

**SOUTH DAKOTA  
HIGH SCHOOL ACTIVITIES ASSOCIATION**

**AUDIT REPORT**

**June 30, 2023**



**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, 2023

Board of Directors:

Mark Murphy – Chairperson  
Kelly Messmer – Vice Chairperson  
Tom Culver  
Dr. Jeff Danielsen  
Eric Denning  
Barry Mann  
Michael Talley  
Dani Walking Eagle  
Marty Weismantel

Executive Director:

Dr. Daniel Swartos

Finance Director:

Ryan Mikkelsen

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
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(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, 2023, 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 22, 2024.

**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 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.



Russell A. Olson, Auditor General  
Pierre, South Dakota

August 22, 2024



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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, 2023, 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, 2023, 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 Revenues – Cash Basis*, *Schedule of Budgeted and Actual Expenditures – Cash Basis*, and *Notes to the Schedules of Budgeted 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 Revenues – Cash Basis*, *Schedule of Budgeted and Actual Expenditures – Cash Basis*, and *Notes to the Schedules of Budgeted 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 22, 2024, 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 22, 2024



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, 2023. This analysis should be read in conjunction with the Independent Auditor's Report, Financial Statements, and notes to the financial statements.

**Financial Analysis**

- With no changes to ticket prices and another full year with no event cancellations, SDHSAA saw its revenues from state and sub-state events stay markedly the same from FY22 and FY23, with only a \$6,080 increase (or 0.71%) to sub-state events and a \$24,385 increase (or 1.30%) increase to state events. This includes the introduction of softball in FY23, which brought in \$45,047, \$43,055 from state and \$2,352 from sub-state.
- Expenses followed a similar pattern, with both increases to general and administrative (7.72%) and activities (3.58%) falling under 10%, even with the inclusion of the new state softball expenses.

**Financial Highlights as of June 30, 2023**

- Net Pension Asset decreased from \$272,267 to \$3,238 (or 98.81%), which is more in line with where the Net Pension Asset was in FY20 and FY21.
- Deferred Outflows of Resources decreased by \$51,045 (or 13.68%) and Deferred Inflow of Resources decreased by \$340,382 (or 64.24%) 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.
- Starting in FY24, SDHSAA has partnered with Teall Properties Group (TPG) to handle all sponsorship revenue from current corporate partners and work towards adding new partnerships and revenues. SDHSAA expects revenues from corporate partners to increase year over year going forward.

**Change in Assets and Liabilities**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 454,394	\$ 230,043	\$ (224,351)	(49.37)
Investments	862,494	1,084,007	221,513	25.68
Accounts Receivable	563,766	439,822	(123,944)	(21.99)
Capital Assets (Net of Depreciation)	702,874	697,841	(5,111)	(0.73)
Deferred Outflows of Resources	373,182	322,137	(51,045)	(13.68)
Net Pension Asset	<u>272,267</u>	<u>3,238</u>	<u>(269,029)</u>	<u>(98.81)</u>
Total Assets and Deferred Outflows	<u>3,228,977</u>	<u>2,777,088</u>	<u>(451,889)</u>	<u>(13.99)</u>
<b>Liabilities</b>				
Current Liabilities	226,633	142,917	(83,716)	(36.94)
Non-Current Liabilities	81,839	88,402	6,563	8.02
Deferred Inflow of Resources (GASB 68)	<u>529,891</u>	<u>189,509</u>	<u>(340,382)</u>	<u>(64.24)</u>
Total Liabilities and Deferred Inflows	<u>838,363</u>	<u>420,828</u>	<u>(417,535)</u>	<u>(49.80)</u>
Net Investment in Capital Assets	702,874	697,841	(5,033)	(0.72)
Restricted for SDRS Pension Purposes (GASB 68)	115,559	135,865	20,306	17.57
Unrestricted Net Position	<u>1,572,182</u>	<u>1,522,553</u>	<u>(49,629)</u>	<u>(3.16)</u>
Total Net Position	<u>\$ 2,390,615</u>	<u>\$ 2,356,259</u>	<u>\$ (34,356)</u>	<u>(1.44)</u>

**Change in Net Position**

	<u>FY 2022</u>	<u>FY 2023</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
<b>Operating Revenues:</b>				
State Events	\$ 1,870,150	\$ 1,894,535	\$ 24,385	1.30
Sub-State Events	855,895	861,975	6,080	0.71
Corporate Partner	620,211	616,413	(3,798)	(0.61)
Miscellaneous	155,318	187,518	32,200	20.73
Non-Operating Revenue	68,491	105,952	37,461	54.69
Total Revenue	<u>3,570,065</u>	<u>3,666,393</u>	<u>96,328</u>	<u>2.70</u>
<b>Expenses:</b>				
General and Administrative Activities	1,812,364	1,939,563	127,199	7.02
Depreciation Expense	1,683,241	1,743,438	60,197	3.58
Total Expenses	<u>17,381</u>	<u>17,748</u>	<u>367</u>	<u>2.11</u>
	<u>3,512,986</u>	<u>3,700,749</u>	<u>187,763</u>	<u>5.34</u>
Changes in Net Position	<u>\$ 57,079</u>	<u>\$ (34,356)</u>	<u>\$ (91,435)</u>	<u>(160.19)</u>

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
STATEMENT OF NET POSITION  
JUNE 30, 2023

Assets:	
Current Assets:	
Cash and Cash Equivalents	\$ 230,042.68
Investments	297,650.70
Accounts Receivable	439,822.14
Total Current Assets	967,515.52
Non-Current Assets:	
Investments	786,355.92
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	(290,466.96)
Equipment, Furniture and Fixtures	178,000.87
Less: Accumulated Depreciation-Equipment, Furniture and Fixtures	(141,907.61)
Net Pension Asset	3,237.79
Total Non-Current Assets	1,487,435.15
Total Assets	2,454,950.67
Deferred Outflows of Resources:	
Pension Related Deferred Outflows	322,136.55
Liabilities:	
Current Liabilities:	
Wages Payable	22,298.76
Vouchers Payable	58,492.44
Accrued Vacation	46,198.95
Accrued Sick Leave	1,342.93
Severance Pay Benefit	9,784.32
Post Employment Benefit	4,800.00
Total Current Liabilities	142,917.40
Non-Current Liabilities:	
Accrued Vacation	56,088.64
Accrued Sick Leave	22,713.07
Post Employment Benefit	9,600.00
Total Non-Current Liabilities	88,401.71
Total Liabilities	231,319.11
Deferred Inflows of Resources:	
Pension Related Deferred Inflows	189,509.29
Net Position:	
Investment in Capital Assets	697,841.44
Restricted for SDRS Pension Purposes	135,865.05
Unrestricted	1,522,552.33
Total Net Position	\$ 2,356,258.82

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, 2023

Operating Revenue:		
Basketball:		
State Tournament - Boys	\$ 413,800.00	
State Tournament - Girls	251,159.00	
Sub-State Events	<u>438,316.00</u>	
Total Basketball Receipts		\$ 1,103,275.00
Wrestling:		
State Tournament	233,895.00	
Sub-State Events	<u>26,940.00</u>	
Total Wrestling Receipts		260,835.00
Volleyball:		
State Tournament	249,714.99	
Sub-State Events	<u>143,383.00</u>	
Total Volleyball Receipts		393,097.99
Football:		
State Tournament	253,175.00	
Sub-State Events	<u>253,336.00</u>	
Total Football Receipts		506,511.00
Cross Country		36,200.00
State Track and Field Meet		202,662.10
State Gymnastics Meet		12,645.00
Cheer and Dance		31,439.00
Soccer		24,328.00
All-State Chorus and Orchestra		66,734.99
All-State Band		9,270.00
All-State Jazz Band		3,290.00
Student Council		60,815.00
Softball		45,407.00
Television Contract		142,622.00
Ball Bids		50,000.00
Corporate Partner		313,148.65
Merchandise Partner		110,642.15
Sale of Medals		2,398.65
Music Supplies		521.00
Rule Books/Publications		33,558.04
Registration of Officials		79,350.56
Officials/Coaches Penalties		5,565.00
Music Program Ad Sales		1,000.00
Miscellaneous		<u>65,124.28</u>
Total Operating Revenue		<u>3,560,440.41</u>

SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(Continued)

Operating Expenses:	
General and Administrative	1,939,562.67
Activities	1,743,438.15
Depreciation Expense	17,747.58
Total Operating Expenses	<u>3,700,748.40</u>
Operating Income (Loss)	<u>(140,307.99)</u>
Non-operating Revenue (Expense):	
Earnings on Deposits and Investments	24,700.81
Unrealized Gain (Loss) on Investments	56,960.38
Contributions and Donations	33,901.70
Investment Expense	(9,611.18)
Total Non-operating Revenue (Expense)	<u>105,951.71</u>
Change in Net Position	(34,356.28)
Net Position, July 1, 2022	<u>2,390,615.10</u>
Net Position, June 30, 2023	<u><u>\$ 2,356,258.82</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, 2023

Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 2,868,415.89	
Cash Payments to Suppliers for Goods and Services	(1,729,168.88)	
Cash Payments to Employees for Services	(1,201,421.57)	
Net Cash Provided (Used) by Operating Activities		<u>(62,174.56)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(200,000.00)	
Sale of Investments	50,480.64	
Interest Received on Investments	57.70	
Net Cash Provided by Investing Activities		<u>(149,461.66)</u>
Cash Flows from Capital Activities:		
Purchase of Equipment	(12,715.00)	
Net Cash Provided by Capital Activities		<u>(12,715.00)</u>
Net Decrease in Cash and Cash Equivalents During the Fiscal Year		(224,351.22)
Cash and Cash Equivalents at Beginning of Year		<u>454,393.90</u>
Cash and Cash Equivalents at End of Year		<u>\$ 230,042.68</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)		\$ (140,307.99)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Activities Expense - Value of Donated Automobiles	33,901.70	
Depreciation Expense	17,747.58	
Change in Assets and Liabilities:		
Decrease in Net Pension Asset	269,029.69	
Decrease in Pension Related Deferred Outflows	51,045.42	
Decrease in Pension Related Deferred Inflows	(340,381.49)	
Decrease in Accounts Receivable	123,943.40	
Decrease in Vouchers Payable	(92,000.20)	
Increase in Wages Payable	1,459.10	
Increase in Accrued Vacation Liability	13,469.32	
Increase in Accrued Sick Leave Liability	1,576.00	
Decrease in Severance Pay Benefit	(9,784.32)	
Increase in Post Employment Benefit	8,127.23	
Total Adjustments		<u>78,133.43</u>
Net Cash Provided by Operating Activities		<u>\$ (62,174.56)</u>
Non-cash Investing, Capital and Financing Activities:		
Value of Donated Automobiles		\$ 33,901.70
Increase in Fair Value of Investments		56,960.38

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, 2023

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 22, 2024, 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 2023 amounted to \$205,751.51.

The Association pays dental insurance for all employees. Family coverage is optional at the employee's expense. Payments made during fiscal year 2023 amounted to \$5,529.60.

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 hired 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, 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 \$33,248.84 which was paid in full in July 2023.

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 as of June 30, 2023 is not over this limit, and therefore insured and not subject to custodial credit risk.

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, 2023, the Association had investments maturing as follows:

Investment Type	Fair Value	2023 Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Greater than 10
Exchange Traded Funds	\$ 369,547	\$ 297,651	\$ 71,896	\$ -	\$ -

### 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, 2023, 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	\$ 349,650	\$ 349,650	\$ -	\$ -
Exchange-Traded Funds	734,357	734,357	-	-
Total Investments by fair value level	<u>\$ 1,084,007</u>	<u>\$ 1,084,007</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2023. Exchange-traded funds classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets.

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 7/01/22	Increases	Decreases	Balance 6/30/23
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	165,285.87	12,715.00	-	178,000.87
Totals	<u>1,001,257.10</u>	<u>12,715.00</u>	<u>-</u>	<u>1,013,972.10</u>
Less Accumulated Depreciation for:				
Land Improvements	47,626.84	-	-	47,626.84
Building	275,179.32	15,287.64	-	290,466.96
Equipment, Furniture and Fixtures	139,447.67	2,459.94	-	141,907.61
Total Accumulated Depreciation	<u>462,253.83</u>	<u>17,747.58</u>	<u>-</u>	<u>480,001.41</u>
Total Capital Assets, being Depreciated, Net	<u>539,003.27</u>	<u>(5,032.58)</u>	<u>-</u>	<u>533,970.69</u>
Capital Assets, Net	<u>\$ 702,874.02</u>	<u>\$ (5,032.58)</u>	<u>\$ -</u>	<u>\$ 697,841.44</u>

6. LIABILITIES:

Long-term obligations at June 30, 2023 and changes to long-term liabilities during the fiscal year ended are as follows:

	Balance 7/01/22	Increases	Decreases	Balance 6/30/23	Due Within One Year
Accrued Vacation	\$ 88,818.27	\$ 66,557.50	\$ 53,088.18	\$ 102,287.59	\$ 46,198.95
Accrued Sick Pay	22,480.00	7,349.44	5,773.44	24,056.00	1,342.93
Severance Pay (see note 9)	19,568.64	-	9,784.32	9,784.32	9,784.32
Post Employment Benefit (see note 8)	6,272.77	12,927.23	4,800.00	14,400.00	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 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, 2023, 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, 2017 to 2023.

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 2023, a budgeted expense of \$4,800.00 was incurred for this benefit. Future payments have been estimated to total approximately \$14,400.00. 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 69<sup>th</sup> 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. Future payments over the next year will total \$9,784.32. 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, 2023, 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, 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.

11. SIGNIFICANT CONTINGENCIES—LITIGATION:

At June 30, 2023, 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 hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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, 2023, 2022, and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 52,510.22
2022	49,084.41
2021	48,040.75

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

At June 30, 2022, SDRS was 100.1% 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, 2022 and reported by the Association as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 4,836,353.75
Less proportionate share of net pension restricted for pension benefits	<u>4,839,591.54</u>
Proportionate share of net pension liability (asset)	\$ (3,237.79)

At June 30, 2023, the Association reported an asset of \$3,237.79 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 Association's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022 the Association's proportion was 0.034260% which is a decrease of 0.001292% from its proportion measured as of June 30, 2021.



For the year ended June 30, 2023, the Association recognized a reduction of pension expense of \$20,306.39. At June 30, 2023 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	\$ 61,633.70	\$ 210.19
Changes in assumption	205,783.70	180,341.89
Net difference between projected and actual earnings on pension plan investments		7,759.25
Changes in proportion and difference between Association contributions and proportionate share of contributions	2,208.93	1,197.96
Association contributions subsequent to the measurement date	52,510.22	
TOTAL	<u>\$ 322,136.55</u>	<u>\$ 189,509.29</u>

The \$52,510.22 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,		
2024	\$	20,859.02
2025		45,597.87
2026		(50,710.12)
2027		64,370.27
TOTAL	\$	<u>80,117.04</u>

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

## Mortality rates

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

### Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

### Retired Members:

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

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

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

### Beneficiaries:

PubG-2010 contingent survivor mortality table

### Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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, 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%</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)	\$ 672,296.26	\$ (3,237.79)	\$ (555,327.59)

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\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 52,510	\$ 49,084	\$ 48,041	\$ 48,175	\$ 47,220	\$ 42,779	\$ 42,076	\$ 43,167	\$ 39,813
Contributions in relation to the contractually required contribution	52,510	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	\$ 0.00
Association's covered payroll	\$ 874,153	\$ 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%	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\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Association's proportion of the net pension liability/asset	0.034260%	0.035550%	0.036584%	0.037014%	0.034660%	0.036181%	0.037836%	0.036345%	0.039200%
Association's proportionate share of net pension liability (asset)	\$ (3,238)	\$ (272,267)	\$ (1,589)	\$ (3,922)	\$ (808)	\$ (3,283)	\$ 127,806	\$ (154,148)	\$ (282,423)
Association's covered payroll	\$ 817,063	\$ 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	0.40%	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)	100.10%	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, 2023  
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, 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:

a. 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.

b. Actuarial Assumption Changes:

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

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

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

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

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

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

June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

c. 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 DATA  
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
SCHEDULE OF BUDGETED AND ACTUAL REVENUES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Revenue	Actual Revenue	Variance Favorable/ (Unfavorable)
<b>Activities</b>			
Boys' "B" Basketball	\$ 148,750.36	\$ 326,695.00	\$ 177,944.64
Boys' "A" Basketball	170,000.00	31,911.15	(138,088.85)
Boys' "AA" Basketball	100,000.00	101,423.00	1,423.00
Girls' "B" Basketball	80,000.00	95,060.00	15,060.00
Girls' "A" Basketball	75,000.00	91,064.00	16,064.00
Girls' "AA" Basketball	75,000.00	27,751.31	(47,248.69)
Football	205,000.00	253,175.00	48,175.00
Gymnastics	12,000.00	12,645.00	645.00
Track & Field	176,000.00	388,292.23	212,292.23
Chorus & Orchestra	65,000.00	37,981.18	(27,018.82)
All-State Band	8,500.00	9,270.00	770.00
Cheer & Dance	25,000.00	31,439.00	6,439.00
Cross Country	25,124.17	36,200.00	11,075.83
Soccer	25,000.00	24,328.00	(672.00)
All-State Jazz Band	5,000.00	-	(5,000.00)
Combined A & B Wrestling	225,000.00	188,755.00	(36,245.00)
Combined AA, A, & B Volleyball	185,000.00	143,904.32	(41,095.68)
Student Council	90,000.00	60,245.00	(29,755.00)
Softball	75,000.00	-	(75,000.00)
<b>Total Activities</b>	<u>1,770,374.53</u>	<u>1,860,139.19</u>	<u>89,764.66</u>
TV Contract - FB/BB/VB/WR	141,000.00	119,289.00	(21,711.00)
Ball Bids	50,000.00	25,000.00	(25,000.00)
Corporate Partner	312,500.00	188,148.65	(124,351.35)
Merchandise Partner	90,000.00	122,238.95	32,238.95
<b>Total</b>	<u>593,500.00</u>	<u>454,676.60</u>	<u>(138,823.40)</u>
<b>Sub-State Events</b>			
Girls' Basketball	75,000.00	95,414.00	20,414.00
Boys' Basketball	130,000.00	130,824.00	824.00
Football Playoffs	75,000.00	76,866.67	1,866.67
Wrestling	9,500.00	9,270.40	(229.60)
Volleyball	70,000.00	64,652.50	(5,347.50)
Softball	20,000.00	-	(20,000.00)
<b>Total Sub-State Events</b>	<u>379,500.00</u>	<u>377,027.57</u>	<u>(2,472.43)</u>
<b>General</b>			
Music Supplies	150.00	692.75	542.75
Rule Books/Publications	30,000.00	3,923.00	(26,077.00)
Registration of Officials	66,000.00	79,350.56	13,350.56
Penalties and Fines	8,000.00	3,990.00	(4,010.00)
Sale of Medals	2,300.00	1,439.20	(860.80)
Miscellaneous	20,867.00	54,515.85	33,648.85
Speech Programs/Shirts	500.00	1,000.00	500.00
<b>Total General</b>	<u>127,817.00</u>	<u>144,911.36</u>	<u>17,094.36</u>
<b>GRAND TOTAL</b>	<u>\$ 2,871,191.53</u>	<u>\$ 2,836,754.72</u>	<u>\$ (34,436.81)</u>



SUPPLEMENTARY DATA  
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Expenditures	Actual Expenditures	Variance Unfavorable/ (Favorable)
Regular Salaries	\$ 795,188.85	\$ 837,744.93	\$ 42,556.08
Temporary Salaries	19,309.37	-	(19,309.37)
Total Salaries	<u>814,498.22</u>	<u>837,744.93</u>	<u>23,246.71</u>
Social Security	60,831.95	62,507.49	1,675.54
Retirement	47,711.33	52,154.45	4,443.12
Health Insurance	200,922.60	205,659.73	4,737.13
Dental Insurance	5,000.00	5,529.60	529.60
Worker's Compensation	2,695.00	2,653.00	(42.00)
Life Insurance	378.00	205.12	(172.88)
Supplemental Medical	4,800.00	-	(4,800.00)
Total Employee Benefits	<u>322,338.88</u>	<u>328,709.39</u>	<u>6,370.51</u>
Legal Costs and Fees/Lobbyist	18,000.00	6,281.00	(11,719.00)
Audit	25,000.00	27,217.50	2,217.50
Clinicians-Coaches Clinic	5,000.00	5,000.00	-
Test Supervisor	200.00	-	(200.00)
Appeals Committee	200.00	-	(200.00)
Section V Meeting	3,000.00	2,479.07	(520.93)
11 States Meeting	1,500.00	528.19	(971.81)
Utilities	7,200.00	7,613.08	413.08
Maintenance and Repairs	8,000.00	6,462.69	(1,537.31)
Technology	45,000.00	24,715.39	(20,284.61)
Staff In-Service	2,000.00	114.74	(1,885.26)
Snow Removal/Lawn	1,600.00	3,281.38	1,681.38
NFHS-Debate Topic Meeting	1,500.00	817.99	(682.01)
NFHS-Music/Speech Meeting	1,200.00	516.08	(683.92)
NIAAA Meeting	0.00	1,341.08	1,341.08
NF Summer Meeting	27,000.00	26,371.36	(628.64)
NF Winter Meeting	1,500.00	2,577.29	1,077.29
NF Legal Meeting	2,000.00	1,344.55	(655.45)
Staff Travel	40,000.00	57,232.07	17,232.07
Board of Control Travel	25,000.00	30,832.75	5,832.75
Advisory/Ad Hoc Com/Officials	5,000.00	5,442.73	442.73
Dues-Regional Wrestling Assoc.	1,100.00	800.00	(300.00)
Dues-Regional Basketball Assoc.	5,000.00	4,980.00	(20.00)
Dues-Regional Volleyball Assoc.	2,300.00	2,280.00	(20.00)
Telephone	10,400.00	8,901.42	(1,498.58)
Postage and Permit	23,000.00	24,943.87	1,943.87
United Parcel Service	4,000.00	3,422.81	(577.19)
State Officials Council	13,000.00	13,733.00	733.00
Internet/Cable	2,500.00	2,513.17	13.17
Midwest Officials Summit	1,500.00	953.01	(546.99)
Dues-Football Assoc.	4,200.00	4,280.00	80.00
Dues-Gymnastics Assoc.	380.00	310.00	(70.00)
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	-	(1,500.00)
State Event Directors/Corp Gifts	6,000.00	8,032.46	2,032.46
FB Rules Meeting	1,500.00	-	(1,500.00)
SDIAAA	2,000.00	5,322.40	3,322.40
Commercial Printing	20,000.00	20,055.10	55.10
NFOA Membership	20,000.00	20,536.00	536.00
Catastrophic/Liability Insurance	147,784.80	157,534.80	9,750.00
State Officials Coordinator	13,000.00	9,600.00	(3,400.00)
Professional Accounting Services	3,000.00	3,655.54	655.54
Technology Conference	0.00	1,024.52	1,024.52
Janitorial Services	9,360.00	8,655.00	(705.00)
Miscellaneous	30,000.00	91,254.09	61,254.09
Total Purchased Services	<u>544,674.80</u>	<u>602,956.13</u>	<u>58,281.33</u>

SUPPLEMENTARY DATA  
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
SCHEDULE OF BUDGETED AND ACTUAL EXPENDITURES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023  
(Continued)

	Budgeted Expenditures	Actual Expenditures	Variance Unfavorable/ (Favorable)
Office Supplies	6,200.00	7,655.25	1,455.25
Custodial Supplies	750.00	164.61	(585.39)
Subscriptions	2,400.00	870.25	(1,529.75)
Rule Books and Exams	42,000.00	45,635.27	3,635.27
Distinguished Service Awards	600.00	780.00	180.00
Inventory of Medals	1,200.00	101.00	(1,099.00)
Total Supplies and Materials	<u>53,150.00</u>	<u>55,206.38</u>	<u>2,056.38</u>
NF Dues/Foundation	2,500.00	2,500.00	-
Travel Accident Insurance	1,957.00	950.00	(1,007.00)
D&O Liability Insurance	12,239.70	12,239.70	-
Excess Liability Insurance	4,073.00	4,073.00	-
General Liability Insurance	15,857.00	15,857.00	-
Surety Bond	721.00	736.00	15.00
Car Liability Insurance	6,376.00	6,376.00	-
Insurance Office and Contents	5,696.93	8,643.00	2,946.07
General Liability Insurance - Member Schools	21,029.00	21,029.00	-
Total Other Objects	<u>70,449.63</u>	<u>72,403.70</u>	<u>1,954.07</u>
Officials Observation	<u>20,000.00</u>	<u>12,020.00</u>	<u>(7,980.00)</u>
Boys' "AA" Basketball	48,800.00	54,432.03	5,632.03
Girls' "AA" Basketball	45,900.00	14,401.13	(31,498.87)
Boys' "A" Basketball	111,300.00	25,219.90	(86,080.10)
Girls' "A" Basketball	26,450.00	27,726.42	1,276.42
Combined "A" and "B" Wrestling	106,500.00	159,259.40	52,759.40
Boys' "B" Basketball	27,400.00	32,936.42	5,536.42
Girls' "B" Basketball	22,800.00	25,929.06	3,129.06
Gymnastics	22,250.00	22,076.98	(173.02)
Track and Field	47,600.00	106,997.14	59,397.14
Golf	26,550.00	41,942.00	15,392.00
Tennis	21,200.00	23,366.40	2,166.40
Cross Country	37,500.00	33,734.93	(3,765.07)
Football Play-Offs	80,500.00	77,966.72	(2,533.28)
Combined "AA", "A", and "B" Volleyball	102,400.00	48,673.25	(53,726.75)
Cheer and Dance	16,050.00	14,491.94	(1,558.06)
Soccer	9,350.00	16,981.53	7,631.53
Softball	34,500.00	30,843.42	(3,656.58)
Student Council	74,600.00	84,632.48	10,032.48
Oral Interp	16,075.00	17,715.01	1,640.01
One Act Play	16,375.00	17,146.68	771.68
Debate	13,205.00	16,824.30	3,619.30
All-State Jazz Band	16,300.00	22,747.90	6,447.90
All-State Chorus and Orchestra	67,175.00	35,384.07	(31,790.93)
All-State Band	34,200.00	33,320.67	(879.33)
Journalism	5,300.00	4,442.80	(857.20)
Visual Arts	15,800.00	16,709.05	909.05
Total Events	<u>1,046,080.00</u>	<u>1,005,901.63</u>	<u>(40,178.37)</u>
GRAND TOTAL	<u>\$ 2,871,191.53</u>	<u>\$ 2,914,942.16</u>	<u>\$ 43,750.63</u>

SUPPLEMENTARY DATA  
SOUTH DAKOTA HIGH SCHOOL ACTIVITIES ASSOCIATION  
NOTES TO THE SCHEDULES OF BUDGETED AND ACTUAL REVENUES AND EXPENDITURES  
June 30, 2023

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, 2023.
- 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.