

Alcester-Hudson School District No. 61-1

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

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

Alcester-Hudson School District No. 61-1

School District Officials

June 30, 2022

Board Members

Jay Hallaway----- Board President
Amanda Beeler -----Vice President
Josh Carlson ----- Member
Dawn Butzer----- Member
Justin Teunissen ----- Member
Jessica Paulson----- Member
Travis Stene----- Member

Tim Rhead-----Superintendent

Natalie Stene-----Business Manager

Alcester-Hudson School District No. 61-1

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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
Alcester-Hudson School District No. 61-1
Union 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 Alcester-Hudson School District No. 61-1, 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 August 23, 2023, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompany Schedule of Current Audit Findings as Item 2022-001 that we consider to be significant deficiencies.

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, and contracts 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*.

School District's Response to Findings

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

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 dark ink, appearing to read "CIO of Elk Point". The signature is written in a cursive, flowing style.

Elk Point, South Dakota
August 23, 2023

Alcester-Hudson School District No. 61-1
Schedule of Prior Audit Findings
June 30, 2022

Prior Audit Findings:

Finding Number 2021-001 – Internal Control Finding

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated under current audit finding number 2022-001.

Finding Number 2021-002 – Compliance Finding

A significant deficiency resulting from not submitting the proposed and approved budget as well as the required salaries publication in the newspaper. This finding has been corrected.

Alcester-Hudson School District No. 61-1
Schedule of Current Audit Findings
June 30, 2022

Current Audit Findings:

Finding Number 2022-001 – Internal Control Finding

There is a significant deficiency resulting from the lack of segregation of duties.

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to internal controls. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect: The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation: We recommend that Alcester-Hudson School District officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever practical.

Management's Response: The School District's Board is aware of the lack of segregation of duties, however at this time it is not cost effective to hire the additional staff needed to achieve segregation of duties. The Board will continue to monitor the necessity to have segregation of duties for revenue and implement such a segregation as budget dollars and board authority allow.



Independent Auditor's Report

School Board
Alcester-Hudson School District No. 61-1
Union 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 Alcester-Hudson School District No. 61-1, 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 Alcester-Hudson School District No. 61-1 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 qualified and unmodified audit opinions.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 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

August 23, 2023

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Alcester-Hudson School District 61-1'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 and business-type activities (government-wide statements) was \$289,098
- The School continued to reap the benefits of a successful Opt Out passed on June 18, 2002, for \$400,000. There are no time limits attached to the Opt Out.
- The Schools K-12 enrollment stayed steady compared to FY21.

Overview of the Financial Statements

This annual 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.
 1. The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like a business. The only proprietary funds operated by the school are the Food Service Operation and Driver's Education Funds.
 3. 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.

Alcester-Hudson School District No. 61-1
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. This includes the General Fund, Capital Outlay Fund, Special Education Fund, and Pension Fund.

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities – 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 counselors, 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 and Other Enterprise Funds 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 School Board Scholarship Trust).

Alcester-Hudson School District No. 61-1
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 convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund 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 funds 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 fund statements, like the government-wide statements, provide both short and long-term financial information. The Proprietary Funds maintained by the School are the Food Service Enterprise Fund and the Drivers Education Enterprise Fund.
- **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.

Alcester-Hudson School District No. 61-1
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
Alcester-Hudson District 61-1
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	\$ 4,742,777	\$ 5,817,196	\$ 35,927	\$ 76,119	\$ 4,778,704	\$ 5,893,315	23.32%
Capital Assets (Net of Depreciation)	12,827,074	12,590,605	28,110	21,618	12,855,184	12,612,223	-1.89%
Total Assets	17,569,851	18,407,801	64,037	97,737	17,633,888	18,505,538	4.94%
Pension Related Deferred Outflows	755,398	1,149,815	--	--	755,398	1,149,815	52.21%
Total Deferred Outflows or Resources	755,398	1,149,815	--	--	755,398	1,149,815	52.21%
Long-Term Liabilities Outstanding	9,354,142	9,100,074	--	--	9,354,142	9,100,074	-2.72%
Other Liabilities	332,843	435,813	11,768	26,751	344,611	462,564	34.23%
Total Liabilities	9,686,985	9,535,887	11,768	26,751	9,698,753	9,562,638	-1.40%
Taxes Levied for Future Period	1,154,532	--	--	--	1,154,532	--	-100.00%
Pension Related Deferred Inflows	618,933	1,617,800	--	--	618,933	1,617,800	161.39%
Total Deferred Inflows of Resources	1,773,465	1,617,800	--	--	1,773,465	1,617,800	-8.78%
Net Investment in Capital Assets	3,527,524	3,703,530	28,110	21,618	3,555,634	3,725,148	4.77%
Restricted	2,457,884	2,939,874	--	--	2,457,884	2,939,874	19.61%
Unrestricted	879,391	491,746	24,159	49,368	903,550	541,114	-40.11%
Total Net Position	6,864,799	7,135,150	52,269	70,986	6,917,068	7,206,136	4.18%
Beginning Net Position	6,587,573	6,864,799	40,175	52,269	6,627,748	6,917,068	4.37%
Increase (Decrease) in Net Position	\$ 277,226	\$ 270,351	\$ 12,094	\$ 18,717	\$ 289,320	\$ 289,068	0.09%
Percentage of Increase (Decrease) in Net Position	4.21%	3.94%	30.10%	35.81%	4.37%	4.18%	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities 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 other post-employment benefits and accrued compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The School's total revenues totaled \$5,726,350 (See table A-4). Approximately 55% of the School's revenue comes from property taxes, with another 26.8% coming from State Aid . (See Table A-2).

Table A-2
Alcester-Hudson School District 61-1
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 3,161,013	55.19%
State Sources	1,536,619	26.83%
Operating Grants & Contributions	674,928	11.79%
Charges For Services	235,033	4.10%
Other General Revenues	112,042	1.96%
Unrestricted Investment Earnings	<u>7,276</u>	<u>0.13%</u>
Total Revenue	<u><u>\$ 5,726,911</u></u>	<u><u>100.00%</u></u>

The School's expenses totaled \$5,437,282 (see table A-4) and covered a range of services, including instruction, support services, interest on long-term debt, community services, co-curricular activities, food service, and other enterprise (See Table A-3).

Table A-3
Alcester-Hudson School District 61-1
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 2,726,728	50.12%
Support Services	1,836,632	33.78%
Interest - on Long-Term Debt	276,554	5.09%
Community Services	17,195	0.32%
Cocurricular Activities	365,225	6.72%
Food Service	206,997	3.81%
Other Enterprise	<u>8,512</u>	<u>0.16%</u>
Total Expenditures	<u><u>\$ 5,437,843</u></u>	<u><u>100.00%</u></u>

Alcester-Hudson School District No. 61-1
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
Alcester-Hudson School District 61-1
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 3,945	\$ 226,043	\$ 36,821	\$ 8,990	\$ 40,766	\$ 235,033	476.54%
Operating Grants/ Contributions	318,009	449,692	161,809	225,236	479,818	674,928	40.66%
General Revenues							
Taxes	3,194,974	3,161,013	--	--	3,194,974	3,161,013	-1.06%
Revenue State Sources	1,542,084	1,536,619	--	--	1,542,084	1,536,619	-0.35%
Federal state sources	172,000	--	--	--	172,000	--	-100.00%
Other							
Other general revenues	114,466	112,042	--	--	114,466	112,042	-2.12%
Unrestricted Investment Earnings	2,901	7,276	--	--	2,901	7,276	150.81%
	<u>5,348,379</u>	<u>5,492,685</u>	<u>198,630</u>	<u>234,226</u>	<u>5,547,009</u>	<u>5,726,911</u>	<u>3.24%</u>
Expenses							
Instruction	2,636,000	2,726,728	--	--	2,636,000	2,726,728	3.44%
Support Services	1,736,831	1,836,632	--	--	1,736,831	1,836,632	5.75%
Community Services	96,381	17,195	--	--	96,381	17,195	-82.16%
Interest on long-term debt	272,117	276,554	--	--	272,117	276,554	1.63%
Co-curricular Activities	310,501	365,225	--	--	310,501	365,225	17.62%
Food Service	--	--	202,923	206,997	202,923	206,997	2.01%
Other Enterprise	--	--	2,936	8,512	2,936	8,512	189.92%
	<u>5,051,830</u>	<u>5,222,334</u>	<u>205,859</u>	<u>215,509</u>	<u>5,257,689</u>	<u>5,437,843</u>	<u>3.43%</u>
Excess (Deficiency) Before Transfers	296,549	270,351	(7,229)	18,717	289,320	289,068	-0.09%
Transfers	(19,323)	--	19,323	--	--	--	0.00%
Increase (Decrease) in Net Position	277,226	270,351	12,094	18,717	289,320	289,068	-0.09%
Beginning Net Position	6,587,573	6,864,799	40,175	52,269	6,627,748	6,917,068	4.37%
Ending Net Position	<u>\$ 6,864,799</u>	<u>\$ 7,135,150</u>	<u>\$ 52,269</u>	<u>\$ 70,986</u>	<u>\$ 6,917,068</u>	<u>\$ 7,206,136</u>	<u>4.18%</u>

Governmental Activities

Revenues for the governmental activities increased by 2.7% due to an increase in charges for services and unrestricted investment earnings. Expenses increased by 3.4%.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Business Type Activities

Revenues of the School's business-type activities increased by 17.6% due to an increase in operating grants/contributions and expenses increased by 4.4%.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund decreased \$224,581 as a result of expenditures exceeding revenues. The Capital Outlay Fund increased \$267,693 as a result of revenues exceeding expenditures. The Special Education Fund decreased \$43,661 as a result of expenditures exceeding revenues.

Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Capital Asset Administration

At the end of 2022, the School had the following changes in Capital Assets (See Table A-5).

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 60,000	\$ 60,000	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	12,293,736	12,072,607	--	--	(221,129)	-1.80%
Machinery & Equipment	389,843	374,776	28,111	21,618	(21,560)	-5.16%
Library Books	83,496	83,222	--	--	(274)	-0.33%
Total Capital Assets	<u>\$ 12,827,075</u>	<u>\$ 12,590,605</u>	<u>\$ 28,111</u>	<u>\$ 21,618</u>	<u>\$ (242,963)</u>	<u>-1.89%</u>

Some of this year's major capital asset purchases were new turf , logo and engraved rock, A new bus, new scoreboard, a new server, and new library books.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

The Alcester-Hudson School District had \$9,100,074 in outstanding debt and obligations see individual balances on Table A-6. This is a 2.75% decrease from last year as shown on Table A-6.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar	Total %
	2021	2022	Change	Change
General Obligation Bonds	\$ 6,380,000	\$ 6,110,000	\$ (270,000)	-4.23%
Plus: Unamortized Premiums	404,550	382,075	(22,475)	-5.56%
Capital Outlay Certificates	2,515,000	2,395,000	(120,000)	-4.77%
Other Post Employment Benefits	--	167,495	167,495	100.00%
Direct Borrowing Note	2,195	--	(2,195)	-100.00%
Accrued Compensated Absences -				
Governmental Funds	52,397	45,504	(6,893)	-13.16%
Total Outstanding Debt	<u>\$ 9,354,142</u>	<u>\$ 9,100,074</u>	<u>\$ (254,068)</u>	<u>-2.72%</u>

Economic Factors and Next Year's Budgets and Rates

The School's current economic position is still strong since overall net position increased by \$289,068 which is a less than 1% decrease from prior year.

The School continued to reap the benefits of a successful Opt Out passed on June 18, 2002, for \$400,000. There are no time limits attached to the Opt Out.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Alcester-Hudson School District's Business Office, 409 E 6th Street, P.O. Box 198, Alcester, SD 57001.

Alcester-Hudson School District No. 61-1
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,511,414	\$ 71,143	\$ 3,582,557
Accounts receivable	1,682	--	1,682
Taxes receivable	1,299,258	--	1,299,258
Due from other government	169,285	--	169,285
Inventories	--	4,976	4,976
Net pension asset	835,557	--	835,557
Capital assets:			
Land and construction in progress	60,000	--	60,000
Other capital assets, net of depreciation	12,530,605	21,618	12,552,223
Total Assets	18,407,801	97,737	18,505,538
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,149,815	--	1,149,815
Total Deferred Outflows of Resources	1,149,815	--	1,149,815
Liabilities:			
Accounts payable	67,019	--	67,019
Unearned revenue	--	22,774	22,774
Other current liabilities	368,794	3,977	372,771
Long-term liabilities:			
Due within one year	432,771	--	432,771
Due in more than one year	8,667,303	--	8,667,303
Total Liabilities	9,535,887	26,751	9,562,638
Deferred Inflows of Resources:			
Taxes levied for future periods	--	--	--
Pension related deferred inflows	1,617,800	--	1,617,800
Total Deferred Inflows of Resources	1,617,800	--	1,617,800
Net Position:			
Net investment in capital assets	3,703,530	21,618	3,725,148
Restricted for:			
Capital outlay	2,076,996	--	2,076,996
Special education	103,160	--	103,160
Debt service	392,146	--	392,146
SDRS pension purposes	367,572	--	367,572
Unrestricted	491,746	49,368	541,114
Total Net Position	\$ 7,135,150	\$ 70,986	\$ 7,206,136

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

Alcester-Hudson School District No. 61-1
Statement of Activities – Government-Wide
June 30, 2022

				Net (Expenses) Revenues and Changes in Net Position		
				Primary Government		
		Program Revenues				
		Charges for	Operating	Governmental	Business-Type	
Functions/Programs	Expenses	Services	Grants and Contributions	Activities	Activities	Total
Governmental Activities:						
Instruction	\$ 2,726,728	\$ --	\$ 431,402	\$ (2,295,326)	\$ --	\$ (2,295,326)
Support services	1,836,632	217,614	18,290	(1,600,728)	--	(1,600,728)
Community Services	17,195	--	--	(17,195)	--	(17,195)
Interest on long-term debt	276,554	--	--	(276,554)	--	(276,554)
Cocurricular activities	365,227	8,429	--	(356,798)	--	(356,798)
Total Governmental Activities	5,222,336	226,043	449,692	(4,546,601)	--	(4,546,601)
Business-Type Activities:						
Food service	206,997	4,505	225,236	--	22,744	22,744
Driver's education	8,512	4,485	--	--	(4,027)	(4,027)
Total Business Type Activities	215,509	8,990	225,236	--	18,717	18,717
Total Primary Government	\$ 5,437,845	\$ 235,033	\$ 674,928	(4,546,601)	18,717	(4,527,884)
General Revenues:						
Taxes:						
Property taxes				3,076,042	--	3,076,042
Utility taxes				84,971	--	84,971
Revenue from State Sources:						
State aid				1,536,619	--	1,536,619
Unrestricted investment earnings				7,276	--	7,276
Contributions and donations				14,149	--	14,149
Other general revenues				97,893	--	97,893
Total General Revenues				4,816,950	--	4,816,950
Change in Net Position				270,349	18,717	289,066
Net Position - Beginning of Year				6,864,801	52,269	6,917,070
Net Position - End of Year				\$ 7,135,150	\$ 70,986	\$ 7,206,136

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

Alcester-Hudson School District No. 61-1

Balance Sheet – Governmental Funds

June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 847,491	\$ 2,123,108	\$ 151,910	\$ 388,905	\$ 3,511,414
Taxes receivable - current	486,971	317,294	256,104	208,411	1,268,780
Taxes receivable - delinquent	15,089	7,728	4,421	3,240	30,478
Accounts receivable	1,603	--	79	--	1,682
Due from other governments	169,285	--	--	--	169,285
Total Assets	<u>\$ 1,520,439</u>	<u>\$ 2,448,130</u>	<u>\$ 412,514</u>	<u>\$ 600,556</u>	<u>\$ 4,981,639</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 9,898	\$ 49,840	\$ 7,281	\$ --	\$ 67,019
Contracts payable	256,365	--	34,996	--	291,361
Payroll deductions and withholding and employer matching payable	47,925	--	10,973	--	58,898
Unearned revenue	14,535	4,000	--	--	18,535
Total Liabilities	<u>328,723</u>	<u>53,840</u>	<u>53,250</u>	<u>--</u>	<u>435,813</u>
Deferred Inflows of Resources:					
Unavailable Revenue	486,971	317,294	256,104	208,410	1,268,779
Delinquent taxes not available	15,089	7,728	4,421	3,240	30,478
Total Deferred Inflows of Resources	<u>502,060</u>	<u>325,022</u>	<u>260,525</u>	<u>211,650</u>	<u>1,299,257</u>
Fund Balances:					
Restricted:					
For capital outlay	--	2,069,268	--	--	2,069,268
For special education	--	--	98,739	--	98,739
For debt service	--	--	--	388,906	388,906
Assigned	172,912	--	--	--	172,912
Unassigned	516,744	--	--	--	516,744
Total Fund Balances	<u>689,656</u>	<u>2,069,268</u>	<u>98,739</u>	<u>388,906</u>	<u>3,246,569</u>
Total Liabilities and Fund Balances	<u>\$ 1,520,439</u>	<u>\$ 2,448,130</u>	<u>\$ 412,514</u>	<u>\$ 600,556</u>	<u>\$ 4,981,639</u>

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

Alcester-Hudson School District No. 61-1Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balances - Governmental Funds \$ 3,246,569

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. 12,590,605

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

GO Bonds	(6,492,075)	
Other Post Employment Benefits	(167,495)	
Capital Outlay Certificates	(2,395,000)	
Accrued Leave	<u>(45,504)</u>	(9,100,074)

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 30,478

Proportionate Share of Net Pension Asset 835,557

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,617,800)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,149,815

Net Position - Governmental Activities \$ 7,135,150

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

Alcester-Hudson School District No. 61-1

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

June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,141,954	\$ 765,857	\$ 625,938	\$ 510,502	\$ 3,044,251
Prior years' ad valorem taxes	13,388	7,874	6,191	4,703	32,156
Utility taxes	84,971	--	--	--	84,971
Penalties and interest on taxes	2,052	343	279	228	2,902
Earnings on Investments and Deposits	2,081	4,892	303	--	7,276
Cocurricular Activities:					
Admissions	468	--	--	--	468
Other student activity income	7,961	--	--	--	7,961
Other Revenue from Local Sources:					
Rentals	1,000	--	--	--	1,000
Contributions and donations	--	14,149	--	--	14,149
Charges for services	6,058	--	4,468	--	10,526
Other	43,878	--	--	--	43,878
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	37,289	--	--	--	37,289
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,471,158	--	--	--	1,471,158
Restricted grants-in-aid	--	--	65,461	--	65,461
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received directly from federal government	18,290	--	--	--	18,290
Restricted grants-in-aid received from federal government through the state	431,402	--	--	--	431,402
Total Revenues	<u>\$ 3,261,950</u>	<u>\$ 793,115</u>	<u>\$ 702,640</u>	<u>\$ 515,433</u>	<u>\$ 5,273,138</u>

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

Alcester-Hudson School District No. 61-1

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

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 1,010,443	\$ 31,757	\$ --	\$ --	\$ 1,042,200
Middle/junior high	143,716	--	--	--	143,716
High school	573,412	48,609	--	--	622,021
Preschool	77,043	--	--	--	77,043
Special Programs:					
Programs for special education	--	--	616,935	--	616,935
Educationally deprived	132,240	--	--	--	132,240
Other special programs	3,978	--	--	--	3,978
Support Services:					
Students:					
Guidance	58,708	--	--	--	58,708
Psychological	--	--	19,468	--	19,468
Health	13,586	--	34,877	--	48,463
Speech pathology	--	--	20,404	--	20,404
Student therapy services	--	--	46,931	--	46,931
Instructional Staff:					
Improvement of instruction	48,436	--	--		48,436
Educational media	114,565	8,614	--	--	123,179
General Administration:					
Board of education	102,489	--	--	--	102,489
Executive administration	156,418	--	--	--	156,418
School Administration:					
Office of the principal	147,265	--	--	--	147,265
Other	544	--	--	--	544
Business:					
Fiscal services	114,613	8,363	--	--	122,976
Facilities acquisition and construction	--	25,983	--	--	25,983
Operation and maintenance of plant	401,291	1,122	--	--	402,413
Student transportation	141,343	9,642	--	--	150,985

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

Alcester-Hudson School District No. 61-1

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

June 30, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Special Education:					
Transportation costs	--	--	7,686	--	7,686
Community Services:					
Custoday and care of children	17,195	--	--	--	17,195
Debt Services:	--	205,927	--	485,297	691,224
Cocurricular Activities:					
Male activities	53,775	--	--	--	53,775
Female activities	37,263	--	--	--	37,263
Transportation	8,908	--	--	--	8,908
Combined activities	134,500	--	--	--	134,500
Capital Outlay	--	185,405	--	--	185,405
Total Expenditures	<u>3,491,731</u>	<u>525,422</u>	<u>746,301</u>	<u>485,297</u>	<u>5,248,751</u>
Excess of Revenue Over (Under) Expenditures	(229,781)	267,693	(43,661)	30,136	24,387
Other Financing Sources (Uses):					
Sale of Surplus Property	5,200	--	--	--	5,200
Total Other Financing Sources (Uses)	<u>5,200</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,200</u>
Net Change in Fund Balances	(224,581)	267,693	(43,661)	30,136	29,587
Fund Balance, Beginning of Year	<u>914,237</u>	<u>1,801,575</u>	<u>142,400</u>	<u>358,770</u>	<u>3,216,982</u>
Fund Balance, End of Year	<u><u>\$ 689,656</u></u>	<u><u>\$ 2,069,268</u></u>	<u><u>\$ 98,739</u></u>	<u><u>\$ 388,906</u></u>	<u><u>\$ 3,246,569</u></u>

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

Alcester-Hudson School District No. 61-1

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	\$	29,587
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.		185,405
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.		(421,875)
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		414,670
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."		(3,267)
Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses.		6,893
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		226,431
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.		(167,495)
Change in net position of governmental activities	\$	<u>270,349</u>

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

Alcester-Hudson School District No. 61-1

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	\$ 60,311	\$ 10,832	\$ 71,143
Inventory - supplies	1,500	--	1,500
Inventory - stores for resale	1,782	--	1,782
Inventory of donated food	1,694	--	1,694
Total Current Assets	65,287	10,832	76,119
Noncurrent Assets:			
Machinery and equipment - local funds	151,215	--	151,215
Less accumulated depreciation	(129,597)	--	(129,597)
Total Noncurrent Assets	21,618	--	21,618
Total Assets	\$ 86,905	\$ 10,832	\$ 97,737
Liabilities:			
Current Liabilities:			
Accounts payable	\$ --	\$ 673	\$ 673
Contracts payable	789	--	789
Payroll deductions and withholdings and employer matching payable	2,515	--	2,515
Unearned revenue	22,774	--	22,774
Total Current Liabilities	26,078	673	26,751
Net Position:			
Net investment in capital assets	21,618	--	21,618
Unrestricted net position	39,209	10,159	49,368
Total Net Position	\$ 60,827	\$ 10,159	\$ 70,986

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

Alcester-Hudson School District No. 61-1

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

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 164	\$ --	\$ 164
Adult	4,227	--	4,227
Miscellaneous Revenue	25	--	25
Other charges for goods and services	89	4,485	4,574
Total Operating Revenue	4,505	4,485	8,990
Operating Expenses:			
Food Service:			
Salaries	87,843	6,624	94,467
Employee benefits	28,274	904	29,178
Purchased services	458	--	458
Supplies	5,023	984	6,007
Cost of sales - purchased	64,611	--	64,611
Cost of sales - donated	12,789	--	12,789
Miscellaneous	1,506	--	1,506
Depreciation	6,493	--	6,493
Total Operating Expenses	206,997	8,512	215,509
Operating (Loss)	(202,492)	(4,027)	(206,519)
Nonoperating Revenues/Expenses:			
State grants	593	--	593
Federal grants	212,682	--	212,682
Donated food	11,961	--	11,961
Total Nonoperating Revenue/ (Expenses)	225,236	--	225,236
Change in Net Position	22,744	(4,027)	18,717
Net Position - Beginning Of Year	38,083	14,186	52,269
Net Position - End of Year	\$ 60,827	\$ 10,159	\$ 70,986

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

Alcester-Hudson School District No. 61-1

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	\$ 15,553	\$ 4,485	\$ 20,038
Cash payments to suppliers	(72,722)	(311)	(73,033)
Cash payments to employees	(112,813)	(7,528)	(120,341)
Net Cash (Used) by Operating Activities	(169,982)	(3,354)	(173,336)
Cash Flows from Noncapital Financing Activities:			
Other local revenue	--	--	--
Cash reimbursements - state	593	--	593
Cash reimbursements - federal	219,405	--	219,405
Net Cash Provided by Noncapital Financing Activities	219,998	--	219,998
Net Change in Cash and Cash Equivalents	50,016	(3,354)	46,662
Cash and Cash Equivalents, Beginning of Year	10,295	14,186	24,481
Cash and Cash Equivalents, End of Year	<u>\$ 60,311</u>	<u>\$ 10,832</u>	<u>\$ 71,143</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (202,492)	\$ (4,027)	\$ (206,519)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	6,493	--	6,493
Value of commodities used	12,789	--	12,789
Change in Assets and Liabilities:			
Inventory	(1,082)	--	(1,082)
Deferred revenue	11,048	--	11,048
Contracts payable	789	--	789
Accrued payroll expenses	2,515	--	2,515
Accounts payable	(42)	673	631
Net cash (used) by operating activities:	<u>\$ (169,982)</u>	<u>\$ (3,354)</u>	<u>\$ (173,336)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 11,961</u>	<u>\$ --</u>	<u>\$ 11,961</u>

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

Alcester-Hudson School District No. 61-1

Statement of Net Position – Fiduciary Funds

June 30, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 10,322	\$ 62,809
Accounts receivable	--	10,136
Total Assets	<u>\$ 10,322</u>	<u>\$ 72,945</u>
Liabilities:		
Amounts held for others	\$ --	\$ 72,945
Total Liabilities	<u>\$ --</u>	<u>\$ 72,945</u>
Net Position:		
Scholarships	<u>\$ 10,322</u>	
Total Net Position	<u>\$ 10,322</u>	

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

Alcester-Hudson School District No. 61-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	<u>Private-Purpose Trust Funds</u>
Additions:	
Contributions and donations	<u>\$ 4,244</u>
Total Additions	<u>4,244</u>
Deductions:	
Private Purpose Trust	<u>3,150</u>
Total Deductions	<u>3,150</u>
Change in Net Position	<u>1,094</u>
Net Position - Beginning	<u>9,228</u>
Net Position - Ending	<u><u>\$ 10,322</u></u>

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

Alcester-Hudson School District No. 61-1

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 Alcester-Hudson School District No. 61-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Fiduciary Funds:

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

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

No investments are currently classified in the financial statements. If there were, they would consist primarily of certificates of deposit whose term to maturity to 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by prior records at cost or historical costs. The total June 30, 2022 balance of capital assets for business-type activities are all valued at original cost.

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 not capitalized in accordance with USGAAP.

Depreciation 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 methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	NA	NA
Buildings	\$ 5,000	Straight-line	50 years
Improvements	\$ 5,000	Straight-line	10-50 years
Machinery and Equipment	\$ 5,000	Straight-line	2-20 years
Food Service Machinery and Equipment	\$ 1,000	Straight-line	12 years

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

Fund Financial Statements:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of general obligation bonds, capital outlay certificates, compensated absences, and other postemployment benefits.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) while 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. 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.

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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 are available.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

n. Fund Balance Classification Policies and Procedures:

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

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

The School District uses restricted/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 District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The School District has not adopted 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. 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.

Alcester-Hudson School District No. 61-1

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.

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.

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.

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 deposits and investment to the fund making the investment.

3. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

4. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated 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, Food Service Fund inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2022 in the governmental funds.

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

Alcester-Hudson School District No. 61-1

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:

	6/30/2021 Balance	Increases	Decreases	6/30/2022 Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 60,000	\$ --	\$ --	\$ 60,000
Total capital assets not being depreciated	<u>60,000</u>	<u>--</u>	<u>--</u>	<u>60,000</u>
Capital assets being depreciated:				
Buildings	13,303,452	--	--	13,303,452
Improvements	1,194,212	99,937	--	1,294,149
Machinery & Equipment	1,260,478	75,847	--	1,336,325
Library Books	188,278	9,621	--	197,899
Total capital assets being depreciated	<u>15,946,420</u>	<u>185,405</u>	<u>--</u>	<u>16,131,825</u>
Less accumulated depreciation for:				
Buildings	1,594,771	224,003	--	1,818,774
Improvements	609,157	97,063	--	706,220
Machinery & Equipment	870,635	90,914	--	961,549
Library Books	104,782	9,895	--	114,677
Total accumulated depreciation	<u>3,179,345</u>	<u>421,875</u>	<u>--</u>	<u>3,601,220</u>
Total capital assets being depreciated, net	<u>12,767,075</u>	<u>(236,470)</u>	<u>--</u>	<u>12,530,605</u>
Net Capital Assets	<u>\$ 12,827,075</u>	<u>\$ (236,470)</u>	<u>\$ --</u>	<u>\$ 12,590,605</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 88,594
Support services	202,500
Co-curricular activities	130,781
Total Depreciation Expense	<u>\$ 421,875</u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets: (Continued)

	<u>6/30/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 151,215	\$ --	\$ --	\$ 151,215
Less accumulated depreciation for:				
Machinery & Equipment	123,104	6,493	--	129,597
Total capital assets, net	<u>\$ 28,111</u>	<u>\$ (6,493)</u>	<u>\$ --</u>	<u>\$ 21,618</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$ 6,493</u>

7. Long-Term Liabilities:

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

	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 6,380,000	\$ --	\$ 270,000	\$ 6,110,000	\$ 275,000
Plus: Unamortized Premiums	404,550	--	22,475	382,075	22,475
Capital Outlay Certificates	2,515,000	--	120,000	2,395,000	120,000
	<u>9,299,550</u>	<u>--</u>	<u>412,475</u>	<u>8,887,075</u>	<u>417,475</u>
Other Liabilities:					
Compensated Absences	\$ 52,397	\$ 69,263	\$ 76,156	\$ 45,504	\$ 15,296
Other Post Employment Benefits	--	167,495	--	167,495	--
Direct Borrowing Note	2,195	--	2,195	--	--
Total Long-Term Liabilities	<u>\$ 9,354,142</u>	<u>\$ 236,758</u>	<u>\$ 490,826</u>	<u>\$ 9,100,074</u>	<u>\$ 432,771</u>

Compensated absences and other post-employment benefits for government activities typically have been liquidated from the General Fund. Direct Borrowing Notes have been liquidated from the Capital Outlay Fund.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2022 are comprised of the following:

Alcester-Hudson School District No 61-1 Capital Outlay Certificates, Series 2019	During July 2019, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$550,000. There is a varying interest rate of 1.85 to 3% assessed on these bonds. Final payment is June 2039. The Capital Outlay Fund makes payment on this debt.	\$ 525,000
Alcester-Hudson School District No 61-1 General Obligation Bonds, Series 2017	During December 2017, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$6,905,000. There is a varying interest rate of 1.4 to 4% assessed on these bonds. Final payment is August 2038. The Bond Redemption Fund makes payment on this debt.	\$ 6,110,000
Alcester-Hudson School District No 61-1 Capital Outlay Certificates, Series 2019	During August 2019, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,060,000. There is a varying interest rate of 2.05 to 3.4% assessed on these bonds. Final payment is February 2038. The Capital Outlay Fund makes payment on this debt.	\$ 1,870,000
Compensated Absences –		
Payable from the fund to which payroll expenditures are charged		\$ 45,504
Other Post Employment Benefits --		
Payable from the fund to which payroll expenditures are charged		\$ 167,495

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity of all debt outstanding, other than compensated absences and other post-employment benefits, as of June 30, 2022 are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 297,475	\$ 210,248	\$ 120,000	\$ 67,011	\$ 417,475	\$ 277,259
2024	302,475	205,668	125,000	62,653	427,475	268,321
2025	307,475	199,013	125,000	60,143	432,475	259,156
2026	317,475	190,313	130,000	57,584	447,475	247,897
2027	322,475	181,388	135,000	54,617	457,475	236,005
2028-2032	1,797,375	655,690	715,000	222,026	2,512,375	877,716
2033-2037	2,167,375	363,840	825,000	113,423	2,992,375	477,263
2038-2042	979,950	30,632	220,000	7,255	1,199,950	37,887
Totals	<u>\$ 6,492,075</u>	<u>\$ 2,036,792</u>	<u>\$ 2,395,000</u>	<u>\$ 644,712</u>	<u>\$ 8,887,075</u>	<u>\$ 2,681,504</u>

8. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 2,076,996
Special Education	Law	103,160
Debt Service	Debt Covenants	392,146
SDRS Pension Purposes	Law	367,572
Total		<u>\$ 2,939,874</u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

9. Pension Plan:

Plan Information:

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

Benefits Provided:

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

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

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

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

9. Pension Plan: (Continued)

- 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.

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. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 157,375
2021	\$ 148,557
2020	\$ 142,173

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 share 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	\$ 15,128,903
Less proportionate share of net pension restricted for pension benefits	15,964,461
Proportionate share of net pension (asset)	<u><u>\$ (835,558)</u></u>

At June 30, 2022, the School District reported an asset of (\$835,558) 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 0.10910500%, which is an increase of 0.0014515% from its proportion measured as of June 30, 2020.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

9. Pension Plan: (Continued)

For the year ended June 30, 2022, the School District recognized reduction of pension expense of (\$226,432). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 29,999	\$ 2,191
Changes in assumption	960,883	418,435
Net difference between projected and actual earnings on pension plan investments	--	1,193,611
Changes in proportion and difference between district contributions and proportionate share of contributions	1,559	3,564
District contributions subsequent to the measurement date	157,375	--
Total	<u>\$ 1,149,816</u>	<u>\$ 1,617,801</u>

\$157,375 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, 2022. 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	\$ (153,866)
2024	(105,919)
2025	(29,789)
2026	(335,785)
Total	<u>\$ (625,359)</u>

Actuarial Assumptions:

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

9. Pension Plan: (Continued)

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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>100.0%</u>	

Discount Rate:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

9. Pension Plan: (Continued)

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>\$ 1,352,976</u>	<u>\$ (835,558)</u>	<u>\$ (2,612,137)</u>

Pension Plan Fiduciary Net Position:

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

10. Other Post Employment Benefits – Healthcare Plan:

Plan Description: Alcester-Hudson School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any School District to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the District. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Alcester-Hudson School District, 409 E 6th Street, P.O. Box 198, Alcester, SD 57001 or by calling (605) 934-1890.

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

Employees covered by benefit terms: At June 30, 2021, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	3
Active employees	<u>59</u>
	<u>62</u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

10. Other Post Employment Benefits – Healthcare Plan: (Continued)

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2020 Actuarial Valuation Report. See Note 9 – Pension Note.

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ --
Service Cost	21,398
Interest	9,238
Effect on assumptions, changes or inputs	167,383
Benefit payments	<u>(30,524)</u>
End of Year Balances	<u><u>\$ 167,495</u></u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 2.16%

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 154,000	\$ 167,495	\$ 185,000

For the year ended June 30, 2022, the School District recognized OPEB expense of \$223,519.

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

<u>Year Ended June 30,</u>	
2023	\$ (30,000)
2024	(36,000)
2025	(31,000)
2026	(34,000)
2027	(29,000)
Thereafter	<u>(188,000)</u>
Total	<u><u>\$ (348,000)</u></u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

11. Joint Ventures:

The School District participates in the Southeast Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing pupil support services to the member school districts.

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

<u>District</u>	<u>%</u>
Alcester-Hudson School District No. 61-1	10.15%
Beresford School District No. 61-2	21.73%
Canton School District No. 41-1	26.56%
Elk Point-Jefferson School District No. 61-7	21.21%
Irene-Wakonda School District No. 13-3	8.83%
Viborg-Hurley School District No. 60-6	11.52%

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 Southeast Area Cooperative.

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

	<u>June 30, 2022</u>
Total Assets	\$ 1,579,455
Deferred Outflows of Resources	\$ 556,206
Total Liabilities	\$ 222,767
Deferred Inflows of Resources	\$ 782,228
Total Net Position	\$ 1,130,666

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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

12. Risk Management: (Continued)

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota School Districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage for property, machinery, and crime, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$250,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 deductible for the coverage of property, machinery, and crime.

Worker's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool, which provide workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustee to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to an additional \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2022

12. Risk Management: (Continued)

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has an assigned fund balance in the General Fund in the amount of \$172,912 for the payment of future unemployment benefits.

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

13. Significant Contingencies – Litigation:

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

Required Supplementary Information

Alcester-Hudson School District No. 61-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,118,863	\$ 1,118,863	\$ 1,141,954	\$ 23,091
Prior years' ad valorem taxes	34,000	34,000	13,388	(20,612)
Utility taxes	100,000	100,000	84,971	(15,029)
Penalties and interest on taxes	--	--	2,052	2,052
Earnings on Investments and Deposits	2,000	2,000	2,081	81
Cocurricular Activities:				
Admissions	1,500	1,500	468	(1,032)
Other student activity income	5,900	5,900	7,961	2,061
Other Revenue from Local Sources:				
Rentals	--	--	1,000	1,000
Charges for services	1,400	1,400	6,058	4,658
Other	57,527	57,527	43,878	(13,649)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	--	--	37,289	37,289
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,667,226	1,667,226	1,471,158	(196,068)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	19,210	19,210	18,290	(920)
Restricted grants-in-aid received from federal government through the state	451,252	451,252	431,402	(19,850)
Total Revenues	<u>\$ 3,458,878</u>	<u>\$ 3,458,878</u>	<u>\$ 3,261,950</u>	<u>\$ (196,928)</u>

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

Alcester-Hudson School District No. 61-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,068,071	\$ 1,068,071	\$ 1,010,443	\$ 57,628
Middle/junior high	143,716	143,716	143,716	--
High school	576,623	576,623	573,412	3,211
Preschool	77,044	77,044	77,043	1
Special Programs:				
Educationally deprived	134,091	134,091	132,240	1,851
Other special programs	3,978	3,978	3,978	--
Support Services:				
Students:				
Guidance	58,980	58,980	58,708	272
Health	13,587	13,587	13,586	1
Instructional Staff:				
Improvement of instruction	51,149	51,149	48,436	2,713
Educational media	117,994	117,994	114,565	3,429
General Administration:				
Board of education	119,380	119,380	102,489	16,891
Executive administration	156,418	156,418	156,418	--
School Administration:				
Office of the principal	148,102	148,102	147,265	837
Other	544	544	544	--
Business:				
Fiscal services	121,117	121,117	114,613	6,504
Operation and maintenance of plant	422,321	422,321	401,291	21,030
Student transportation	141,344	141,344	141,343	1
Community Services:				
Custody and care of children	17,197	17,197	17,195	2
Cocurricular Activities:				
Male activities	56,812	56,812	53,775	3,037
Female activities	40,840	40,840	37,263	3,577
Transportation	8,908	8,908	8,908	--
Combined activities	149,132	149,132	134,500	14,632
Total Expenditures	3,627,348	3,627,348	3,491,731	135,617
Excess of Revenues Over Expenditures	(168,470)	(168,470)	(229,781)	(61,311)
Other Financing Sources:				
Sale of surplus property	--	--	5,200	5,200
Total Other Financing Sources:	--	--	5,200	5,200
Net Change in Fund Balances	(168,470)	(168,470)	(224,581)	(56,111)
Fund Balance, Beginning of Year	914,237	914,237	914,237	--
Fund Balance, End of Year	\$ 745,767	\$ 745,767	\$ 689,656	\$ (56,111)

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

Alcester-Hudson School District No. 61-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 746,998	\$ 746,998	\$ 765,857	\$ 18,859
Prior years' ad valorem taxes	10,000	10,000	7,874	(2,126)
Penalties and interest on taxes	500	500	343	(157)
Earnings on Investments & Deposits	500	500	4,892	4,392
Other Revenue from Local Sources:				
Contributions and donations	18,149	18,149	14,149	(4,000)
Total Revenues	<u>776,147</u>	<u>776,147</u>	<u>793,115</u>	<u>16,968</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	53,000	53,000	31,757	21,243
High school	88,000	88,000	59,407	28,593
Support Services:				
Instructional Staff:				
Educational media	19,375	19,375	18,235	1,140
Business:				
Fiscal services	10,000	10,000	8,363	1,637
Facilities acquisition and construction	303,302	303,302	151,069	152,233
Operation and maintenance of plant	45,000	45,000	1,122	43,878
Student transportation	49,542	49,542	49,542	--
Food Services	2,000	2,000	--	2,000
Debt Services:	205,928	205,928	205,927	1
Total Expenditures	<u>776,147</u>	<u>776,147</u>	<u>525,422</u>	<u>250,725</u>
Net Change in Fund Balances	--	--	267,693	267,693
Fund Balance, Beginning of Year	<u>1,801,575</u>	<u>1,801,575</u>	<u>1,801,575</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,801,575</u>	<u>\$ 1,801,575</u>	<u>\$ 2,069,268</u>	<u>\$ 267,693</u>

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

Alcester-Hudson School District No. 61-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 577,202	\$ 577,202	\$ 625,938	\$ 48,736
Prior years' ad valorem taxes	7,000	7,000	6,191	(809)
Penalties and interest on taxes	--	--	279	279
Earnings on Investments & Deposits	50	50	303	253
Other Revenue from Local Sources:				
Charges for services	2,800	2,800	4,468	1,668
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	60,876	60,876	65,461	4,585
Total Revenues	<u>647,928</u>	<u>647,928</u>	<u>702,640</u>	<u>54,712</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	616,938	616,938	616,935	3
Support Services:				
Students:				
Health	35,612	35,612	34,877	735
Psychological	19,469	19,469	19,468	1
Speech pathology	20,405	20,405	20,404	1
Student therapy services	46,934	46,934	46,931	3
Special Education:				
Transportation costs	7,688	7,688	7,686	2
Total Expenditures	<u>747,046</u>	<u>747,046</u>	<u>746,301</u>	<u>745</u>
Net Change in Fund Balance	(99,118)	(99,118)	(43,661)	55,457
Fund Balance, Beginning of Year	<u>142,400</u>	<u>142,400</u>	<u>142,400</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 43,282</u>	<u>\$ 43,282</u>	<u>\$ 98,739</u>	<u>\$ 55,457</u>

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

Alcester-Hudson School District No. 61-1
Notes to the Required Supplementary Information
June 30, 2022

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency 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 Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. 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 adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

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

Alcester-Hudson School District No. 61-1

Schedule of Changes in Total OPEB Liability

For the Year Ended June 30, 2022

Total OPEB Liability

Service cost	\$ 21,398
Interest on total OPEB liability	9,238
Effect of assumption changes or inputs	167,383
Benefit payments	<u>(30,524)</u>
Net change in total OPEB liability	167,495
Total OPEB liability, beginning	<u>--</u>
Total OPEB liability, ending	<u><u>\$ 167,495</u></u>

Alcester-Hudson School District No. 61-1

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)	0.1091050%	0.1076535%	0.1043855%	0.1050209%	0.1059999%	0.0983715%	0.0951855%	0.0996752%
District's proportionate share of net pension liability (asset)	\$ (835,557)	\$ (4,675)	\$ (11,062)	\$ (2,449)	\$ (9,620)	\$ 332,289	\$ (403,709)	\$ (718,119)
District's covered-employee payroll	\$ 2,475,975	\$ 2,370,130	\$ 2,288,676	\$ 2,183,270	\$ 2,153,684	\$ 1,872,806	\$ 1,735,528	\$ 1,743,044
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.48%	0.11%	0.45%	17.74%	23.26%	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.

Alcester-Hudson School District No. 61-1
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	\$ 157,375	\$ 148,557	\$ 142,173	\$ 137,317	\$ 130,997	\$ 129,222	\$ 112,369	\$ 104,132	\$ 104,583
Contributions in relation to the contractually-required contribution	<u>157,375</u>	<u>148,557</u>	<u>142,173</u>	<u>137,317</u>	<u>130,997</u>	<u>129,222</u>	<u>112,369</u>	<u>104,132</u>	<u>104,583</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	\$ 2,622,923	\$ 2,475,945	\$ 2,370,130	\$ 2,288,676	\$ 2,183,270	\$ 2,153,684	\$ 1,872,806	\$ 1,735,528	\$ 1,743,044
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Alcester-Hudson School District No. 61-1

Notes to the 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.