

Level Three: inputs are based on prices or valuation techniques that are unobservable. These types of assets and liabilities require significant management judgment or estimation.

The following table presents the assets measured at fair value on a recurring basis as of June 30, 2022, on the accompanying statement of net position by the three-level fair value hierarchy. No liabilities are measured at fair value. The Association has no assets or liabilities measured on a non-recurring basis.

| | Total | Level 1 | Level 2 | Level 3 |
|---------------------------------------|------------|------------|---------|---------|
| Equities | \$ 244,384 | \$ 244,384 | \$ - | \$ - |
| Exchange-Traded Funds | 437,623 | 437,623 | - | - |
| Total Investments by fair value level | 682,007 | \$ 682,007 | \$ - | \$ - |

Investment measure at Net Asset Value (NAV)

| | |
|--|------------|
| Mutual Funds | 180,488 |
| Total investments measure at NAV | 180,488 |
| Total investments measured at Fair Value | \$ 862,495 |

At each measurement date, the Association estimates the fair value of the financial instruments using various valuation techniques. The Association utilizes, to the extent available, quoted market prices in active markets or observable market inputs in estimating the fair value of investments. When quoted market prices or observable market inputs are not available, the Association utilizes valuation techniques that rely on unobservable inputs to estimate the fair value of investments. The following describes the valuation techniques used to determine the fair value of investments held as of June 30, 2022. Exchange-traded funds classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Mutual funds are valued at the net asset value per share based on valuations of the underlying companies or securities as determined and reported by the fund manager.

4. RECEIVABLES:

Receivables are not aggregated in the financial statements.

The Association expects all accounts receivable to be collected within one year. Appropriate allowances for estimated uncollectibles have not been established due to the fact that prior receivables have been collected.

5. CHANGES IN CAPITAL ASSETS:

| | Balance 7/01/21 | Increases | Decreases | Balance 6/30/22 |
|--|--------------------|----------------|-----------|--------------------|
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 163,870.75 | \$ - | \$ - | \$ 163,870.75 |
| Capital Assets, being depreciated: | | | | |
| Land Improvements | 48,027.26 | | | 48,027.26 |
| Building | 787,943.97 | - | | 787,943.97 |
| Equipment, Furniture and Fixtures | 165,799.87 | - | 514.00 | 165,285.87 |
| Totals | 1,001,771.10 | - | 514.00 | 1,001,257.10 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | 47,626.84 | - | - | 47,626.84 |
| Building | 259,891.68 | 15,287.64 | - | 275,179.32 |
| Equipment, Furniture and Fixtures | 137,818.37 | 2,093.30 | 464.00 | 139,447.67 |
| Total Accumulated Depreciation | 445,336.89 | 17,380.94 | 464.00 | 462,253.83 |
| Total Capital Assets, being Depreciated, Net | 556,434.21 | (17,380.94) | 50.00 | 539,003.27 |
| Capital Assets, Net | \$ 720,304.96 | \$ (17,380.94) | \$ 50.00 | \$ 702,874.02 |

6. LIABILITIES:

Long-term obligations at June 30, 2022 and changes to long-term liabilities during the fiscal year ended are as follows:

| | Balance 7/01/21 | Increases | Decreases | Balance 6/30/22 | Due Within One Year |
|---|--------------------|--------------|--------------|--------------------|------------------------|
| Accrued Vacation | \$ 88,442.35 | \$ 57,244.58 | \$ 56,868.66 | \$ 88,818.27 | \$ 40,266.93 |
| Accrued Sick Pay | 5,307.99 | 30,133.12 | 12,961.11 | 22,480.00 | 449.60 |
| Severance Pay (see note 9) | - | 29,352.96 | 9,784.32 | 19,568.64 | 9,784.32 |
| Post Employment Benefit (see note 8) | 11,472.77 | - | 4,800.00 | 6,272.77 | 4,800.00 |

7. INCOME TAXES:

The Association is exempt from federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Contributions to the organization are deductible for income tax purposes.

Accounting standards prescribe a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. At June 30, 2022, the Association believes that there are no uncertain tax positions or liabilities, or interest and penalties associated with uncertain tax positions. If the Association had interest and penalties related to uncertain tax positions, it would be accounted for as a component of income tax expense. In accordance with the applicable statute of limitations, the Association's tax returns could be audited by the Internal Revenue Service for the years ended June 30, 2016 to 2022.

8. POST EMPLOYMENT BENEFIT:

The Association adopted a policy to provide past Executive Director Marlyn Goldhammer \$400.00 a month, for the rest of his life, to purchase supplemental medical insurance. This benefit went into effect July 1, 2001. Marlyn Goldhammer is the only retiree eligible to receive this benefit.

During fiscal year 2022, a budgeted expense of \$4,800.00 was incurred for this benefit. Future payments have been estimated to total approximately \$6,272.77. No monies have been set-aside for future payments.

9. SEVERANCE PAY BENEFIT:

The Association has a policy where a retirement/severance benefit is available to any qualifying employee. The employee must be at least 55 years of age and has not yet reached their 69th birthday. An employee who has been employed by the Association for at least fifteen (15) years will be eligible for 60% of their final salary payable over a three (3) year period. The first payment shall be made prior to June 30 of the retirement year with payments two and three being made the following January 1 and prior to February 28 the following two years. An employee who has been employed by the Association for at least twenty (20) years will be eligible for 80% of their final salary payable over a three (3) year period. Payment will be made during the month of June each fiscal year. An employee who has been employed by the Association for at least twenty-five (25) years will be eligible for 100% of their final salary payable over a three (3) year period. Payment will be made during the month of June each fiscal year. A maximum of one new recipient may become eligible per budget year. Notice of retirement must be submitted in writing a minimum of 180 days prior to the actual retirement date. During fiscal year 2022, an expense of \$29,352.96 was incurred

for this benefit. Future payments over the next two years will total \$19,568.64. No monies have been set aside for future payments.

In the event the employee entitled to the separation pay policy benefit hereunder shall die while all or part of such benefit remains unpaid, such unpaid benefit or part thereof shall be paid to the beneficiary designated in writing by the employee prescribed by the comptroller. In the event no beneficiary has been designated, such unpaid benefit shall be paid to the estate of the deceased.

10. **RISK MANAGEMENT:**

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended June 30, 2022, the Association managed its risks as follows:

Employee Health & Dental Insurance:

See note 1 g.

Liability Insurance:

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

Board of Directors coverage includes:

- a) Bodily injury liability, including participant and spectator bodily injury at events under the Association's jurisdiction, sponsorship or control;
- b) Property damage liability at events under the Association's jurisdiction, sponsorship, and control;
- c) Auto liability insurance of secondary coverage in the amount of \$1,000,000 when driving personal car for Association business; and
- d) Accidental Death/Trip Insurance \$250,000.

Staff member coverage includes any suit brought by a third party for:

- a) Bodily injury liability, including participant and spectator bodily injury at events under the Association's jurisdiction, sponsorship of Directors;
- b) Property damage liability at events under the Association's jurisdiction, sponsorship and control;
- c) Advertising injury liability; and
- d) Libel or slander.

Coverage for errors and omissions of staff members is \$1,000,000.

Automobile:

Automobile liability insurance, which covers all staff members, is secondary coverage in the amount of \$1,000,000 when driving a personal car for Association business. The insurance coverage is through a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Property and Building:

Coverage is through a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Association purchases 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.

Unemployment Benefits:

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

During the fiscal year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

11. SIGNIFICANT CONTINGENCIES—LITIGATION:

At June 30, 2022, the Association was not involved in any litigation.

12. PENSION NOTE:

Plan Information:

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

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

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

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 earnings based on investment returns.

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

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

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

Contributions:

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

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022 | \$ 49,084.41 |
| 2021 | 48,040.75 |
| 2020 | 48,174.64 |

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

At June 30, 2021, SDRS was 105.52% funded and accordingly had a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the Association as of the measurement period ending June 30, 2021 and reported by the Association as of June 30, 2022 are as follows:

| | |
|---|---------------------|
| Proportionate share of pension liability | \$ 4,929,771.93 |
| Less proportionate share of net pension restricted for pension benefits | <u>5,202,039.40</u> |
| Proportionate share of net pension liability (asset) | \$ (272,267.47) |

At June 30, 2022, the Association reported an asset of \$272,267.47 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension asset used to calculate the net pension asset was based on a projection of the Association's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021 the Association's proportion was 0.0355520% which is a decrease of 0.0010321% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Association recognized a reduction of pension expense of \$70,751.25. At June 30, 2022 the Association reported deferred outflows of resources and deferred inflows or resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual Experience | \$ 9,775.11 | \$ 713.83 |
| Changes in assumption | 313,104.82 | 136,347.60 |
| Net difference between projected and actual earnings on pension plan investments | | 388,939.54 |
| Changes in proportion and difference between Association contributions and proportionate share of contributions | 1,217.63 | 3,889.81 |
| Association contributions subsequent to the measurement date | 49,084.41 | |
| TOTAL | <u>\$ 373,181.97</u> | <u>\$ 529,890.78</u> |

The \$49,084.41 reported as deferred outflow of resources related to pensions resulting from Association contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:

| | |
|-------|------------------------|
| 2023 | \$ (51,780.51) |
| 2024 | (35,113.21) |
| 2025 | (9,480.97) |
| 2026 | (109,418.53) |
| TOTAL | <u>\$ (205,793.22)</u> |

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 percent |
| Salary Increases | Graded by years of service, 6.50% at entry to 3.00% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%. |
| Future COLAs | 2.25% |

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of portions of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (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% | 4.3% |
| Fixed Income | 30.0% | 1.6% |
| Real Estate | 10.0% | 4.6% |
| Cash | 2.0% | 0.9% |
| Total | <u>100%</u> | |

Discount Rate:

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

Sensitivity of liability (asset) to change in the discount rate:

The following presents the Association's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the Association's proportionate share of the net pension liability (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> |
|---|---------------------|------------------------------|---------------------|
| Associations proportionate share of the net pension liability (asset) | \$ 440,868.78 | \$ (272,267.47) | \$ (851,168.11) |

Pension Plan Fiduciary Net Position:

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ASSOCIATION'S PENSION CONTRIBUTIONS
South Dakota Retirement System
Last 10 Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 49,084 | \$ 48,041 | \$ 48,175 | \$ 47,220 | \$ 42,779 | \$ 42,076 | \$ 43,167 | \$ 39,813 |
| Contributions in relation to the contractually required contribution | 49,084 | 48,041 | 48,175 | 47,220 | 42,779 | 42,076 | 43,167 | 39,813 |
| Contribution deficiency (excess) | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Association's covered payroll | \$ 817,063 | \$ 799,552 | \$ 801,678 | \$ 785,742 | \$ 712,980 | \$ 701,265 | \$ 719,450 | \$ 663,550 |
| Contributions as a percentage of covered payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

* Until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
South Dakota Retirement System
Last 10 Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|------------|------------|------------|------------|------------|--------------|--------------|
| Association's proportion of the net pension liability/asset | 0.0355520% | 0.0365841% | 0.0370140% | 0.0346601% | 0.0361807% | 0.0378359% | 0.0363446% | 0.0392004% |
| Association's proportionate share of net pension liability (asset) | \$ (272,267) | \$ (1,589) | \$ (3,922) | \$ (808) | \$ (3,283) | \$ 127,806 | \$ (154,148) | \$ (282,423) |
| Association's covered payroll | \$ 799,552 | \$ 801,678 | \$ 785,742 | \$ 712,980 | \$ 701,265 | \$ 719,450 | \$ 663,550 | \$ 685,507 |
| Association's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 34.05% | 0.20% | 0.50% | 0.11% | 0.47% | 17.76% | 23.23% | 41.20% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 105.52% | 100.04% | 100.09% | 100.02% | 100.10% | 96.89% | 104.1% | 107.3% |

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2022
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

CHANGES FROM PRIOR VALUATION

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

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

a. Benefit Provision Changes:

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

b. Actuarial Assumption Changes:

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

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

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

c. Actuarial Method Changes:

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

SUPPLEMENTARY INFORMATION
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL REVENUES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | Budgeted Revenue | Actual Revenue | Variance Favorable/ (Unfavorable) |
|--------------------------------|---------------------|-------------------|---|
| Activities | | | |
| Boys' "B" Basketball | \$ 100,000.00 | \$ - | \$ (100,000.00) |
| Boys' "A" Basketball | 150,000.00 | 126,243.52 | (23,756.48) |
| Boys' "AA" Basketball | 150,000.00 | 80,014.97 | (69,985.03) |
| Girls' "B" Basketball | 65,000.00 | 94,160.00 | 29,160.00 |
| Girls' "A" Basketball | 70,000.00 | 85,050.00 | 15,050.00 |
| Girls' "AA" Basketball | 55,000.00 | 75,278.00 | 20,278.00 |
| Football | 200,000.00 | 218,740.00 | 18,740.00 |
| Gymnastics | 15,000.00 | 15,192.00 | 192.00 |
| Track & Field | 150,000.00 | 22,238.00 | (127,762.00) |
| Chorus & Orchestra | 65,000.00 | 51,395.00 | (13,605.00) |
| All-State Band | 8,500.00 | 15,850.00 | 7,350.00 |
| Cheer & Dance | 29,000.00 | 40,628.00 | 11,628.00 |
| Cross Country | 28,000.00 | 34,890.42 | 6,890.42 |
| Soccer | 20,000.00 | 26,819.00 | 6,819.00 |
| All-State Jazz Band | 5,000.00 | 2,335.00 | (2,665.00) |
| Combined A & B Wrestling | 260,000.00 | 172,880.80 | (87,119.20) |
| Combined AA, A, & B Volleyball | 145,000.00 | 144,533.14 | (466.86) |
| Student Council | 90,000.00 | 57,110.00 | (32,890.00) |
| Total Activities | 1,605,500.00 | 1,263,357.85 | (342,142.15) |
| TV Contract - FB/BB/VB/WR | 128,500.00 | 135,472.00 | 6,972.00 |
| Ball Bids | 50,000.00 | 87,500.00 | 37,500.00 |
| Corporate Partner | 332,500.00 | 337,542.99 | 5,042.99 |
| Merchandise Partner | 85,000.00 | 115,997.93 | 30,997.93 |
| Total | 596,000.00 | 676,512.92 | 80,512.92 |
| Sub-State Events | | | |
| Girls' Basketball | 75,000.00 | 75,338.50 | 338.50 |
| Boys' Basketball | 135,000.00 | 116,146.65 | (18,853.35) |
| Football Playoffs | 70,000.00 | 80,115.40 | 10,115.40 |
| Wrestling | 9,500.00 | 10,701.60 | 1,201.60 |
| Volleyball | 70,000.00 | 70,394.50 | 394.50 |
| Total Sub-State Events | 359,500.00 | 352,696.65 | (6,803.35) |
| Fees | | | |
| Participation Fees | - | 60,240.00 | 60,240.00 |
| NFHS News/Student Press Pass | - | 13,260.00 | 13,260.00 |
| Total Fees | - | 73,500.00 | 73,500.00 |
| General | | | |
| Music Supplies | 150.00 | 1,775.98 | 1,625.98 |
| Membership Dues | - | 3,687.40 | 3,687.40 |
| Rule Books/Publications | 25,000.00 | 31,584.00 | 6,584.00 |
| Registration of Officials | 66,000.00 | 55,225.87 | (10,774.13) |
| Penalties and Fines | 8,000.00 | 5,185.00 | (2,815.00) |
| Sale of Medals | 2,300.00 | 1,643.75 | (656.25) |
| Miscellaneous | 19,836.78 | 35,026.58 | 15,189.80 |
| Speech Programs/Shirts | - | 401.00 | 401.00 |
| Fine Arts Judge Reimbursement | - | 185.01 | 185.01 |
| Total General | 121,286.78 | 134,714.59 | 13,427.81 |
| GRAND TOTAL | \$ 2,682,286.78 | \$ 2,500,782.01 | \$ (181,504.77) |

SUPPLEMENTARY INFORMATION
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | Budgeted Expenditures | Actual Expenditures | Variance Favorable/ (Unfavorable) |
|----------------------------------|--------------------------|------------------------|---|
| Regular Salaries | \$ 756,899.94 | \$ 799,846.40 | \$ (42,946.46) |
| Temporary Salaries | 500.00 | - | 500.00 |
| Total Salaries | <u>757,399.94</u> | <u>799,846.40</u> | <u>(42,446.46)</u> |
| Social Security | 57,902.85 | 58,061.50 | (158.65) |
| Retirement | 45,414.00 | 49,084.41 | (3,670.41) |
| Health Insurance | 186,233.00 | 199,981.34 | (13,748.34) |
| Dental Insurance | 4,450.00 | 4,530.60 | (80.60) |
| Worker's Compensation | 2,695.00 | 2,907.00 | (212.00) |
| Life Insurance | 378.00 | 371.36 | 6.64 |
| Supplemental Medical | 4,800.00 | - | 4,800.00 |
| Severance - 3 year plan | 0.00 | 9,784.32 | (9,784.32) |
| Total Employee Benefits | <u>301,872.85</u> | <u>324,720.53</u> | <u>(22,847.68)</u> |
| Legal Costs and Fees/Lobbyist | 18,000.00 | 1,073.33 | 16,926.67 |
| Audit | 25,000.00 | 20,959.50 | 4,040.50 |
| Clinicians-Coaches Clinic | 5,000.00 | - | 5,000.00 |
| Test Supervisor | 200.00 | - | 200.00 |
| Appeals Committee | 200.00 | 300.00 | (100.00) |
| Section V Meeting | 3,000.00 | 4,388.75 | (1,388.75) |
| 11 States Meeting | 1,500.00 | - | 1,500.00 |
| Utilities | 7,200.00 | 7,658.77 | (458.77) |
| Maintenance and Repairs | 8,000.00 | 5,358.33 | 2,641.67 |
| Technology | 27,500.00 | 46,111.02 | (18,611.02) |
| Staff In-Service | 500.00 | - | 500.00 |
| Snow Removal/Lawn | 1,600.00 | 1,679.19 | (79.19) |
| NFHS-Debate Topic Meeting | 1,500.00 | - | 1,500.00 |
| NFHS-Music/Speech Meeting | 1,200.00 | 392.98 | 807.02 |
| NF Summer Meeting | 27,000.00 | 18,217.36 | 8,782.64 |
| NF Winter Meeting | 2,500.00 | 1,102.38 | 1,397.62 |
| NF Legal Meeting | 2,000.00 | 1,140.25 | 859.75 |
| Staff Travel | 32,000.00 | 52,093.20 | (20,093.20) |
| Board of Control Travel | 21,000.00 | 25,406.99 | (4,406.99) |
| Advisory/Ad Hoc Com/Officials | 5,000.00 | 3,168.56 | 1,831.44 |
| Dues-Regional Wrestling Assoc. | 1,100.00 | 840.00 | 260.00 |
| Dues-Regional Basketball Assoc. | 5,000.00 | 4,992.28 | 7.72 |
| Dues-Regional Volleyball Assoc. | 2,300.00 | 2,340.00 | (40.00) |
| Telephone | 10,400.00 | 9,081.51 | 1,318.49 |
| Postage and Permit | 20,000.00 | 21,362.94 | (1,362.94) |
| United Parcel Service | 4,000.00 | 4,059.22 | (59.22) |
| State Officials Council | 13,000.00 | 13,373.00 | (373.00) |
| Internet/Cable | 2,500.00 | 2,395.02 | 104.98 |
| Midwest Officials Summit | 1,500.00 | 114.34 | 1,385.66 |
| Dues-Football Assoc. | 4,200.00 | 4,090.00 | 110.00 |
| Dues-Gymnastics Assoc. | 380.00 | 350.00 | 30.00 |
| State Event Directors Reception | 1,000.00 | - | 1,000.00 |
| NASO Travel | 2,000.00 | - | 2,000.00 |
| Media | 250.00 | - | 250.00 |
| Officials Gifts | 1,500.00 | 998.13 | 501.87 |
| State Event Directors/Corp Gifts | 3,500.00 | 905.52 | 2,594.48 |
| SDIAAA | 2,000.00 | 185.40 | 1,814.60 |
| Commercial Printing | 15,000.00 | 12,192.50 | 2,807.50 |
| NFOA Membership | 20,000.00 | 20,281.00 | (281.00) |
| Catastrophic/Liability Insurance | 144,595.00 | 155,284.80 | (10,689.80) |
| State Officials Coordinator | 13,000.00 | 9,600.00 | 3,400.00 |
| Professional Accounting Services | 3,000.00 | 1,548.68 | 1,451.32 |
| Janitorial Services | 9,360.00 | 10,140.00 | (780.00) |
| Miscellaneous | 15,000.00 | 43,353.66 | (28,353.66) |
| Total Purchased Services | <u>484,485.00</u> | <u>506,538.61</u> | <u>(22,053.61)</u> |

SUPPLEMENTARY INFORMATION
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| | Budgeted Expenditures | Actual Expenditures | Variance Favorable/ (Unfavorable) |
|--|--------------------------|------------------------|---|
| Office Supplies | 6,200.00 | 5,992.17 | 207.83 |
| Custodial Supplies | 750.00 | 374.34 | 375.66 |
| Subscriptions | 2,400.00 | 2,483.35 | (83.35) |
| Rule Books and Exams | 42,000.00 | 51,492.78 | (9,492.78) |
| Distinguished Service Awards | 600.00 | 668.00 | (68.00) |
| Inventory of Medals | 1,200.00 | 911.00 | 289.00 |
| Total Supplies and Materials | <u>53,150.00</u> | <u>61,921.64</u> | <u>(8,771.64)</u> |
| NF Dues/Foundation | 2,500.00 | 2,500.00 | - |
| Travel Accident Insurance | 1,000.00 | 1,000.00 | - |
| D&O Liability Insurance | 11,377.00 | 11,377.00 | - |
| Excess Liability Insurance | 3,813.00 | 3,813.00 | - |
| General Liability Insurance | 15,715.00 | 15,715.00 | - |
| Surety Bond | 700.00 | 736.00 | (36.00) |
| Car Liability Insurance | 5,756.00 | 6,073.00 | (317.00) |
| Insurance Office and Contents | 5,531.00 | 6,884.00 | (1,353.00) |
| General Liability Insurance - Member Schools | 19,342.00 | 19,342.00 | - |
| Total Other Objects | <u>65,734.00</u> | <u>67,440.00</u> | <u>(1,706.00)</u> |
| Officials Observation | <u>6,000.00</u> | <u>8,390.00</u> | <u>(2,390.00)</u> |
| Boys' "AA" Basketball | 95,600.00 | 44,844.10 | 50,755.90 |
| Girls' "AA" Basketball | 51,600.00 | 57,085.85 | (5,485.85) |
| Boys' "A" Basketball | 89,600.00 | 71,892.56 | 17,707.44 |
| Girls' "A" Basketball | 36,900.00 | 63,182.34 | (26,282.34) |
| Combined "A" and "B" Wrestling | 134,500.00 | 88,110.86 | 46,389.14 |
| Boys' "B" Basketball | 27,400.00 | 58,548.13 | (31,148.13) |
| Girls' "B" Basketball | 22,100.00 | 45,806.12 | (23,706.12) |
| Gymnastics | 23,050.00 | 23,481.44 | (431.44) |
| Track and Field | 41,600.00 | 90,861.03 | (49,261.03) |
| Golf | 21,750.00 | 24,379.88 | (2,629.88) |
| Tennis | 21,000.00 | 22,533.40 | (1,533.40) |
| Cross Country | 26,200.00 | 26,079.78 | 120.22 |
| Football Play-Offs | 73,500.00 | 88,939.06 | (15,439.06) |
| Combined "AA", "A", and "B" Volleyball | 92,700.00 | 145,471.39 | (52,771.39) |
| Cheer and Dance | 13,650.00 | 26,679.30 | (13,029.30) |
| Soccer | 8,050.00 | 12,766.44 | (4,716.44) |
| Student Council | 69,250.00 | 63,187.02 | 6,062.98 |
| Oral Interp | 15,075.00 | 16,423.43 | (1,348.43) |
| One Act Play | 15,875.00 | 17,913.44 | (2,038.44) |
| Debate | 17,405.00 | 15,297.24 | 2,107.76 |
| All-State Jazz Band | 12,800.00 | 18,347.08 | (5,547.08) |
| All-State Chorus and Orchestra | 55,840.00 | 48,389.14 | 7,450.86 |
| All-State Band | 30,000.00 | 32,114.88 | (2,114.88) |
| Journalism | 5,500.00 | 3,708.75 | 1,791.25 |
| Visual Arts | 12,700.00 | 18,643.78 | (5,943.78) |
| Total Events | <u>1,013,645.00</u> | <u>1,124,686.44</u> | <u>(111,041.44)</u> |
| GRAND TOTAL | <u>\$ 2,682,286.79</u> | <u>\$ 2,893,543.62</u> | <u>\$ (211,256.83)</u> |

SUPPLEMENTARY INFORMATION
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION
NOTES TO THE SCHEDULES OF BUDGET AND ACTUAL REVENUES AND EXPENDITURES
June 30, 2022

Note 1: Purpose of the Schedule

Article IV of the South Dakota High School Activities Association's (Association) Constitution requires the Board of Directors to adopt a budget for each fiscal year.

Note 2: Significant Accounting Policies

- A. Reporting Entity – The accompanying schedules include primary activities, events, fees, and general areas administered by the Association for the fiscal year ended June 30, 2022.
- B. Basis of Accounting – The information presented in the Schedules of Budgeted and Actual Revenues and Expenditures are presented on the cash basis of accounting. The Association's basic financial statements are reported on the accrual basis of accounting and, therefore, the schedule's data may not be directly traceable to the basic financial statements.
- C. Sub-State Events – Associations throughout the State host sub-state events. The School Districts collect the revenue and subtract from that revenue the expenditures applicable to hosting the sub-state events. The School Districts then remit payment to the Association for the Association's share of the sub-state proceeds. The payment received by the Association is reflected in the Schedule of Budgeted and Actual Revenues. Generally accepted accounting principles require the total revenue earned and the total expenditures incurred be reported on the accrual basis of accounting in the basic financial statements, therefore, the schedule's data may not be directly traceable to the basic financial statements.