

Flandreau School District No. 50-3

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

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

Flandreau School District No. 50-3

School District Officials

June 30, 2022

Board Members

Tom Stenger----- Board President

Kevin Christenson-----Vice President

Kari Burggraff ----- Member

Brian Johnson ----- Member

Kelly Kontz ----- Member

Tammy Lunday ----- Member

Jamie Hemmer----- Member

Rick Weber -----Superintendent

Stacey VanBeek-----Business Manager

Flandreau School District No. 50-3

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

School Board
Flandreau School District No. 50-3
Moody County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flandreau School District No. 50-3, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 20, 2023, which was qualified because management has not implemented the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "CIO Prof LLC". The letters are cursive and somewhat stylized.

Elk Point, South Dakota
April 20, 2023



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

School Board
Flandreau School District No. 50-3
Moody County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Flandreau School District No. 50-3, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2022. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Flandreau School District No. 50-3 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

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

Elk Point, South Dakota
April 20, 2023

Flandreau School District No. 50-3
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements:

An unmodified opinion was issued on the financial statements of the business-type activities and the capital outlay, special education, and bond redemption governmental funds, and the other enterprise and food service enterprise funds. A qualified opinion for not implementing GASB 84, *Fiduciary Activities*, was issued for the statements of the governmental activities, the general governmental fund, and the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness identified: Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes X No

Significant deficiencies identified not considered to be Yes X No

Type of auditor's report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:

 Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program
10.555	Child Nutrition Cluster: National School Lunch Program (cash and noncash)
10.553	Child Nutrition Cluster: School Breakfast Program
10.582	Child Nutrition Cluster: Fresh Fruit and Vegetable Program
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between type A and type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

Flandreau School District No. 50-3
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2022 (Continued)

Section II – Financial Statement Findings

Prior Audit Findings

Finding 2021-001 – Lack of Segregation of Duties

Summary of Prior Audit Finding: A significant deficiency in internal controls was disclosed by our audit for lack of proper segregation of duties for revenues and expenditures.

Status: Corrective Action Taken

Current Audit Findings

There are no findings which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Awards Findings and Questioned Costs

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



Independent Auditor's Report

School Board
Flandreau School District No. 50-3
Moody County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flandreau School District No. 50-3, South Dakota (School District), as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flandreau School District No. 50-3 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
April 20, 2023

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Flandreau School District No. 50-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's net position from governmental fund activities is \$12,732,050 and business type activities is \$353,345. The total net position for governmental and business-type activities is \$13,085,395.
- The District's total revenue increased by 5.47%. This was mainly due to an increase in revenues from state sources, operating grants, and other general revenues.
- The total cost of all the District's programs increased by 5.75%
- The District issued refunding Capital Outlay Certificates in FY22.
- The Impact Aid fund is maintained separately throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY 2022 Impact Aid funds were transferred to the General Fund in the amount of \$283,820.

Overview of the Financial Statements

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

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

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

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

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

Figure A-1
Major Features of Flandreau School's Government-Wide and Fund Financial Statements

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

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

The School has three kinds of funds:

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

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Flandreau School District No. 50-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 6,252,449	\$ 7,890,760	\$ 228,552	\$ 253,392	\$ 6,481,001	\$ 8,144,152	25.66%
Capital Assets (Net of Depreciation)	11,999,117	11,682,591	97,995	123,167	12,097,112	11,805,758	-2.41%
Total Assets	18,251,566	19,573,351	326,547	376,559	18,578,113	19,949,910	7.38%
Deferred Loss on Refunding of Debt	187,000	--	--	--	187,000	--	-100%
Pension Related Deferred Outflows	1,321,769	2,060,222	--	--	1,321,769	2,060,222	55.87%
Total Deferred Outflows or Resources	1,508,769	2,060,222	--	--	1,508,769	2,060,222	36.55%
Long-Term Liabilities Outstanding	3,913,655	3,662,275	--	--	3,913,655	3,662,275	-6.42%
Other Liabilities	832,453	892,803	63,621	23,214	896,074	916,017	2.23%
Total Liabilities	4,746,108	4,555,078	63,621	23,214	4,809,729	4,578,292	-4.81%
Taxes Levied for Future Period	1,647,713	1,416,662	--	--	1,647,713	1,416,662	-14.02%
Pension Related Deferred Inflows	1,098,296	2,929,783	--	--	1,098,296	2,929,783	166.76%
Total Deferred Inflows of Resources	2,746,009	4,346,445	--	--	2,746,009	4,346,445	58.28%
Net Investment in Capital Assets	8,291,117	8,036,924	97,995	123,167	8,389,112	8,160,091	-2.73%
Restricted	1,909,230	2,644,566	--	--	1,909,230	2,644,566	38.51%
Unrestricted	2,067,871	2,050,560	164,931	230,178	2,232,802	2,280,738	2.15%
Total Net Position	12,268,218	12,732,050	262,926	353,345	12,531,144	13,085,395	4.42%
Beginning Net Position	11,724,238	12,268,218	257,040	262,926	11,981,278	12,531,144	4.59%
Increase (Decrease) in Net Position	\$ 543,980	\$ 463,832	\$ 5,886	\$ 90,419	\$ 549,866	\$ 554,251	-0.80%
Percentage of Increase (Decrease) in Net Position	4.64%	3.78%	2.29%	34.39%	4.59%	4.42%	

The School's combined net position of approximately \$13 million is approximately \$554,251 or 4.42% larger than on June 30, 2021. The increase in the School's financial position was primarily in its governmental activities due in part to additional revenues from state sources.

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

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The Flandreau School District’s total revenues (excluding transfers) in FY22 were \$10,243,159. More than 37% of the School’s revenue comes from property and other taxes, with approximately 38% coming from state aid. (See Table A-2.)

Table A-2
Flandreau School District No. 50-3
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 3,857,379	37.66%
State Sources	3,931,912	38.39%
Operating Grants & Contributions	1,696,028	16.56%
Charges For Services	485,960	4.74%
Other General Revenues	270,408	2.64%
Unrestricted Investment Earnings	1,472	0.01%
Total Revenue	\$ 10,243,159	100.00%

Total expenditures of all programs and services increased by approximately 5.75%. The Flandreau School District expenses totaled \$9,688,908 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, food services, and driver’s education. (See Table A-3.)

Table A-3
Flandreau School District No. 50-3
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 5,023,526	51.86%
Support Services	3,405,108	35.14%
Interest on Long-Term Debt	356,439	3.68%
Cocurricular Activities	445,001	4.59%
Food Service	446,845	4.61%
Drivers Education	11,989	0.12%
Total Expenditures	\$ 9,688,908	100.00%

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental and Business-Type Activities

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

Table A-4
Flandreau School District No. 50-3
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Revenues							
Program Revenues							
Charge for Services	\$ 142,220	\$ 433,075	\$ 51,524	\$ 52,885	\$ 193,744	\$ 485,960	150.83%
Operating Grants/Contributions	1,118,061	1,199,745	310,960	496,283	1,429,021	1,696,028	18.68%
Capital Grants/Contributions	41,589				41,589	--	-100.00%
General Revenues							
Taxes	4,014,611	3,857,379	--	--	4,014,611	3,857,379	-3.92%
Revenue State Sources	3,207,097	3,931,912	--	--	3,207,097	3,931,912	22.60%
Federal State Sources	652,922	--	--	--	652,922	--	-100.00%
Other							
Other general revenues	172,996	270,408	--	--	172,996	270,408	56.31%
Unrestricted Investment Earnings	352	1,387	19	85	371	1,472	296.77%
	<u>9,349,848</u>	<u>9,693,906</u>	<u>362,503</u>	<u>549,253</u>	<u>9,712,351</u>	<u>10,243,159</u>	<u>5.47%</u>
Expenses							
Instruction	5,007,804	5,023,526	--	--	5,007,804	5,023,526	0.31%
Support Services	3,258,830	3,405,108	--	--	3,258,830	3,405,108	4.49%
Interest on long-term debt	151,869	356,439	--	--	151,869	356,439	134.70%
Co-Curricular activities	385,952	445,001	--	--	385,952	445,001	15.30%
Food Service	--	--	350,279	446,845	350,279	446,845	27.57%
Other Enterprise	--	--	7,751	11,989	7,751	11,989	54.68%
	<u>8,804,455</u>	<u>9,230,074</u>	<u>358,030</u>	<u>458,834</u>	<u>9,162,485</u>	<u>9,688,908</u>	<u>5.75%</u>
Excess (Deficiency)							
Before transfers	545,393	463,832	4,473	90,419	549,866	554,251	0.80%
Transfers	(1,413)	--	1,413	--	--	--	0.00%
Increase in Net Position	543,980	463,832	5,886	90,419	549,866	554,251	0.80%
Beginning Net Position	<u>11,724,238</u>	<u>12,268,218</u>	<u>257,040</u>	<u>262,926</u>	<u>11,981,278</u>	<u>12,531,144</u>	<u>4.59%</u>
Ending Net Position	<u>\$ 12,268,218</u>	<u>\$ 12,732,050</u>	<u>\$ 262,926</u>	<u>\$ 353,345</u>	<u>\$ 12,531,144</u>	<u>\$ 13,085,395</u>	<u>4.42%</u>

Governmental Activities

Revenues for the School's governmental activities increased approximately 3.7% while expenses for governmental activities increased by approximately 4.8%. One of the largest revenue increases occurred in state sources. Expenditures increased largely due to the increase support services and interest on long-term debt which includes items for the capital outlay certificate refunding. The General Fund decreased in fund balance from FY21 to FY22 by \$13,901 and the Capital Outlay fund balance increased by \$202,996 in FY22. The Special Education Fund had an increase in fund balance of \$17,420, and the Bond Redemption Fund increased in fund balance by \$116,087.

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
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Business-Type Activities

Revenues of the School’s business-type activities (Food Service Operation and Drivers Education) increased 51.5% while expenses increased by 28%.

Budgetary Highlights

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

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

There were budget changes for the year due to needing additional funding for general operating expenses in the General, Capital Outlay, and Special Education Funds.

Capital Asset Administration

By the end of FY22, the School had invested \$11,805,758 (net of depreciation/amortization) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$291,354.

Table A-5
Flandreau School District No. 50-3
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 339,432	\$ 339,432	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	11,037,548	10,729,236	--	--	(308,312)	-2.79%
Machinery & Equipment	493,670	496,821	97,995	123,167	28,323	4.79%
Library Books	128,467	117,102	--	--	(11,365)	-8.85%
Total Capital Assets	\$ 11,999,117	\$ 11,682,591	\$ 97,995	\$ 123,167	\$ (291,354)	-2.41%

Major capital outlay purchases in FY22 included band uniforms, welders, a track shed, and MS lighting.

Flandreau School District No. 50-3
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

At year-end, the School had \$3,662,275 in general long-term obligations. This balance includes accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
Flandreau School District No. 50-3
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2021</u>	<u>2022</u>		
Capital Outlay Certificates	\$ 3,895,000	\$ 3,405,000	\$ (490,000)	-12.58%
Plus: Unamortized Premiums	--	240,667	240,667	100.00%
Accrued Compensated Absences - Governmental Funds	18,655	16,608	(2,047)	-10.97%
Total Outstanding Debt	<u>\$ 3,913,655</u>	<u>\$ 3,662,275</u>	<u>\$ (251,380)</u>	<u>-6.42%</u>

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

The School maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 75% of their last year’s salary in one payment, paid in September of the following year. This plan allows the school to potentially reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers. At the end of FY 2022, the school had no staff members that elected the local early retirement option per policy.

Economic Factors And Next Year’s Budgets And Rates

The School’s current economic position has shown little change.

Enrollment is projected to fluctuate for the next several years. As a result, the District is currently reviewing the projected enrollments to maintain a balanced budget.

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, patrons, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Flandreau School District 50-3 Business Office, 600 West Community Drive, Flandreau, SD 57028.

Flandreau School District No. 50-3
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 4,226,245	\$ 236,085	\$ 4,462,330
Accounts receivable	704,149	7,951	712,100
Taxes receivable	1,450,213	--	1,450,213
Inventories	--	9,356	9,356
Net pension asset	1,510,153	--	1,510,153
Capital assets:			
Land and construction in progress	339,432	--	339,432
Other capital assets, net of depreciation	11,343,159	123,167	11,466,326
Total Assets	19,573,351	376,559	19,949,910
Deferred Outflows of Resources:			
Pension-related deferred outflows	2,060,222	--	2,060,222
Total Deferred Outflows of Resources	2,060,222	--	2,060,222
Liabilities:			
Unearned revenue	--	22,171	22,171
Other current liabilities	892,803	1,043	893,846
Long-term liabilities:			
Due within one year	16,608	--	16,608
Due in more than one year	3,645,667	--	3,645,667
Total Liabilities	4,555,078	23,214	4,578,292
Deferred Inflows of Resources:			
Taxes levied for future periods	1,416,662	--	1,416,662
Pension related deferred inflows	2,929,783	--	2,929,783
Total Deferred Inflows of Resources	4,346,445	--	4,346,445
Net Position:			
Net investment in capital assets	8,036,924	123,167	8,160,091
Restricted for:			
Capital outlay	1,727,671	--	1,727,671
Special education	72,340	--	72,340
Debt service	203,963	--	203,963
SDRS pension purposes	640,592	--	640,592
Unrestricted	2,050,560	230,178	2,280,738
Total Net Position	\$ 12,732,050	\$ 353,345	\$ 13,085,395

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

Flandreau School District No. 50-3
Statement of Activities – Government-Wide
June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 5,023,526	\$ --	\$ 865,634	\$ (4,157,892)	\$ --	\$ (4,157,892)
Support services	3,405,108	406,381	334,111	(2,664,616)	--	(2,664,616)
*Interest on long-term debt	356,439	--	--	(356,439)	--	(356,439)
Cocurricular activities	445,001	26,694	--	(418,307)	--	(418,307)
Total Governmental Activities	9,230,074	433,075	1,199,745	(7,597,254)	--	(7,597,254)
Business-Type Activities:						
Food service	446,845	41,365	496,283	--	90,803	90,803
Other enterprise	11,989	11,520	--	--	(469)	(469)
Total Business Type Activities	458,834	52,885	496,283	--	90,334	90,334
Total Primary Government	\$ 9,688,908	\$ 485,960	\$ 1,696,028	(7,597,254)	90,334	(7,506,920)
General Revenues:						
Taxes:						
				3,776,004	--	3,776,004
				81,375	--	81,375
Revenue from State Sources:						
				3,391,656	--	3,391,656
				540,256	--	540,256
				1,387	85	1,472
				270,408	--	270,408
				8,061,086	85	8,061,171
				463,832	90,419	554,251
				12,268,218	262,926	12,531,144
				\$ 12,732,050	\$ 353,345	\$ 13,085,395

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

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

Flandreau School District No. 50-3
Balance Sheet – Governmental Funds
June 30, 2022

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 2,256,266	\$ 1,644,496	\$ 122,812	\$ 202,671	\$ 4,226,245
Taxes receivable -- current	458,564	613,903	344,195	--	1,416,662
Taxes receivable -- delinquent	17,362	9,535	5,362	1,292	33,551
Due from other governments	410,472	149,003	144,674	--	704,149
Total Assets	<u>\$ 3,142,664</u>	<u>\$ 2,416,937</u>	<u>\$ 617,043</u>	<u>\$ 203,963</u>	<u>\$ 6,380,607</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 33,736	\$ 75,363	\$ 99,910	\$ --	\$ 209,009
Contracts payable	474,108	--	81,504	--	555,612
Payroll deductions and withholding and employer matching payable	109,088	--	19,094	--	128,182
Total Liabilities	<u>616,932</u>	<u>75,363</u>	<u>200,508</u>	<u>--</u>	<u>892,803</u>
Deferred Inflows of Resources:					
Taxes levied for future period	458,564	613,903	344,195	--	1,416,662
Delinquent taxes not available	17,362	9,535	5,362	1,292	33,551
Total Deferred Inflows of Resources	<u>475,926</u>	<u>623,438</u>	<u>349,557</u>	<u>1,292</u>	<u>1,450,213</u>
Fund Balances:					
Restricted:					
For capital outlay	--	1,718,136	--	--	1,718,136
For special education	--	--	66,978	--	66,978
For debt service	--	--	--	202,671	202,671
Assigned - next year's budget	79,171	--	--	--	79,171
Unassigned	1,970,635	--	--	--	1,970,635
Total Fund Balances	<u>2,049,806</u>	<u>1,718,136</u>	<u>66,978</u>	<u>202,671</u>	<u>4,037,591</u>
Total Liabilities and Fund Balances	<u>\$ 3,142,664</u>	<u>\$ 2,416,937</u>	<u>\$ 617,043</u>	<u>\$ 203,963</u>	<u>\$ 6,380,607</u>

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

Flandreau School District No. 50-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds		\$ 4,037,591
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		11,682,591
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Capital Outlay Certificates	(3,645,667)	
Accrued Leave	<u>(16,608)</u>	(3,662,275)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:		
Delinquent Property Taxes Receivable		33,551
Proportionate Share of Net Pension Asset		1,510,153
Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(2,929,783)
Pension related deferred outflows are components of non current assets and therefore are not reported in the funds.		<u>2,060,222</u>
Net Position - Governmental Activities		<u>\$ 12,732,050</u>

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

Flandreau School District No. 50-3

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2022

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,133,802	\$ 1,586,550	\$ 896,617	\$ 112,442	\$ 3,729,411
Prior years' ad valorem taxes	20,657	17,896	10,066	3,128	51,747
Utility taxes	81,375	--	--	--	81,375
Penalties and interest on taxes	5,926	2,590	1,441	451	10,408
Earnings on investments and deposits	738	544	39	66	1,387
Cocurricular Activities:					
Admissions	23,343	--	--	--	23,343
Student organization memberships	1,275	--	--	--	1,275
Rentals	1,260	--	--	--	1,260
Other student activity income	816	--	--	--	816
Other Revenue from Local Sources:					
Rentals	100	--	--	--	100
Contributions and donations	12,255	500	--	--	12,755
Charges for services	22,636	--	69,120	--	91,756
Other	47,950	2,798	1,950	--	52,698
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	114,614	--	--	--	114,614
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	3,391,656	--	--	--	3,391,656
Restricted grants-in-aid	8,380	--	531,876	--	540,256
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received directly from federal government	314,189	--	19,922	--	334,111
Restricted grants-in-aid received from federal government through the state	481,482	149,003	216,258	--	846,743
Other Federal Revenue	2,496	16,395	--	--	18,891
Total Revenues	\$ 5,664,950	\$ 1,776,276	\$ 1,747,289	\$ 116,087	\$ 9,304,602

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

Flandreau School District No. 50-3

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds June 30, 2022 (Continued)

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	\$ 1,269,636	\$ 231,475	\$ --	\$ --	\$ 1,501,111
Middle/junior high	844,965	130,593	--	--	975,558
High school	902,528	133,494	--	--	1,036,022
Special Programs:					
Programs for special education	--	--	1,090,741	--	1,090,741
Educationally deprived	270,664	--	--	--	270,664
Support Services:					
Students:					
Attendance and social work	102,423	--	--	--	102,423
Guidance	160,985	400	--	--	161,385
Health	7,842	--	15,928	--	23,770
Psychological	--	--	78,136	--	78,136
Speech pathology	--	--	220,124	--	220,124
Student therapy services	--	--	138,195	--	138,195
Instructional Staff:					
Improvement of instruction	54,039	--	7,392	--	61,431
Educational media	211,031	107,800	--	--	318,831
General Administration:					
Board of education	51,580	--	--	--	51,580
Executive administration	149,717	465	--	--	150,182
School Administration:					
Office of the principal	394,275	--	--	--	394,275
Other	2,703	--	--	--	2,703
Business:					
Fiscal services	153,328	7,695	--	--	161,023
Operation and maintenance of plant	748,170	164,735	--	--	912,905
Student transportation	228,290	42,126	--	--	270,416
Food services	14,275	--	--	--	14,275
Special Education:					
Administrative costs	--	--	69,165	--	69,165
Transportation costs	--	--	110,188	--	110,188
Debt Services	--	123,318	--	--	123,318
Cocurricular Activities:					
Male activities	72,219	22,278	--	--	94,497
Female activities	47,529	6,529	--	--	54,058
Transportation	59,640	--	--	--	59,640
Combined activities	93,610	16,728	--	--	110,338
Capital Outlay	15,902	113,690	--	--	129,592
Total Expenditures	<u>5,855,351</u>	<u>1,101,326</u>	<u>1,729,869</u>	<u>--</u>	<u>8,686,546</u>
Excess of Revenue Over (Under) Expenditures	(190,401)	674,950	17,420	116,087	618,056
Other Financing Sources (Uses):					
Transfer in	176,500	--	--	--	176,500
Transfer out	--	(176,500)	--	--	(176,500)
General long-term debt issued	--	3,645,667	--	--	3,645,667
Payment to refunding debt escrow	--	(3,941,121)	--	--	(3,941,121)
Total Other Financing Sources (Uses)	<u>176,500</u>	<u>(471,954)</u>	<u>--</u>	<u>--</u>	<u>(295,454)</u>
Net Change in Fund Balances	(13,901)	202,996	17,420	116,087	322,602
Fund Balance, Beginning of Year	<u>2,063,707</u>	<u>1,515,140</u>	<u>49,558</u>	<u>86,584</u>	<u>3,714,989</u>
Fund Balance, End of Year	<u>\$ 2,049,806</u>	<u>\$ 1,718,136</u>	<u>\$ 66,978</u>	<u>\$ 202,671</u>	<u>\$ 4,037,591</u>

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

Flandreau School District No. 50-3

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 322,602
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		129,592
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.		(444,603)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds of \$0 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(1,515)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position		
Capital Outlay Certificates	<u>3,895,000</u>	3,895,000
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		(15,562)
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		(3,645,667)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.		2,047
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		408,938
Deferred outflows of resources consisting of losses from refunding on debts, which are not accounted for in the governmental funds, are accounted for in the Statement of Net Position. This amount represents the amount of these charges expensed during the period.		<u>(187,000)</u>
Change in net position of governmental activities		<u>\$ 463,832</u>

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

Flandreau School District No. 50-3
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 224,153	\$ 11,932	\$ 236,085
Accounts receivable, net	7,951	--	7,951
Inventory of donated food	9,356	--	9,356
Total Current Assets	<u>241,460</u>	<u>11,932</u>	<u>253,392</u>
Noncurrent Assets:			
Machinery and equipment - local funds	229,807	--	229,807
Less accumulated depreciation	(106,640)	--	(106,640)
Total Noncurrent Assets	<u>123,167</u>	<u>--</u>	<u>123,167</u>
Total Assets	<u>\$ 364,627</u>	<u>\$ 11,932</u>	<u>\$ 376,559</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 52	\$ 991	\$ 1,043
Unearned revenue	22,171	--	22,171
Total Current Liabilities	<u>22,223</u>	<u>991</u>	<u>23,214</u>
Net Position:			
Net investment in capital assets	123,167	--	123,167
Unrestricted net position	219,237	10,941	230,178
Total Net Position	<u>\$ 342,404</u>	<u>\$ 10,941</u>	<u>\$ 353,345</u>

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

Flandreau School District No. 50-3

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Food Sales:			
Adult	\$ 11,123	\$ --	\$ 11,123
A la carte	30,242	--	30,242
Other charges for goods and services	--	11,520	11,520
Total Operating Revenue	<u>41,365</u>	<u>11,520</u>	<u>52,885</u>
Operating Expenses:			
Salaries	37,175	9,128	46,303
Employee benefits	12,924	1,246	14,170
Purchased services	334,264	1,057	335,321
Supplies	4,423	558	4,981
Cost of sales - donated	44,400	--	44,400
Other	418	--	418
Depreciation	13,241	--	13,241
Total Operating Expenses	<u>446,845</u>	<u>11,989</u>	<u>458,834</u>
Operating Income(Loss)	<u>(405,480)</u>	<u>(469)</u>	<u>(405,949)</u>
Nonoperating Revenues/Expenses:			
Investment earnings	85	--	85
Other local revenue	113	--	113
State grants	1,076	--	1,076
Federal grants	457,038	--	457,038
Donated food	38,056	--	38,056
Total Nonoperating Revenue/ (Expenses)	<u>496,368</u>	<u>--</u>	<u>496,368</u>
Change in Net Position	90,888	(469)	90,419
Net Position - Beginning of Year	<u>251,516</u>	<u>11,410</u>	<u>262,926</u>
Net Position - End of Year	<u>\$ 342,404</u>	<u>\$ 10,941</u>	<u>\$ 353,345</u>

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

Flandreau School District No. 50-3
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 41,651	\$ 11,520	\$ 53,171
Cash payments to suppliers	(380,279)	(1,134)	(381,413)
Cash payments to employees	(50,099)	(10,374)	(60,473)
Net Cash Provided (Used) by Operating Activities	<u>(388,727)</u>	<u>12</u>	<u>(388,715)</u>
Cash Flows from Noncapital Financing Activities:			
Other local revenue	113		113
Cash reimbursements - state	1,076	--	1,076
Cash reimbursements - federal	457,038	--	457,038
Net Cash Provided by Noncapital Financing Activities	<u>458,227</u>	<u>--</u>	<u>458,227</u>
Cash Flows from Capital and related Financing Activities:			
Purchase of capital assets	(38,413)	--	(38,413)
Net Cash (Used) by Capital Financing Activities	<u>(38,413)</u>	<u>--</u>	<u>(38,413)</u>
Cash Flows from Investing Activities:			
Investment earnings	85	--	85
Net Cash Provided by Investing Activities	<u>85</u>	<u>--</u>	<u>85</u>
Net Change in Cash and Cash Equivalents	31,172	12	31,184
Cash and Cash Equivalents, Beginning of Year	192,981	11,920	204,901
Cash and Cash Equivalents, End of Year	<u>\$ 224,153</u>	<u>\$ 11,932</u>	<u>\$ 236,085</u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating (Loss)	\$ (405,480)	\$ (469)	\$ (405,949)
Adjustments to reconcile operating (loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	13,241	--	13,241
Value of commodities used	44,400	--	44,400
Change in Assets and Liabilities:			
Deferred revenue	286	--	286
Accounts payable	(41,174)	481	(40,693)
Net Cash (Used) by Operating Activities:	<u>\$ (388,727)</u>	<u>\$ 12</u>	<u>\$ (388,715)</u>
Noncash Investing, Capital and Financing Activities			
Value of Commodities Received	<u>\$ 38,056</u>	<u>\$ --</u>	<u>\$ 38,056</u>

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

Flandreau School District No. 50-3
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 443,323	\$ 71,601
Total Assets	\$ 443,323	\$ 71,601
Liabilities:		
Amounts held for others	\$ --	\$ 71,601
Net Position:		
Restricted for:		
Scholarships	443,323	--
Total Liabilities and Net Position	\$ 443,323	\$ 71,601

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

Flandreau School District No. 50-3
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds
Additions:	
Contributions and donations	\$ 8,549
Interest	359
	8,908
Deductions	
Trust deductions for scholarships awarded	10,790
	10,790
Change in Net Position	(1,882)
Net Position - Beginning	445,205
Net Position - Ending	\$ 443,323

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Flandreau School District No. 50-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds.

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

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

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

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

Other Enterprise Fund: an enterprise fund maintained by the School District for the benefit of students. This fund is financed by user charges. This is a major fund.

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

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

The Wm & Olive Jellife Scholarship Fund, The Fuller Scholarship Fund, The Rice Scholarship Fund, the Bechen Scholarship Fund, The Rusch Scholarship Fund, the Dakota Layers Scholarship Fund, The FFA Scholarship Fund, The F A Wittern Scholarship Fund, The General School Scholarship Fund, The Masonic Scholarship Fund, Gordon Jones Scholarship Fund, The Vernon and Elizabeth Lee Scholarship Fund, and Sutton-Ackerman Scholarship Fund.

They are used for the purpose of providing scholarships to students.

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2022 are due from other governments for grants and taxes.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

e. Deposits and Investments:

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

Investments classified in the financial statements consist entirely primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than two percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2022 balance of capital assets for business-type activities are all valued at original cost.

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

	Capitalization Threshold	Depreciation/A mortization Method	Estimated Useful Life
Land*	ALL	--	--
Buildings & Improvements	\$ 15,000	Straight-line	5-50 years
Library books	5,000	Straight-line	5-50 years
Equipment (governmental activities)	5,000	Straight-line	5-50 years
Equipment (proprietary funds)	1,000	Straight-line	10 years

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

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

g. Long-Term Liabilities:

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

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

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

h. Cash and Cash Equivalents:

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

i. Deferred Outflows/Inflows of Resources:

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

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

j. Program Revenues:

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

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

k. Proprietary Funds Revenue and Expense Classifications:

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

i. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

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

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

o. Use of Estimates:

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

p. Pensions:

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

q. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

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

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

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

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

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

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

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

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

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

As of June 30, 2022, the School District had \$1,324,261 fair value invested in External Investment Pools, SDFIT – Government Cash Reserves. These are unrated.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from investments to the fund making the investment.

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

3. Inventory:

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

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

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

4. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from the property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

5. Receivables and Payables:

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets:

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

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 339,432	\$ --	\$ --	\$ 339,432
Total capital assets not being depreciated	<u>339,432</u>	<u>--</u>	<u>--</u>	<u>339,432</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	15,633,146	44,639	--	15,677,785
Machinery & Equipment	1,164,251	73,273	18,177	1,219,347
Library Books	449,216	11,680	--	460,896
Total capital assets being depreciated/amortized	<u>17,246,613</u>	<u>129,592</u>	<u>18,177</u>	<u>17,358,028</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	4,595,598	352,951	--	4,948,549
Machinery & Equipment	670,581	68,607	16,662	722,526
Library Books	320,749	23,045	--	343,794
Total accumulated depreciation/amortized	<u>5,586,928</u>	<u>444,603</u>	<u>16,662</u>	<u>6,014,869</u>
Total capital assets being depreciated/amortized, net	<u>11,659,685</u>	<u>(315,011)</u>	<u>1,515</u>	<u>11,343,159</u>
Net Capital Assets	<u>\$ 11,999,117</u>	<u>\$ (315,011)</u>	<u>\$ 1,515</u>	<u>\$ 11,682,591</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 149,430
Support services	168,705
Co-curricular activities	126,468
Total Depreciation/Amortization Expense	<u>\$ 444,603</u>

	<u>6/30/2021</u>			<u>6/30/2022</u>
		<u>Increases</u>	<u>Decreases</u>	
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 191,394	\$ 38,413	\$ --	\$ 229,807
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>93,399</u>	<u>13,241</u>	<u>--</u>	<u>106,640</u>
Total capital assets being depreciated, net	<u>\$ 97,995</u>	<u>\$ 25,172</u>	<u>\$ --</u>	<u>\$ 123,167</u>

Flandreau School District No. 50-3
Notes to the Financial Statements
June 30, 2022

6. Changes in Capital Assets: (Continued)

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 13,241

7. Long-Term Liabilities:

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

	6/30/2021	Increase	Decrease	6/30/2022	Due Within One Year
Governmental Activities:					
Capital Outlay Certificates	\$ 3,895,000	\$ 3,405,000	\$ 3,895,000	\$ 3,405,000	\$ --
Plus: Unamortized Premiums	--	240,667	--	240,667	--
	3,895,000	3,645,667	3,895,000	3,645,667	--
Other Liabilities:					
Compensated Absences	18,655	16,608	18,655	16,608	16,608
Total Long-Term Liabilities	\$ 3,913,655	\$ 3,662,275	\$ 3,913,655	\$ 3,662,275	\$ 16,608

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

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

Flandreau School District No 50-3 Capital Outlay Certificates, Series 2022	During March 2022, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$3,405,000. These bond have a varying interest rate of 3 to 4% assessed on these bonds. Final payment is June 2032. The Capital Outlay Fund makes payment on this debt.	\$ 3,405,000
--	--	--------------

Compensated Absences – Payable from the fund to which payroll expenditures are charged	\$ 16,608
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Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

The annual requirements to amortize the Capital Outlay Certificate and Premium outstanding as of June 30, 2022 are as follows:

Year Ending June 30,	Capital Outlay Certificates and Premium	
	Principal	Interest
2023	\$ --	\$ 96,338
2024	381,741	104,775
2025	396,741	93,900
2026	406,741	82,650
2027	416,741	69,150
2028-2032	2,043,703	141,975
Totals	\$ 3,645,667	\$ 588,788

During fiscal year 2022, the School District issued \$3,405,000 in Capital Outlay Refunding Certificates with an average interest rate of 3-4% to refund the 2017 Limited Tax Capital Outlay Refunding Certificates that had an average interest rate of 1.6-3% and had an unpaid balance of \$3,895,000 at the time of refunding.

The School District refunded the debt to reduce its total debt service payments over the next 10 years by \$600,627 and to obtain an economic gain of \$233,381. The entire proceeds of the refunding issue in the amount of \$3,941,121 were deposited into an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded issue. As a result, the refunded issue is considered to be defeased and the liability for that issue has been removed from the financial statements of the School District.

8. Interfund Transfers:

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

Transfer From:	Transfer To:
	General Fund
Capital Outlay	\$ 176,500
Totals	\$ 176,500

The School District transferred \$176,500 to the General Fund from the Capital Outlay Fund to help pay operating costs per SDCL.

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

9. Restricted Net Position:

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 1,727,671
Special Education	Law	72,340
Debt Service	Debt Covenant	203,963
SDRS Pension Purposes	Law	640,592
Total		<u>\$ 2,644,566</u>

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 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 Adjustments.

c. Contributions:

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

<u>Year</u>	<u>Amount</u>
2022	\$ 269,135
2021	\$ 266,578
2020	\$ 247,103

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

Proportionate share of pension liability	\$ 27,343,373
Less proportionate share of net pension restricted for pension benefits	<u>28,853,526</u>
Proportionate share of net pension (asset)	<u><u>\$ (1,510,153)</u></u>

At June 30, 2022, the School District reported an asset of (\$1,510,153) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.19719200%, which is an increase of 0.0088202% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$408,938. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 54,218	\$ 3,959
Changes in assumption	1,736,661	756,263
Net difference between projected and actual earnings on pension plan investments	--	2,157,284
Changes in proportion and difference between district contributions and proportionate share of contributions	208	12,277
District contributions subsequent to the measurement date	<u>269,135</u>	<u>--</u>
Total	<u><u>\$ 2,060,222</u></u>	<u><u>\$ 2,929,783</u></u>

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

\$269,135 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2023	\$ (285,880)
2024	(192,496)
2025	(53,448)
2026	(606,872)
Total	<u>\$ (1,138,696)</u>

e. Actuarial Assumptions:

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

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

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled mem1-2bers were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.).

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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>	

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	<u>\$ 2,445,314</u>	<u>\$ (1,510,153)</u>	<u>\$ (4,721,072)</u>

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

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

11. Joint Ventures:

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

<u>District</u>	<u>Percentage</u>
Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	5%
Colman-Egan School District No. 50-5	5%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	7%
Howard School District No. 48-3	8%
Madison Central School District No. 39-2	15%
Tri-Valley School District No. 49-6	15%

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the Net Position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Prairie Lakes Educational Cooperative.

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

	<u>June 30, 2022</u>
Total Assets	\$ 186,011
Total Deferred Outflows	\$ 107,001
Total Liabilities	\$ 49,058
Total Deferred Inflows	\$ 148,162
Total Net Position	\$ 95,792

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

12. Risk Management:

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

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

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

Worker's Compensation

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

During the year ended June 30, 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.

13. Flandreau School District Education Foundation:

The Flandreau School District Education Foundation is a nonprofit organization formed April 30, 1999 by members of the community to accept contributions to be used for the benefit of the School. The Foundation is a Component Unit of the Primary Government, but is not reported as a Component Unit due to the following:

The Foundation had no assets at June 30, 2022. However, the organization will continue to exist, in case donations are made in the future. The Foundation's Board of Directors is made up of members of the School Board.

Flandreau School District No. 50-3

Notes to the Financial Statements

June 30, 2022

14. Implementation of New Accounting Standard:

In 2022, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities that were previously classified as operating leases. The implementation of this standard had no effect on beginning net position.

15. Subsequent Events:

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

Required Supplementary Information

Flandreau School District No. 50-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,129,716	\$ 1,129,716	\$ 1,133,802	\$ 4,086
Prior years' ad valorem taxes	14,000	14,000	20,657	6,657
Utility taxes	89,000	89,000	81,375	(7,625)
Penalties and interest on taxes	4,300	4,300	5,926	1,626
Earnings on Investments and Deposits	500	500	523	23
Cocurricular Activities:				
Admissions	20,000	20,000	23,343	3,343
Student organization memberships	2,200	2,200	1,275	(925)
Rentals	1,300	1,300	1,260	(40)
Other student activity income	11,865	11,865	816	(11,049)
Other Revenue from Local Sources:				
Rentals	1,200	1,200	100	(1,100)
Contributions and donations	4,500	4,500	12,255	7,755
Charges for services	21,000	21,000	22,636	1,636
Other	33,000	33,000	47,950	14,950
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	110,000	110,000	114,614	4,614
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	3,288,532	3,288,532	3,391,656	103,124
Restricted grants-in-aid	13,000	13,000	8,380	(4,620)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	50,028	50,028	53,803	3,775
Restricted grants-in-aid received from federal government through the state	479,340	479,340	481,482	2,142
Other Federal Revenue	--	--	2,496	2,496
Total Revenues	<u>\$ 5,273,481</u>	<u>\$ 5,273,481</u>	<u>\$ 5,404,349</u>	<u>\$ 130,868</u>

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

Flandreau School District No. 50-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,289,706	\$ 1,295,705	\$ 1,269,636	\$ 26,069
Middle/junior high	906,642	906,642	844,965	61,677
High school	924,526	934,526	918,430	16,096
Special Programs:				
Educationally deprived	274,484	274,484	270,664	3,820
Support Services:				
Students:				
Attendance and social work	56,545	98,645	102,423	(3,778)
Guidance	209,292	209,292	160,985	48,307
Health	7,100	9,600	7,842	1,758
Instructional Staff:				
Improvement of instruction	32,636	37,636	54,039	(16,403)
Educational media	220,188	220,188	211,031	9,157
General Administration:				
Board of education	61,040	61,040	51,580	9,460
Executive administration	148,068	148,068	149,717	(1,649)
School Administration:				
Office of the principal	386,766	392,953	394,275	(1,322)
Other	3,000	3,000	2,703	297
Business:				
Fiscal services	153,643	153,643	153,328	315
Operation and maintenance of plant	790,366	823,066	748,170	74,896
Student transportation	200,000	229,000	228,290	710
Food service	16,000	16,000	14,275	1,725
Cocurricular Activities:				
Male activities	68,960	72,460	72,219	241
Female activities	45,850	47,600	47,529	71
Transportation	42,500	59,500	59,640	(140)
Combined activities	95,820	95,820	93,610	2,210
Contingency	25,000	--	--	--
Total Expenditures	<u>5,958,132</u>	<u>6,088,868</u>	<u>5,855,351</u>	<u>233,517</u>
Excess of Revenues Over Expenditures	<u>(684,651)</u>	<u>(815,387)</u>	<u>(451,002)</u>	<u>364,385</u>
Other Financing Sources				
Operating transfers in	<u>583,820</u>	<u>583,820</u>	<u>460,320</u>	<u>(123,500)</u>
Net Change in Fund Balances	(100,831)	(231,567)	9,318	240,885
Fund Balance, Beginning of Year	<u>1,664,171</u>	<u>1,664,171</u>	<u>1,664,171</u>	<u>--</u>
Fund Balance, Ending of Year	<u>\$ 1,563,340</u>	<u>\$ 1,432,604</u>	<u>\$ 1,673,489</u>	<u>\$ 240,885</u>

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

Flandreau School District No. 50-3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,631,000	\$ 1,631,000	\$ 1,586,550	\$ (44,450)
Prior years' ad valorem taxes	10,000	10,000	17,896	7,896
Penalties and interest on taxes	750	750	2,590	1,840
Earnings on Investments & Deposits	200	200	544	344
Other Revenue from Local Sources:				
Contributions and donations	--	--	500	500
Other	--	--	2,798	2,798
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	125,000	125,000	149,003	24,003
Other Federal Revenue	--	--	16,395	16,395
Total Revenues	1,766,950	1,766,950	1,776,276	9,326
Expenditures:				
Instructional Services:				
Regular Programs:				
Elementary	285,350	285,350	231,475	53,875
Middle/junior high	183,700	183,700	130,593	53,107
High school	195,150	195,150	133,494	61,656
Support Services:				
Students:				
Guidance	--	400	400	--
Instructional Staff:				
Educational media	21,500	41,800	119,480	(77,680)
General Administration:				
Executive administration	600	600	465	135
Business:				
Fiscal services	7,695	7,695	7,695	--
Operation and maintenance of plant	255,605	255,605	238,995	16,610
Student transportation	34,000	42,140	42,126	14
Community Services:				
Other	--	--	5,500	(5,500)
Debt Services	420,500	420,500	123,318	297,182
Cocurricular Activities:				
Male activities	17,900	22,400	22,278	122
Female activities	8,400	8,400	6,529	1,871
Combined activities	36,550	39,050	38,978	72
Total Expenditures	1,466,950	1,502,790	1,101,326	401,464
Excess of Revenue Over (Under) Expenditures	300,000	264,160	674,950	410,790
Other Financing Sources (Uses)				
Transfers out	(300,000)	(300,000)	(176,500)	123,500
Proceeds of general long-term liabilities	--	--	3,645,667	3,645,667
Payment to refunded debt escrow	--	--	(3,941,121)	(3,941,121)
Total Other Financing Sources (Uses)	(300,000)	(300,000)	(471,954)	(171,954)
Net Change in Fund Balances	--	(35,840)	202,996	238,836
Fund Balance, Beginning of Year	1,515,140	1,515,140	1,515,140	--
Fund Balance, Ending of Year	\$ 1,515,140	\$ 1,479,300	\$ 1,718,136	\$ 238,836

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

Flandreau School District No. 50-3
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 793,475	\$ 793,475	\$ 896,617	\$ 103,142
Prior years' ad valorem taxes	35,000	35,000	10,066	(24,934)
Penalties and interest on taxes	500	500	1,441	941
Earnings on investments & deposits	10	10	39	29
Other Revenue from Local Sources:				
Services provided other school districts	50,000	50,000	--	(50,000)
Charges for services	71,000	71,000	69,120	(1,880)
Other	--	--	1,950	1,950
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	831,952	831,952	531,876	(300,076)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from the federal government	2,000	2,000	19,922	17,922
Restricted grants-in-aid received from federal government through the state	219,041	219,041	216,258	(2,783)
Total Revenues	<u>2,002,978</u>	<u>2,002,978</u>	<u>1,747,289</u>	<u>(255,689)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for Special Education	1,266,977	1,266,977	1,090,741	176,236
Support Services:				
Students:				
Health	49,000	49,000	15,928	33,072
Psychological	94,094	94,094	78,136	15,958
Speech pathology	249,231	249,231	220,124	29,107
Student therapy services	130,000	130,000	138,195	(8,195)
Instructional Staff:				
Improvement of instruction	2,000	5,200	7,392	(2,192)
Special Education:				
Administrative costs	114,626	114,626	69,165	45,461
Transportation costs	105,050	118,550	110,188	8,362
Other special education costs	10,000	10,000	--	10,000
Total Expenditures	<u>2,020,978</u>	<u>2,037,678</u>	<u>1,729,869</u>	<u>307,809</u>
Net Change in Fund Balance	(18,000)	(34,700)	17,420	52,120
Fund Balance, Beginning of Year	<u>49,558</u>	<u>49,558</u>	<u>49,558</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 31,558</u>	<u>\$ 14,858</u>	<u>\$ 66,978</u>	<u>\$ 52,120</u>

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

Flandreau School District No. 50-3
Notes to the Required Supplementary Information
June 30, 2022

1. Basis of Presentation:

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

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

Flandreau School District No. 50-3
Notes to the Required Supplementary Information
June 30, 2022 (Continued)

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

	Year Ended 6/30/2022
<u>General Fund:</u>	
USGAAP Basis Fund Balance	\$ 2,049,806
Reconciling Items:	
Impact Aid Fund Balance	(376,317)
Budgetary Basis Fund Balance	\$ 1,673,489

2. GAAP/ Budgetary Accounting Basis Differences:

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

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

Flandreau School District No. 50-3

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1971920%	0.1883718%	0.1846500%	0.1815700%	0.1751687%	0.1713106%	0.1675114%	0.1732669%
District's proportionate share of net pension liability (asset)	\$ (1,510,153)	\$ (8,181)	\$ (19,568)	\$ (4,234)	\$ (15,897)	\$ 578,670	\$ (710,463)	\$ (1,248,317)
District's covered-employee payroll	\$ 4,442,961	\$ 4,121,823	\$ 3,926,115	\$ 3,774,556	\$ 3,559,045	\$ 3,257,454	\$ 3,058,271	\$ 3,029,960
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.99%	0.20%	0.50%	0.11%	0.45%	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%	104.10%	107.30%

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

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

Flandreau School District No. 50-3
Schedule of the School District Contributions South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 269,135	\$ 266,578	\$ 247,103	\$ 235,567	\$ 226,474	\$ 213,544	\$ 195,448	\$ 183,497	\$ 181,798
Contributions in relation to the contractually-required contribution	<u>269,135</u>	<u>266,578</u>	<u>247,103</u>	<u>235,567</u>	<u>226,474</u>	<u>213,544</u>	<u>195,448</u>	<u>183,497</u>	<u>181,798</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 4,485,584	\$ 4,442,961	\$ 4,121,823	\$ 3,926,115	\$ 3,774,556	\$ 3,559,045	\$ 3,257,454	\$ 3,058,271	\$ 3,029,960
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	5.99%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Flandreau School District No. 50-3

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2022

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation 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:

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.

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

Supplementary Information

Flandreau School District No. 50-3
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program (Note 4)	10.555	NA	\$44,400
Cash Assistance:			
School Breakfast Program (Note 3 and 4)	10.553	NA	61,623
National School Lunch Program (Note 3 and 4)	10.555	NA	395,415
Fresh Fruit and Vegetable Program (Note 4)	10.582	NA	<u>16,042</u>
Total Child Nutrition Cluster			<u>517,480</u>
Total U.S. Department of Agriculture			<u>517,480</u>
National Foundation on the Arts & Humanities			
Pass Through SD Department of Education			
Grants to States	45.310	NA	<u>18,890</u>
Total National Foundation on the Arts and Humanities			<u>18,890</u>
U.S. Department of Education:			
Direct Program			
Impact Aid (Title VIII of ESEA)	84.041	NA	303,742
Indian Education - Grants to Local Educational Agencies	84.060	NA	<u>53,803</u>
Total Direct Program-US Department of Education			<u>357,545</u>
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	NA	129,414
Career and Technical Education - Basic Grants to States	84.048	NA	15,699
Supporting Effective Instruction State Grant	84.367	NA	42,003
School Support and Academic Enrichment Grants	84.424	NA	15,160
Elementary and Secondary School Emergency Relief Fund (Note 4)	84.425D	NA	266,459
American Rescue Plan Elementary and Secondary School Emergency Relief (Note 4)	84.425U	NA	<u>142,714</u>
Special Education Cluster:			
Special Education Grants to States (IDEA, Part B)	84.027	NA	213,314
Special Education - Preschool Grants (IDEA Preschool)	84.173	NA	<u>5,937</u>
Total Special Education Cluster			<u>219,251</u>
Total U.S. Department of Education			<u>1,188,245</u>
Grand Total			<u>\$ 1,724,615</u>

Flandreau School District No. 50-3
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Flandreau School District No. 50-3 under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Flandreau School District No. 50-3, it is not intended to and does not present the financial position, changes in net position, or cash flows of Flandreau School District No. 50-3.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursements:

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

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.