MILBANK SCHOOL DISTRICT NO. 25-4

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT WITH SUPLEMENTARY INFORMATION

JUNE 30, 2022

MILBANK SCHOOL DISTRICT NO. 25-4

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Wohlenberg Ritzman & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the School Board
Milbank School District No. 25-4
Grant County, South Dakota

Report on the Audit of the Financial Statements

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 **Milbank School District No. 25-4 (the School District)** as of and for the year ended June 30, 2022, 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, the 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 School District 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 of Opinions

We conducted our audit 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. 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 ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 generally accepted auditing standards 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 generally accepted auditing standards 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 budgetary comparison schedules, schedule of changes in OPEB liability and related ratios, schedule of School District's proportionate share of the net pension liability(asset) and the schedule of the School District's pension contributions 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 the 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 American, which consisted of inquires 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.

The School District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be present to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards,* we have also issued our report dated June 9, 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. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Ubbenberg Ritzman + Co., LLC

Yankton, South Dakota
June 9, 2023

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 4,503,458	$ 370,768	$ 4,874,226
Restricted cash and cash equivalents	733,333	-	733,333
Restricted cash - unspent capital projects	2,967,064	-	2,967,064
Investments	181,009	-	181,009
Restricted investments - unspent capital project	2,846,396	-	2,846,396
Accounts receivable	78,747	20,109	98,856
Taxes receivable	3,306,032	-	3,306,032
Due from other governments	990,591	-	990,591
Internal balances	(1,855)	1,855	-
Deposits NPIP reserve	86,719	-	86,719
Inventories	-	18,592	18,592
Net pension asset	1,997,254	95,427	2,092,681
Capital assets:			
Not being depreciated	1,107,588	-	1,107,588
Being depreciated, net of depreciation	20,863,689	307,345	21,171,034
Total capital assets	21,971,277	307,345	22,278,622
Total assets	39,660,025	814,096	40,474,121
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,735,838	130,715	2,866,553
OPEB related deferred outflows	110,779	9,630	120,409
Total deferred outflows of resources	2,846,617	140,345	2,986,962
LIABILITIES			
Accounts payable	20,660	2,905	23,565
Contracts payable	671,793	-	671,793
Accrued expenses	200,620	-	200,620
Accrued interest payable	229,139	-	229,139
Unearned revenue	-	29,388	29,388
Long-term liabilities:			
Portion due or payable within one year:			
Debt payable	1,057,146	-	1,057,146
Compensated absences	71,713	625	72,338
Portion due or payable after one year:			
Debt Payable	16,159,786	-	16,159,786
Debt Payable - unspent capital projects	5,813,460	-	5,813,460
Compensated absences	47,809	417	48,226
Net OPEB obligation	436,789	37,978	474,767
Total liabilities	24,708,915	71,313	24,780,228
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	3,880,330	185,397	4,065,727
OPEB related deferred inflows	491,323	42,724	534,047
Taxes levied for future period	3,814,819	-	3,814,819
Total deferred inflows of resources	8,186,472	228,121	8,414,593
NET POSITION			
Net investment in capital assets	4,754,345	307,345	5,061,690
Restricted	3,570,254	40,745	3,610,999
Unrestricted	1,286,656	306,917	1,593,573
Total net position	$ 9,611,255	$ 655,007	$ 10,266,262

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instruction	$ 7,012,497	$ 47,929	$ 1,177,624	$ -	$ (5,786,944)		$ (5,786,944)
Support services	4,183,947	360,594	592,154	-	(3,231,199)		(3,231,199)
Community services	27,237	-	-	-	(27,237)		(27,237)
Cocurricular activities	529,071	71,709	10,000	-	(447,362)		(447,362)
Interest and fiscal charges	604,705	-	-	-	(604,705)		(604,705)
Total governmental activities	12,357,457	480,232	1,779,778	-	(10,097,447)		(10,097,447)
Business-type activities:							
Food service	811,251	49,563	889,198	-		$ 127,510	127,510
Drivers education program	16,069	15,000	-	-		(1,069)	(1,069)
After school program	146,266	-	162,124	-		15,858	15,858
Total Business-type activities:	973,586	64,563	1,051,322	-		142,299	142,299
Total School District	$ 13,331,043	$ 544,795	$ 2,831,100	$ -	$(10,097,447)	$ 142,299	$ (9,955,148)
General revenues:							
Taxes:							
Property taxes					7,713,924	-	7,713,924
Gross receipts tax					211,688	-	211,688
Revenue from state sources:							
State aid					2,895,293	-	2,895,293
Other					74,951	-	74,951
Earnings on investments					(3,447)	-	(3,447)
Miscellaneous					82,324	-	82,324
Gain (loss) on disposal of capital assets					(81,847)	(7,971)	(89,818)
Compensation for loss of capital assets					191,025	-	191,025
Transfers					(47,484)	47,484	-
Total general revenues and transfers					11,036,427	39,513	11,075,940
Change in net position					938,980	181,812	1,120,792
Net position - beginning					8,672,275	473,195	9,145,470
Net position - ending					$ 9,611,255	$ 655,007	$ 10,266,262

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	Major Funds					Nonmajor Fund	Total
	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Endowment	Governmental Funds
ASSETS							
Cash and cash equivalents	$ 2,714,943	$ 1,086,660	$ 286,795	$ 398,239	$ -	$ 16,821	$ 4,503,458
Restricted cash and cash equivalents	-	-	-	733,333	-	-	733,333
Restricted cash - unspent capital projects	-	-	-	-	2,967,064	-	2,967,064
Investments	-	-	-	-	-	181,009	181,009
Restricted investments - unspent capital projects	-	-	-	-	2,846,396	-	2,846,396
Taxes receivable	1,357,806	753,849	715,400	478,977	-	-	3,306,032
Accounts receivable	74,394	-	4,353	-	-	-	78,747
Due from other governments	557,430	348,721	81,027	3,413	-	-	990,591
Deposit NPIP reserve	86,719	-	-	-	-	-	86,719
Total assets	$ 4,791,292	$ 2,189,230	$ 1,087,575	$ 1,613,962	$ 5,813,460	$ 197,830	$ 15,693,349
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 14,931	$ -	$ 5,729	$ -	$ -	$ -	$ 20,660
Contracts payable	545,421	-	126,372	-	-		671,793
Accrued expenses	164,415	-	36,205	-	-	-	200,620
Due to other funds	1,855	-	-	-	-	-	1,855
Total liabilities	726,622	-	168,306	-	-	-	894,928
Deferred Inflows of Resources:							
Taxes levied for future period	1,539,354	879,985	835,490	559,990	-	-	3,814,819
Unavailable revenue - Property taxes	10,211	5,850	5,223	2,980	-	-	24,264
Unavailable revenue - Utility taxes	47,614	-	-	-	-	-	47,614
Total deferred inflows of resources	1,597,179	885,835	840,713	562,970	-	-	3,886,697
Fund balances:							
Nonspendable:							
Deposit NPIP reserve	86,719	-	-	-	-	-	86,719
Endowment	-	-	-	-	-	159,939	159,939
Restricted:							
Capital outlay	-	1,303,395	-	-	-	-	1,303,395
Special education	-	-	78,556	-	-	-	78,556
Bond redemption	-	-	-	1,050,992	-	-	1,050,992
Capital projects	-	-	-	-	5,813,460	-	5,813,460
Enhanced academics	-	-	-	-	-	37,891	37,891
Assigned:							
Student counseling	16,009	-	-	-	-	-	16,009
Student instruction	119,363	-	-	-	-	-	119,363
Unassigned	2,245,400	-	-	-	-	-	2,245,400
Total fund balances	2,467,491	1,303,395	78,556	1,050,992	5,813,460	197,830	10,911,724
Total liabilities, deferred inflows of resources and fund balances	$ 4,791,292	$ 2,189,230	$ 1,087,575	$ 1,613,962	$ 5,813,460	$ 197,830	$ 15,693,349

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances for governmental funds		$ 10,911,724
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 814,521	
Building and improvements, net of $9,400,207 accumulated depreciation	19,792,637	
Equipment, net of $668,637 accumulated depreciation	1,071,052	
Construction in progress	293,067	
Total capital assets		21,971,277
Some of the School District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		71,878
Net pension liability (asset) reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		1,997,254
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		2,735,838
OPEB related deferred outflows are components of net OPEB obligation and therefore are not reported in the funds.		110,779
Long-term liabilities applicable to the School District's governmental activities are not due and payable in current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2022 are:		
General obligation bonds, Series 2019	(14,675,000)	
General obligation bonds, Series 2019 - Premium	(942,573)	
General obligation certificates, Series 2022	(5,905,000)	
General obligation certificates, Series 2022 - Premium	(132,528)	
Accrued interest payable	(229,139)	
QZAB bonds	(1,000,000)	
GOED - energy loan	(42,606)	
Heating/cooling loan	(200,985)	
Financed Acquisition	(131,700)	
Compensated absences	(119,522)	
Net OPEB obligation	(436,789)	
Total long-term liabilities		(23,815,842)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(3,880,330)
OPEB related deferred inflows are components of the net OPEB obligation and therefore are not reported in the funds.		(491,323)
Total net position of governmental activities		$ 9,611,255

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	Major Funds					Nonmajor Fund	Total
	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Endowment	Governmental Funds
REVENUES							
Local sources:							
Taxes	$ 3,332,375	$ 1,774,316	$ 1,676,819	$ 1,140,532	$ -	$ -	$ 7,924,042
Revenue from local government units	3,258	-	-	-	-	-	3,258
Tuition and fees	47,929	-	-	-	-	-	47,929
Interest and investment earnings	6,702	1,100	290	1,286	2,999	(15,824)	(3,447)
Cocurricular activities	71,709	-	-	-	-	-	71,709
Other local revenue	260,980	56,941	57,151	-	-	10,000	385,072
Intergovernmental:							
County sources	64,588	-	-	-	-	-	64,588
State sources	2,963,507	-	6,737	-	-	-	2,970,244
Federal sources	556,915	865,282	347,581	-	-	-	1,769,778
Total revenues	7,307,963	2,697,639	2,088,578	1,141,818	2,999	(5,824)	13,233,173
EXPENDITURES							
Instruction:							
Regular programs	4,277,458	774,365	-	-	-	-	5,051,823
Special programs	373,939	915	1,490,265	-	-	-	1,865,119
Support services:							
Pupils	222,206	-	439,488	-	-	-	661,694
Instructional staff	311,414	3,349	-	-	-	-	314,763
General administration	295,656	-	-	-	-	-	295,656
School administration	437,402	-	-	-	-	-	437,402
Business	1,723,405	217,318	-	-	-	-	1,940,723
Central	5,509	-	-	-	-	-	5,509
Special education	-	-	259,560	-	-	-	259,560
Community services:							
Nonpublic school services	17,746	-	-	-	-	-	17,746
Cocurricular activities:							
Transportation	55,811	-	-	-	-	-	55,811
Combined activities	423,010	37,280	-	-	-	2,611	462,901
Debt service:							
Principal	-	250,325	-	550,000	-	-	800,325
Interest and fiscal charges	-	10,269	-	568,220	-	-	578,489
Issuance costs	-	33,031	-	-	-	-	33,031
Capital outlay	-	1,207,442	-	-	227,067	-	1,434,509
Total expenditures	8,143,556	2,534,294	2,189,313	1,118,220	227,067	2,611	14,215,061
Excess (deficiency) of revenues over expenditures	(835,593)	163,345	(100,735)	23,598	(224,068)	(8,435)	(981,888)
OTHER FINANCING SOURCES (USES)							
Transfers in	200,403	-	-	66,667	6,037,528	-	6,304,598
Transfers out	-	(6,351,871)	(41)	(170)	-	-	(6,352,082)
Capital outlay certificates issued	-	5,905,000	-	-	-	-	5,905,000
Premium on debt issued	-	132,528	-	-	-	-	132,528
Debt proceeds	-	168,000	-	-	-	-	168,000
Sale of surplus property	-	38,245	-	-	-	-	38,245
Compensation for loss of capital assets	43,846	147,179	-	-	-	-	191,025
Total other financing sources (uses)	244,249	39,081	(41)	66,497	6,037,528	-	6,387,314
Net change in fund balances	(591,344)	202,426	(100,776)	90,095	5,813,460	(8,435)	5,405,426
Fund balances - beginning	3,058,835	1,100,969	179,332	960,897	-	206,265	5,506,298
Fund balances - ending	2,467,491	1,303,395	78,556	1,050,992	5,813,460	197,830	10,911,724

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

RECONCILIATION OF STATEMENT OF THE REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds		$ 5,405,426
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($1,434,509) exceeded depreciation ($949,189) in the current period.		485,320
In the statement of activities, the loss on the disposal of assets ($81,847) is reported, whereas, in the governmental funds, the proceeds ($38,245) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(120,092)
In both the government wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statement differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		1,570
Net pension liability/(asset) and changes in the pension related deferred outflows/inflows are not reflected in the governmental funds.		545,501
Net OPEB obligation and changes in the OPEB related deferred outflows/inflows are not reflected in the governmental funds.		10,507
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.		
Repayments:		
GOED - Energy Loan	$ 42,610	
GO Bonds	550,000	
GO Bonds, premium	42,881	
Lease buyout agreement	125,000	
Heating/Cooling Loan	46,415	
Financed Acquisition	36,300	
Total		843,206
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		
Other long-term debt		(6,205,528)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change for the following:		
Compensated absences		9,136
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest expense		(36,066)
Change in net position of governmental activities		$ 938,980

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 316,463	$ 54,305	$ 370,768
Accounts receivable	19,965	144	20,109
Due from other funds	1,855	-	1,855
Inventories:			
Supplies	2,988	-	2,988
Stores purchased for resale	14,585	-	14,585
Donated food	1,019	-	1,019
Total current assets	356,875	54,449	411,324
Noncurrent assets:			
Net pension asset	71,570	23,857	95,427
Capital assets:			
Machinery and equipment	567,610	-	567,610
Less accumulated depreciation	(260,265)	-	(260,265)
Total noncurrent assets	378,915	23,857	402,772
Total assets	735,790	78,306	814,096
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	98,036	32,679	130,715
OPEB related deferred outflows	9,630	-	9,630
Total deferred outflows of resources	107,666	32,679	140,345
LIABILITIES			
Current liabilities:			
Accounts payable	1,855	1,050	2,905
Unearned revenue	29,388	-	29,388
Current portion of accrued compensated absences	625	-	625
Total current liabilities	31,868	1,050	32,918
Noncurrent liabilities:			
Accrued compensated absences	417	-	417
Net OPEB obligation	37,978	-	37,978
Total noncurrent liabilities	38,395	-	38,395
Total liabilities	70,263	1,050	71,313
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	139,048	46,349	185,397
OPEB related deferred inflows	42,724	-	42,724
Total deferred inflows of resources	181,772	46,349	228,121
NET POSITION			
Investment in capital assets	307,345	-	307,345
SDRS pension purposes	30,558	10,187	40,745
Unrestricted	253,518	53,399	306,917
Total net position	$ 591,421	$ 63,586	$ 655,007

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
OPERATING REVENUES			
Charges for goods and services	$ 41,103	$ 15,000	$ 56,103
Other operating revenue	8,460	-	8,460
Total operating revenues	49,563	15,000	64,563
OPERATING EXPENSES			
Salaries and employee benefits	334,851	146,266	481,117
Purchased services	1,761	4,828	6,589
Cost of materials	21,407	11,241	32,648
Cost of sales - purchased food	365,102	-	365,102
Cost of sales - donated food	66,145	-	66,145
Other	8,125	-	8,125
Depreciation	13,860	-	13,860
Total operating expenses	811,251	162,335	973,586
Operating income (loss)	(761,688)	(147,335)	(909,023)
NONOPERATING REVENUES (EXPENSES)			
Local sources:			
Contributions and donations	-	95,024	95,024
State sources:			
Cash reimbursements	1,965	-	1,965
Federal sources:			
Cash reimbursements	821,853	67,100	888,953
Donated food	65,380	-	65,380
Gain (loss) on disposal of capital assets	(7,971)	-	(7,971)
Total nonoperating revenues (expense)	881,227	162,124	1,043,351
Income (loss) before transfers	119,539	14,789	134,328
Transfers in	47,484	-	47,484
Change in net position	167,023	14,789	181,812
Total net position - beginning	424,398	48,797	473,195
Total net position - ending	$ 591,421	$ 63,586	$ 655,007

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Major Fund	Nonmajor Fund	
	Food Service	Other Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 49,944	$ 15,000	$ 64,944
Payments to suppliers	(404,075)	(15,019)	(419,094)
Payments to employees	(357,715)	(153,333)	(511,048)
Net cash provided by (used in) operating activities	(711,846)	(153,352)	(865,198)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Contributions and donations	-	95,024	95,024
Cash reimbursements - state sources	1,964	-	1,964
Cash reimbursements - federal sources	837,940	67,100	905,040
Net cash provided by (used in) noncapital financing activities	839,904	162,124	1,002,028
Net change in cash and cash equivalents	128,058	8,772	136,830
Balances - beginning of year	188,405	45,533	233,938
Balances - end of year	$ 316,463	$ 54,305	$ 370,768
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ (761,688)	$ (147,335)	$ (909,023)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	13,860	-	13,860
Value of donated commodities used	66,145	-	66,145
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	12,014	-	12,014
Inventories	2,278	-	2,278
Pension related liability	(21,203)	(7,067)	(28,270)
Increase (decrease) in:			
Accounts payable	1,855	1,050	2,905
Accrued expenses	(11,813)	-	(11,813)
Unearned revenue	(11,633)	-	(11,633)
Accrued compensated absences	(747)	-	(747)
Net OPEB obligation	(914)	-	(914)
Net cash provided by (used in) operating activities	$ (711,846)	$ (153,352)	$ (865,198)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Value of commodities received	$ 65,380	$ -	$ 65,380

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Funds	Total
ASSETS		
Cash and cash equivalents	$ 294,825	$ 294,825
Due from other governments	9,988	9,988
Total assets	304,813	304,813
LIABILITIES		
Accounts payable	9,988	9,988
Total liabilities	9,988	9,988
NET POSITION		
Restricted:		
Student activities	193,419	193,419
Booster activities	76,438	76,438
Flex plan	19,259	19,259
Scholarships	5,709	5,709
Total net position	$ 294,825	$ 294,825

The accompanying notes are an
integral part of these financial statements

MILBANK SCHOOL DISTRICT NO. 25-4

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Custodial Funds	Total
ADDITIONS		
Collections for student activities	$ 390,434	$ 390,434
Collections for booster activities	143,264	143,264
Collections for flex plan	19,926	19,926
Collections for Perkins grant	9,988	9,988
Collections for scholarships	-	-
Total additions	563,612	563,612
DEDUCTIONS		
Payments for student activities	411,205	411,205
Payments for booster activities	66,826	66,826
Payments for flex plan	16,025	16,025
Payments for Perkins grant	9,988	9,988
Payments for scholarships	4,000	4,000
Total deductions	508,044	508,044
Change in net position	55,568	55,568
Net position - beginning, as previously stated	231,092	231,092
Prior period adjustment	8,165	8,165
Net position - beginning, as restated	239,257	239,257
Net position - ending	$ 294,825	$ 294,825

The accompanying notes are an
integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Milbank School District No. 25-4 conform to generally accepted accounting principles as applicable to government entities in the United States of America.

Reporting Entity

The reporting entity of Milbank School District No. 25-4 (the School District) consists of the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

The School District has included the Milbank School Endowment, a blended component unit, as part of nonmajor governmental funds. The Milbank School Endowment is a nonprofit corporation established to provide an endowment for the Milbank School District through the receipt, solicitation, collection and otherwise raising of money and expending, dispersing, and otherwise handling and dispersing money to the Milbank School District or to any party for the direct benefit of the Milbank School District. The financial records are maintained by the Milbank School District and may be obtained from them.

The School District participates in an informal cost sharing arrangement with five other school districts. See detailed note entitled "Cost Sharing Consortium" for specific disclosures. Cost sharing consortiums do not meet the criteria for inclusion in the reporting entity as component units, but are discussed in these notes because of the nature of their relationship with the School District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or 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, 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 the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

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 fund types of the School District financial reporting entity are described below:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding 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 results 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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

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. This is a major fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

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

The Capital Projects Fund is the only capital project fund maintained by the School District. This is a major fund.

Permanent Funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs—that is, for the benefit of the School District or its citizenry.

The Endowment Fund is the only permanent fund maintained by the School District. This is not 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 or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

a. 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.)

b. 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.

c. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

Other Enterprise Fund – A fund used to record financial transactions related to drivers' education and after school program conducted for the benefit of the children. The fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District holds assets as an agent in a trustee capacity for various classes, clubs and other such purposes.

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 fund types.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 45 days. The revenues accrued at June 30, 2022 are property taxes and federal grants.

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 fund and fiduciary fund types 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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:

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, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances, if any.

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. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

Investments

Investments are reported at fair value based on the framework established by Governmental Accounting Standards Board.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Inventory, continued

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 purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories of the governmental funds were immaterial as of June 30, 2022.

Capital Assets

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

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

Government-wide Financial Statements:

All purchased 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 20 percent for which the values were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 5 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

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	-	-
Buildings	$ 50,000	Straight-line	15-50 years
Improvements other than buildings	$ 10,000	Straight-line	10-50 years
Machinery and equipment	$ 5,000	Straight-line	5-30 years

Land, an inexhaustible capital asset, 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.

Long-Term Liabilities

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

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

In the governmental 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 on the accrual basis, the same in the fund statements as in the government-wide statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net 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. Deferred outflows consist of pension activity.

In addition to liabilities, the statement of net 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. Deferred inflows of resources consist primarily of property taxes and pension activity.

Pension

For purposes of measuring the net pension (asset)/liability, 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 (asset)/liability are recognized on an accrual basis of accounting.

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 non-exchange 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 non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Proprietary Funds Revenue and Expense Classifications

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

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 net position held for other purposes.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB), 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 or committed. Fund Balance may be assigned by the Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

The School District *does not* have a formal minimum fund balance policy.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdraft of the expenditures compared to appropriations:

	Year Ended 6/30/2022
Capital Outlay Fund	$ 153,111

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS, continued

The Governing Board plans to take the following actions to address these violations:

Planned Action: Instruct management to change the way they're reporting the other financing uses within the expenditure budget report by separating it from the total budgeted expenditures.

3. DEPOSITS AND INVESTMENTS

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

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

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2022, the School District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

3. DEPOSITS AND INVESTMENTS, continued

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.

Fair Value Measurement – The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments - As of June 30, 2022, the School District had the following investments. Except for the investment in mutual funds, for the Endowment Fund, all investments are in an internal deposit and investment pool:

Investment	Credit Rating	Matuurities	Fair Value Hierarchy	Fair Value
Mutual Funds	Unrated	N/A	Level 2	$ 181,009
External Investment Pools: SDFIT	Unrated	N/A	NAV	2,846,396
				$ 3,027,405

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

Custodial Credit Risks - Investments – The risk that, in the event of the counterparty to a transaction, the School District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All investments are held in the School District's name with Edward Jones and South Dakota Public Fund Investment Trust Bank serving as custodians.

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.

3. DEPOSITS AND INVESTMENTS, continued

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2022, the School District had no investments in any one issuer that is considered to be a concentration.

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 income from deposits and investments to the General Fund, except for the Capital Projects, Bond Redemption, Endowment and Food Service Funds. Accounting principles generally accepted in the United States of America, on the other hand, requires material income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

4. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount	Purpose:
$ 733,333	For Debt Service, by debt covenants (sinking funds required to be In a separate account)
5,813,460	Cash and investments received through the issuance of Capital Outlay Certificates for the construction of the CTE and Auxiliary Gym Project
$ 6,546,793	

5. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowance for uncollectible accounts receivable are calculated based on historical trend data. For the year ended June 30, 2022, the allowance for doubtful accounts totaled $ -0-.

6. PROPERTY TAXES

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

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

7. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 634,573	$ 179,948	-	$ 814,521
Construction in progress	-	293,067	-	293,067
Total capital assets not being depreciated	634,573	473,015	-	1,107,588
Capital assets being depreciated:				
Buildings	30,643,993	595,526	(4,272,820)	26,966,699
Improvements other than buildings	2,365,070	60,195	(199,120)	2,226,145
Equipment	2,056,391	305,773	(622,475)	1,739,689
Total capital assets being depreciated	35,065,454	961,494	(5,094,415)	30,932,533
Less accumulated depreciation for:				
Buildings	11,642,577	786,710	(4,201,307)	8,227,980
Improvements other than buildings	1,243,516	105,024	(176,313)	1,172,227
Equipment	1,207,885	57,455	(596,703)	668,637
Total accumulated depreciation	14,093,978	949,189	(4,974,323)	10,068,844
Total capital assets being depreciated, net	20,971,476	12,305	(120,092)	20,863,689
Capital assets, net - Governmental Activities	$ 21,606,049	$ 485,320	(120,092)	$ 21,971,277

7. CAPITAL ASSETS, continued

Governmental activities' depreciation expense was charged to functions as follows:

Instruction	$ 484,088
Support Services	417,643
Community Services	9,491
Cocurricular Activities	37,967
Total Depreciation Expense - Governmental Activities	$ 949,189

Construction Work-in Progress as of June 30, 2022 is composed of the following:

Project Name	Project Authorization	Expended Thru 6/30/2022	Committed	Required Future Financing
CTE & Auxiliary Gym Project	$ 7,966,006	$ 293,067	$ 7,672,939	$ -
	$ 7,966,006	$ 293,067	$ 7,672,939	$ -

Required future funding will be provided through existing and future Capital Outlay Fund reserves.

A summary of changes in business-type activities' capital assets for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets being depreciated:				
Equipment	$ 536,202	$ 47,484	$ (16,076)	$ 567,610
Total capital assets being depreciated	536,202	47,484	(16,076)	567,610
Less accumulated depreciation for:				
Equipment	254,510	13,860	(8,105)	260,265
Total accumulated depreciation	254,510	13,860	(8,105)	260,265
Capital assets, net - Business-Type Activities	$ 281,692	$ 33,624	$ (7,971)	$ 307,345

Business-type activities' depreciation expense was charged to functions as follows:

Food Service Fund	$ 13,860

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 15,225,000	$ -	$ (550,000)	$ 14,675,000	$ 570,000
Premium - GO Bonds	985,454	-	(42,881)	942,573	53,861
Capital Outlay Certificates	-	5,905,000	-	5,905,000	305,000
Premium - GO Certificates	-	132,528	-	132,528	6,796
QZAD Bonds	1,000,000	-	-	1,000,000	-
Other Debt Payable:					
Notes Payable - Publically Placed	247,400	-	(46,415)	200,985	47,899
Notes Payable - Privately Placed	85,216	-	(42,610)	42,606	42,606
Financed Acquisitions	125,000	168,000	(161,300)	131,700	30,984
Total Debt Payable	17,668,070	6,205,528	(843,206)	23,030,392	1,057,146
Compensated Absences	128,658	68,059	(77,195)	119,522	71,713
Total Governmental Activities	17,796,728	6,273,587	(920,401)	23,149,914	1,128,859
Business-Type Activities:					
Compensated Absences	1,789	326	(1,073)	1,042	625
Total Business-Type Activities	1,789	326	(1,073)	1,042	625
Total Primary Government	$ 17,798,517	$ 6,273,913	$ (921,474)	$ 23,150,956	$ 1,129,484

Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Compensated absences for business-type activities are liquidated from the Food Service Fund.

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

General Obligation Bonds, Series 2019, 3% to 5% interest rate, due in varying semi-annual installments starting August 2020 with final payment due August 2039. Payments will be made from the Bond Redemption Fund.	$ 14,675,000
General Obligation Bonds, Series 2019 - Premium	942,573

8. LONG-TERM LIABILITIES, continued

Capital Outlay Certificates, Series 2022, 3% to 3.5% interest rate, due in varying semi-annual installments starting August 2022 with final payment due August 2041. Payments will be made from the Capital Outlay Fund.	5,905,000
Capital Outlay Certificates, Series 2022 - Premium	132,528
Qualified Zone Academy Bonds, Series 2011, (QZAB), are due in a lump sum in 2026. Interest rate is 0% and is due annually from the Capital Outlay Fund. Sinking fund provisions on the QZAB require annual deposits of $66,667 on February 23 of each year through 2026, during which the fund will continue to earn interest until maturity of the debt on February 23, 2026.	1,000,000
Promissory Note, First Bank & Trust; matures July 2025, 3.15% interest rate; annual payments of $54,322 starting July 2021. Payments made from the Capital Outlay Fund.	200,985
Energy Efficiency School Loan Agreement; matures July 2022, 0% interest rate; annual payments of $42,609 starting July 2018. Payments made from the Capital Outlay Fund.	42,606
Financed Acquisition, CapFirst Equipment, 0% interest rate, annual payments of $36,337 starting April 2022. Payments made from Capital Outlay Fund.	131,700
Total Debt Payable	23,030,392
Compensated Absences	
Payable from the General Fund	100,222
Payable from the Special Education Fund	19,300
Payable from the Food Service Fund	1,042
Total Compensated Absences	120,564
Total Long-Term Liabilities	$ 23,150,956

8. LONG-TERM LIABILITIES, continued

The annual requirements to amortize long-term liabilities outstanding as of June 30, 2022, except for compensated absences are as follows:

Year Ending June 30,	Bonds Payable		
	Principal	Interest	Total
2023	$ 935,657	$ 684,460	$ 1,620,117
2024	905,657	665,856	1,571,513
2025	935,658	633,980	1,569,638
2026	1,970,658	600,880	2,571,538
2027	1,005,658	566,480	1,572,138
2028 - 2032	5,563,288	2,268,300	7,831,588
2033 - 2037	6,358,288	1,261,975	7,620,263
2038 - 2042	4,980,237	319,022	5,299,259
Total	$ 22,655,101	$ 7,000,953	$ 29,656,054

Year Ending June 30,	Other Debt Payable		
	Principal	Interest	Total
2023	$ 121,489	$ 11,776	$ 133,265
2024	81,673	8,986	90,659
2025	84,563	6,096	90,659
2026	87,566	3,093	90,659
Total	$ 375,291	$ 29,951	$ 405,242

9. INDIVIDUAL INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2022 were as follows:

	Transfers In From	Transfers Out To
Governmental activities:		
General Fund:		
Capital Outlay Fund	$ 200,192	$ -
Special Education Fund	41	-
Bond Redemption Fund	170	-
	200,403	-
Capital Outlay Fund:		
General Fund	-	200,192
Bond Redemption Fund	-	66,667
Capital Projects Fund	-	6,037,528
Food Service Fund	-	47,484
	-	6,351,871
Special Education Fund:		
General Fund	-	41
	-	41
Bond Redemption Fund:		
General Fund	-	170
Capital Outlay Fund	66,667	-
	66,667	170
Capital Projects Fund:		
Capital Outlay Fund	6,037,528	-
	6,037,528	-
Total governmental activities	6,304,598	6,352,082
Business-type activities:		
Food Service Fund:		
Capital Outlay Fund	47,484	-
	47,484	-
Total busineess-type activities	47,484	-
Total primary government	$ 6,352,082	$ 6,352,082

9. INDIVIDUAL INTERFUND TRANSACTIONS, continued

Transfers of deposit earnings to the General Fund from the Capital Outlay and Special Education Fund are reported. Transfers from the Capital Outlay Fund are reported to recognize allowable reserve transfers, additional financing for new Elementary School, debt covenant requirements, and purchase of lunchroom tables. The transfer from the Capital Projects Fund to the Food Service Fund is for food service equipment and supplies in the new Elementary School.

10. RESTRICTED NET POSITION

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Position:

Purpose	Restricted By	Amount
Capital Outlay Fund	Law	$ 1,303,395
Special Education Fund	Law	78,556
Bond Redemption Fund	Law	1,050,992
SDRS Pension Purposes	Law	893,507
Insurance Purposes	Agreement Constraints	86,719
Endowment	Donors	197,830
Total Restricted Net Positon		$ 3,610,999

11. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS 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://www.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.

11. PENSION PLAN, continued

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service.

An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

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

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

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

11. PENSION PLAN, continued

Benefits Provided, 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 Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021, and 2020 were $384,584, $372,065, and $344,550, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	$ 37,890,827
Less proportionate share of net pension restricted for pension benefits	39,983,508
Proportionate share of net pension liability (asset)	$ (2,092,681)

11. PENSION PLAN, continued

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

At June 30, 2022, the School District reported a liability (asset) of ($2,092,681) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (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 0.27325700%, which is an increase (decrease) of 0.0116035% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense (reduction of pension expense) of ($573,770). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 75,133	$ 5,487
Changes in assumption	2,406,562	1,047,984
Net difference between projected and actual earnings on pension plan investments	-	2,989,437
Changes in proportion and difference between the School District contributions and proportionate share of contributions	274	22,819
School District contributions subsequent to the measurement date	384,584	-
Total	$ 2,866,553	$ 4,065,727

$384,584 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

11. PENSION PLAN, continued

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

Year Ended June 30,	
2023	$ (400,231)
2024	(268,877)
2025	(73,681)
2026	(840,969)
Total	$ (1,583,758)

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50 percent 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 percent

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

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

11. PENSION PLAN, continued

Actuarial Assumptions, continued

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 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Discount Rate

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$ 3,388,571	$ (2,092,681)	$ (6,542,182)

Pension Plan Fiduciary Net Position

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

12. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN

Plan Description – The Milbank School District No. 25-4 Other Post Employment Benefit Plan (the OPEB Plan) is a single-employer defined benefit healthcare plan administered by the School District. The OPEB Plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board. The OPEB Plan does not issue separately stated stand-alone financial statements.

Benefits Provided – The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district certified staff and the governing board. An individual hired on or before June 30, 2017 is eligible to elect medical coverage upon retiring under the South Dakota Retirement System after reaching the age of 55 and with at least 3 years of service. An individual hired after before June 30, 2017 is eligible to elect medical coverage upon retiring under the South Dakota Retirement System after reaching the age of 57 and with at least 3 years of service. Coverage ceases when the retiree or dependent attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

12. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

Employees Covered by Benefit Terms – At the valuation date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or spouses	8
Active employees	144
	152

Total OPEB Liability – the School District's total OPEB liability of $474,767 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date. The School District's obligation is unfunded at June 30, 2022. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	Range of 6.5% to 3.0% based on years of service
Discount rate	2.16 percent*
Healthcare cost trend rates	Range of 5.7% to 3.7% based on Duration

* Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Tax Exempt Municipal Bond Yield.

Other Assumptions:

Mortality	97% of RP-2014 Mortality Table, White Collar for females, total dataset of males, adjusted to 2006 and projected generationally with MP-2021
Future retiree participation	25%
Family coverage participation	25%
Age difference	Spouse same age as participant

12. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

Turnover	Range of 20.0% to 3.3% based on years of service
Disability	RP-2014 Disabled Mortality Table adjusted to 2006 and projected generationally with MP-2021

Changes in the Total OPEB Liability

Balance at June 30, 2021, as restated	$ 805,130
Service cost	90,873
Interest cost	19,826
Economic/demographic gains or losses	(16,057)
Changes in assumptions or inputs	(362,997)
Benefit payments	(62,008)
Total changes	(330,363)
Balance at June 30, 2022	$ 474,767

Sensitivity of the Total OPB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
Total OPEB Liability	$ 526,008	$ 474,767	$ 431,714

The following presents the total OPEB liability of the School District calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 417,011	$ 474,767	$ 547,144

12. OTHER POST EMPLOYMENT BENEFITS – HEALTHCARE PLAN, continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the School District recognized a (decrease) of health insurance expense of ($11,420) due to OPEB. At June 30, 2022, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 14,275	$ 66,539
Changes in assumption	519,772	53,870
School District contributions subsequent to the measurement date	-	-
Total	$ 534,047	$ 120,409

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

Year Ended June 30	
2023	$ 60,110
2024	60,110
2025	60,110
2026	56,263
2027	53,136
Thereafter	123,909
Total	$ 413,638

13. COMMITMENTS

The School District has a 3 year agreement with an independent entity to provide school bus transportation. The agreement calls for monthly payments based on a per pupil per day charge for resident pupils living outside of the municipal boundaries of Milbank, a flat monthly sum for resident pupils living within the municipal boundaries, and a per mile charge with a per hour waiting fee for out of town activity events and for classes or activities. The agreement includes a formula for adjustment based on fuel price changes and guidelines for renegotiation for insurance premium increases. If there is a significant change in the School District's finances causing it to cease transportation of students, the agreement can be cancelled at the end of the school year. The School District must make a declaration by March 1 of that school year to cancel the agreement. The agreement expires at the end of the 2021-2022 school fiscal year.

For the year ended June 30, 2022, the School District paid $463,752 from the General Fund under this agreement. The School District did not make a declaration to discontinue the agreement.

14. COST SHARING CONSORTIUM

The School District participates in a cost-sharing arrangement for vocational education funds. The School Districts included in this arrangement are Rosholt, Northwestern Area, Frederick Area, Langford, Britton-Hecla, and Milbank. The grant application includes the amounts each school is requesting for the Carl Perkins Vocational Funds. The funds are sent directly to each school; therefore, the Milbank School District records only their share of the revenue and expenditures in the General Fund. The Milbank School District is listed as the fiscal agent on the application but provides no fiscal accounting to the schools. Any pooled expenditures are billed to and reimbursed by the schools involved.

15. 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:

15. RISK MANAGEMENT, continued

Employee Health Insurance

The School District participates, with other educational units and related organizations in South Dakota, in the Northern Plains Insurance Pool. This is a public entity risk pool currently operating as a common risk management and insurance program for all participants. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its participants.

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

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

During the year ended June 30, 2022, there were no claims paid for unemployment benefits, nor had any claims been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

16. PRIOR PERIOD ADJUSTMENT

The School District has determined that transactions in prior years were recorded in error. The under reporting of a receivable and accrued liability has resulted in an increase in net position on the statement of changes in fiduciary net position of $8,165.

REQUIRED SUPPLEMENTARY INFORMATION

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 1 OF 2
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	$ 3,009,430	$ 3,009,430	$ 3,110,812	$ 101,382
Prior years ad valorem taxes	8,000	8,000	4,413	(3,587)
Utility taxes	250,000	250,000	211,688	(38,312)
Penalties and interest	1,000	1,000	5,462	4,462
Revenue from local government usits:				
Revenue in lieu of taxess	-	-	3,258	3,258
Tuition and fees	160,750	160,750	47,929	(112,821)
Earning on investments and deposits	10,000	10,000	6,702	(3,298)
Cocurricular activities:				
Admissions	35,000	35,000	40,329	5,329
Pupil organization memberships	15,000	15,000	13,215	(1,785)
Rentals	2,000	2,000	1,830	(170)
Other pupil activity income	20,200	20,200	16,335	(3,865)
Other revenue from local sources:				
Rentals	15,000	15,000	14,478	(522)
Services provided other school districts	-	-	105,586	105,586
Charges for services	20,000	20,000	15,265	(4,735)
Other	120,000	120,000	125,651	5,651
Revenues from intermediate sources:				
County sources:				
County apportionment	80,000	80,000	64,588	(15,412)
Revenues from state sources:				
Grants-in-aid:				
Unrestricted	3,083,824	3,083,824	2,963,132	(120,692)
Restricted	-	-	375	375
Revenues from federal sources:				
Grants-in-aid:				
Restricted	1,062,711	1,062,711	556,915	(505,796)
Total revenues	7,892,915	7,892,915	7,307,963	(584,952)
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	1,720,000	1,720,000	1,719,780	220
Middle school	1,123,100	1,123,100	1,123,175	(75)
High school	1,413,880	1,413,880	1,379,389	34,491
Preschool	55,115	55,115	55,114	1
Special programs:				
Culturally different	149,500	149,500	139,568	9,932
Educationally deprived	234,375	234,375	234,371	4

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 2 OF 2
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Support services:				
Pupils:				
Attendance and social work	10,050	10,050	9,546	504
Guidance	123,500	123,500	122,155	1,345
Health	90,900	90,900	90,505	395
Instructional staff:				
Improvement of instruction	102,721	102,721	97,441	5,280
Educational media	214,750	214,750	213,973	777
General administration:				
Board of education	116,100	116,100	84,708	31,392
Executive administration	210,950	210,950	210,948	2
School administration:				
Office of principal	438,000	438,000	435,993	2,007
Other	1,610	1,610	1,408	202
Business:				
Fiscal services	190,115	190,115	190,112	3
Operations and maintenance of plant	1,054,585	1,054,585	1,026,969	27,616
Pupil transportation	507,500	507,500	471,247	36,253
Food services	35,100	35,100	35,077	23
Central:				
Staff	5,520	5,520	5,509	11
Community services:				
Nonpublic school services	29,019	29,019	17,746	11,273
Cocurricular activities:				
Transportation	65,000	65,000	55,811	9,189
Combined activities	423,048	423,048	423,011	37
Contingencies	4,275	4,275	-	4,275
Total expenditures	8,318,713	8,318,713	8,143,556	175,157
Excess (deficiency) of revenues over expenditures	(425,798)	(425,798)	(835,593)	(409,795)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	200,403	200,403
Compensation for loss of capital assets	-	-	43,846	43,846
Total other financing sources (uses)	-	-	244,249	244,249
Net change in fund balances	(425,798)	(425,798)	(591,344)	(165,546)
Fund balances - beginning	3,058,835	3,058,835	3,058,835	-
Fund balances - ending	$ 2,633,037	$ 2,633,037	$ 2,467,491	$ (165,546)

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	$ 1,758,099	$ 1,758,099	$ 1,770,230	$ 12,131
Prior years ad valorem taxes	2,500	2,500	2,400	(100)
Penalties and interest	1,000	1,000	1,686	686
Earning on investments and deposits	-	-	1,100	1,100
Other revenue from local sources:				
Other	204,115	204,115	56,941	(147,174)
Revenues from federal sources:				
Grants-in-aid:				
Restricted	822,791	822,791	865,282	42,491
Total revenues	2,788,505	2,788,505	2,697,639	(90,866)
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	259,000	259,000	258,955	45
Middle school	205,200	205,200	187,540	17,660
High school	316,000	316,000	333,175	(17,175)
Special programs:				
Culturally different	950	950	915	35
Support services:				
Instructional staff:				
Educational media	5,000	5,000	3,349	1,651
Business:				
Fiscal services	8,350	8,350	8,350	-
Facilities acquisition and construction	363,450	363,450	238,448	125,002
Operations and maintenance of plant	853,134	853,134	875,087	(21,953)
Pupil transportation	95,000	95,000	91,659	3,341
Food services	50,900	50,900	3,414	47,486
Debt service:				
Principal	152,399	152,399	250,325	(97,926)
Interest and fiscal charges	-	-	10,269	(10,269)
Issuance costs	-	-	33,031	(33,031)
Cocurricular activities:				
Combined activities	71,800	71,800	239,777	(167,977)
Total expenditures	2,381,183	2,381,183	2,534,294	(153,111)
Excess (deficiency) of revenues over expenditures	407,322	407,322	163,345	(243,977)
OTHER FINANCING SOURCES (USES)				
Transfers out	(266,667)	(266,667)	(6,351,871)	(6,085,204)
Capital outlay certificates issued	-	-	5,905,000	5,905,000
Premium on debt issued	-	-	132,528	132,528
Debt proceeds	-	-	168,000	168,000
Sale of surplus property	-	-	38,245	38,245
Compensation for loss of capital assets	-	-	147,179	147,179
Total other financing sources (uses)	(266,667)	(266,667)	39,081	305,748
Net change in fund balances	140,655	140,655	202,426	61,771
Fund balances - beginning	1,100,969	1,100,969	1,100,969	-
Fund balances - ending	$ 1,241,624	$ 1,241,624	$ 1,303,395	$ 61,771

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary - Modified Accrual Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	$ 1,638,963	$ 1,638,963	$ 1,673,202	$ 34,239
Prior years ad valorem taxes	-	-	2,077	2,077
Penalties and interest	1,000	1,000	1,540	540
Tuition and fees	24,600	24,600	-	(24,600)
Earning on investments and deposits	-	-	290	290
Other revenue from local sources:				
Services provided other school districts	-	-	24,613	24,613
Charges for services	23,500	23,500	32,538	9,038
Other	-	-	-	-
Revenues from state sources:				
Grants-in-aid:				
Restricted	6,737	6,737	6,737	-
Revenues from federal sources:				
Grants-in-aid:				
Restricted	347,581	347,581	347,581	-
Total revenues	2,042,381	2,042,381	2,088,578	46,197
EXPENDITURES				
Instruction:				
Special programs:				
Special education	1,492,450	1,492,450	1,490,265	2,185
Support services:				
Pupils:				
Guidance services	27,385	27,385	27,164	221
Health services	17,670	17,670	17,394	276
Psychological services	94,200	94,200	92,335	1,865
Speech pathology	162,500	162,500	160,926	1,574
Audiology services	8,000	8,000	4,465	3,535
Student therapy	137,300	137,300	137,204	96
Special education:				
Administrative costs	174,500	174,500	168,049	6,451
Transportation costs	25,300	25,300	16,062	9,238
Other Special Education costs	80,000	80,000	75,449	4,551
Total expenditures	2,219,305	2,219,305	2,189,313	29,992
Excess (deficiency) of revenues over expenditures	(176,924)	(176,924)	(100,735)	76,189
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(41)	(41)
Total other financing sources (uses)	-	-	(41)	(41)
Net change in fund balances	(176,924)	(176,924)	(100,776)	76,148
Fund balances - beginning	179,332	179,332	179,332	-
Fund balances - ending	$ 2,408	$ 2,408	$ 78,556	$ 76,148

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY SCHEDULES
JUNE 30, 2022

1. BASIS OF PRESENTATION

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedule presents expenditures for capital outlay purposes within each function while the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present capital outlay expenditures as a separate function.

2. BUDGETS AND BUDGETARY ACCOUNTING

The School District follows these procedures in establishing the budgetary data reflected in the schedules:

1. 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.

2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.

3. The proposed budget is published for public review no later than July 15 each year.

4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.

6. 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 number 8.

7. 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.

2. BUDGETS AND BUDGETARY ACCOUNTING, continued

8. 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.

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

MILBANK SCHOOL DISTRICT NO. 25-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2022

Milbank School District No. 25-4 Other Post Employment Benefit Plan

* Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Service cost	$ 90,873	$ 76,101	$ 77,899	$ 78,166	$ 84,508
Interest	19,825	27,269	34,719	31,728	25,390
Differences between expected and acutal experience	(16,057)	-	102,635	-	-
Changes in assumptions	(362,996)	70,368	(261,984)	(18,146)	(44,924)
Benefit payments	(62,008)	(89,548)	(87,779)	(88,030)	(38,998)
Net change in OPEB Liability	(330,363)	84,190	(134,510)	3,718	25,976
Total OPEB Liability - beginning	805,130	720,940	855,450	851,732	825,756
Total OPEB Liability - ending	$ 474,767	$ 805,130	$ 720,940	$ 855,450	$ 851,732
School District's covered-employee payroll	$ 6,409,730	$ 6,201,080	$ 5,742,501	$ 5,507,028	$ 5,160,457
Schol District's total OPEB liability as a percentage of covered-employee payroll	7.00%	13.00%	13.00%	16.00%	17.00%

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

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
OPEB SCHEDULES
JUNE 30, 2022

Actuarial Method Changes

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

MILBANK SCHOOL DISTRICT NO. 25-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)
JUNE 30, 2022

South Dakota Retirement System

* Last 10 Fiscal Years

	2022	2021	2020	2019	2018
School District's proportion of the net pension liability (asset)	0.2732570	0.2616535	0.2589577	0.2481628	0.2437919
School District's proportionate share of net pension liability (asset)	$ (2,092,681)	$ (11,364)	$ (27,442)	$ (5,788)	$ (22,124)
School District's covered-employee payroll	$ 6,201,080	$ 5,742,501	$ 5,507,028	$ 5,160,457	$ 4,984,642
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%	0.44%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%

	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.2412656	0.2373196	0.2368706
School District's proportionate share of net pension liability (asset)	$ 814,971	$ (1,006,540)	$ (1,706,556)
School District's covered-employee payroll	$ 4,551,951	$ 4,343,157	$ 4,125,153
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.90%	23.18%	41.37%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	104.10%	107.30%

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

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2022

South Dakota Retirement System

* Last 10 Fiscal Years

	2022	2021	2020	2019	2018
Contractually required contribution	$ 384,584	$ 372,065	$ 344,550	$ 330,358	$ 309,628
Contributions in relation to the contractually required contribution	384,584	372,065	344,550	330,358	309,628
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School District's covered-employee payroll	$ 6,409,730	$ 6,201,080	$ 5,742,501	$ 5,507,028	$ 5,160,457
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

	2017	2016	2015
Contractually required contribution	$ 299,301	$ 273,163	$ 260,589
Contributions in relation to the contractually required contribution	299,301	273,163	260,589
Contribution deficiency (excess)	$ -	$ -	$ -
School District's covered-employee payroll	$ 4,984,642	$ 4,551,950	$ 4,343,157
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%

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

See Independent Auditor's Report

MILBANK SCHOOL DISTRICT NO. 25-4

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION SCHEDULES
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 two plan provision changes 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, 2021 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 great 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.

SUPPLEMENTARY INFORMATION

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Contract/Grant Number	Passed Through to Subrecipients Total	Expenditures/ Disbursements Total
US Department of Agriculture				
Child Nutrition Cluster:				
US Department of Agriculture Pass-Through Programs From:				
SD Department of Education:				
Non-Cash Assistance (Commodities):				
National School Lunch Program (Note 3)	10.555		$ -	$ 65,380
Cash Assistance:				
School Breakfast Program (Note 3)	10.553	2021G-CANS25004	-	113,366
National School Lunch Program (Note 3)	10.555	2021G-CANS25004	-	690,453
Supply Chain Assistance	10.555	N/A	-	18,034
Fresh Fruit and Vegetable Program	10.582	2021G-FFVP25004	-	31,875
Total for Child Nutrition Cluster			-	919,108
Total US Department of Agriculture			-	919,108
National Foundation on the Arts and Humanities - Pass-Through Programs From:				
SD Department of Tourism:				
Promotion of the Arts - Partnership Agreements	45.025	20-AISC-113	-	1,536
Total National Foundation on the Arts and Humanities			-	1,536
US Department of Education				
Special Education Cluster:				
US Department of Education - Pass-Through Programs From:				
SD Department of Education:				
Special Education - Grants to States (IDEA, Part B) (Note 3)	84.027A	2021G-IDEA25004	-	275,386
Special Education - Grants to States (IDEA, Part B Section 611) (Note 3)	84.027X	2022G-IDEA25004	-	60,029
Special Education - Preschool Grants (IDEA Preschool) (Note 3)	84.173A	2022G-IDEA25004	-	6,850
Special Education - Preschool Grants (IDEA Part B Section 611) (Note 3)	84.173X	2022G-IDEA25004	-	5,316
Total for Special Education Cluster			-	347,581
US Department of Education - Pass-Through Programs From:				
SD Department of Education:				
Title I Grants to Local Educational Agencies	84.010	2021G-CA25004	-	171,163
Career and Technical Education - Basic Grants to States	84.048	2022G-PERK25004	9,988	35,309
Career and Technical Education - Reserve Funds	84.048	N/A	-	4,646
Special Education - State Personnel Development	84.323	2018G-630	-	1,491
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	N/A	-	53,896
Student Support and Academic Enrichment Grants (Title IV, Part A)	84.424A	2021G-CA25004	-	18,753
Education Stabilization Fund (ESSER II) - COVID 19	84.425D	2021G-CRRSA25004	-	551,307
Education Stabilization Fund (ESSER III) - COVID 19	84.425U	2021G-ARP25004	-	562,209
Subtotal US Department of Education - Pass-Through Programs			9,988	1,398,774
Total US Department of Education			9,988	1,746,355
US Department of Health and Human Services				
CCDF Cluster:				
US Department of Health and Human Services Pass-Through Programs From:				
SD Department of Education:				
Child Care and Development Block Grant	93.575	N/A	-	67,100
Total for CCDF Cluster			-	67,100
Total US Department of Health and Human Services			-	67,100
GRAND TOTAL			$ 9,988	$ 2,734,099

Note 1: The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the School District, It is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2: Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received and/or food commodities used rather than federal expenditures.

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*

To the School Board
Milbank School District No. 25-4
Milbank, 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 **Milbank School District No. 25-4 (the School District)** as of and for the year ended June 30, 2022, 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 June 9, 2023.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency: Finding 2022-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 and described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report 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.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
June 9, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Milbank School District No. 25-4
Milbank, South Dakota

Report on Compliance for Each Major Federal Program

Qualified Opinion

We have audited **Milbank School District No. 25-4's (the School District)** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School District's major federal program for the year ended June 30, 2022. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Elementary and Secondary School Emergency Relief Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Elementary and Secondary School Emergency Relief Fund for the year ended June 30, 2022.

Basis for Qualified Opinion

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

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

Matter Giving Rise to Qualified Opinion on the Elementary and Secondary School Emergency Relief Fund

As described in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding Assistance Listing No. 84.425D/U Elementary and Secondary School Emergency Relief Fund as described in finding number 2022-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other 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.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
June 9, 2023

MILBANK SCHOOL DISTRICT NO. 25-4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

SECTION II. FINDING - FINANCIAL STATEMENT AUDIT

Finding 2021-001.

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at Milbank School District No. 25-4 (the District) relating to a lack of segregation of duties.

Recommendation:

We recommend that management and the School Board be constantly aware of this situation and continue their review of monthly financial statements. In addition, management should strive to obtain as much segregation of duties as possible as personnel and/or responsibilities changes.

Current Status:

This has not been corrected and is restated as current audit Finding 2022-001.

SECTION III. FINDING – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2021-002.

Condition:

The School District did not complete and submit their audit to the Federal Audit Clearinghouse by the due date of March 31, 2023. This affects all federal programs.

Recommendation:

We recommend the School District become familiar with reporting requirements for each award and implement procedures to begin audit preparation work earlier in the fiscal year to ensure reports are filed within the nine-month reporting deadline set forth by Uniform Guidance.

Current Status:

This has not been corrected and is restated as current audit Finding 2022-002.

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiencies identified?	X	yes		none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiencies identified?	X	yes		none reported
Type of auditor's report issued on compliance for major programs	Unmodified			
Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	X	yes		no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
84.425D/U	Elementary and Secondary School Emergency Relief Fund

Dollar Threshold used to distinguish between Type A and Type B Programs:	$750,000			
Auditee qualified as low-risk auditee?		yes	X	no

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2022-001 – Segregation of Duties (Repeat Finding)

Significant Deficiency

Condition:

Our study and evaluation of internal control structure policies and procedures disclosed that there is a weakness in controls in effect at Milbank School District No. 25-4 (the School District) relating to a lack of segregation of duties.

Questioned Costs: None.

Criteria:

Internal controls should be in place that provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports generated. No one individual should handle a transaction from its inception to its completion.

Cause:

The School District has a limited number of staff to perform financial transactions.

Effect:

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation:

We recommend that management and the School Board be constantly aware of this situation and continue their review of monthly financial statements. In addition, management should strive to obtain as much segregation of duties as possible as personnel and/or responsibilities change.

Views of Responsible Officials:

Please refer to the Corrective Action Plan for management's views and planned corrective action.

MILBANK SCHOOL DISTRICT NO. 25-4

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2022-002 – Reporting (Compliance; Internal Control Over Compliance) (Repeat Finding)

Significant Deficiency

Condition:

The School District did not complete and submit their audit to the Federal Audit Clearinghouse by the due date of March 31, 2023. This affects all federal programs.

Questioned Costs: None.

Criteria:

2 CFR §200.512 of the Uniform Guidance requires an entity expending more than $750,000 of federal funds within the calendar year to submit a data collection form by a due date that is the earlier of 30 calendar days after receipt of the auditor's report(s) or nine months after the end of the audit period.

Cause:

The School District has a limited number of staff to perform financial functions.

Effect:

Late filing of the data collection form results in noncompliance with requirements of Uniform Guidance which could lead to sanctions by funding agencies.

Recommendation:

We recommend the School District become familiar with reporting requirements for each award and implement procedures to begin audit preparation work earlier in the fiscal year to ensure reports are filed within the nine-month reporting deadline set forth by Uniform Guidance.

Views of Responsible Officials:

Please refer to the Corrective Action Plan for management's views and planned corrective action.

Milbank School District 25-4

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Middle School
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High School
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Tim Graf, Superintendent
Nancy Meyer, Business Manager
Dan Snaza, High School Principal
Kristopher Evje, Middle School Dean of Students
and Special Services Director
Keri Schliesman, Elementary Special Education Director
Amy Brandriet, Koch Elementary School Principal

Responses to Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

2022-001. Finding: Segregation of Duties

Response: The Superintendent is the contact person at this entity responsible for the corrective action plan for this comment. The entity has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. Milbank School District No. 25-4 is aware of the problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties continues to exist.

2022-002. Finding: Compliance Findings – Reporting

Response: The Business Manager is the contact person at this entity responsible for the corrective action plan for this comment. The COVID pandemic has caused problems for our School District. Due at approximately the same time were the extended audit for June 30, 2022, the annual report for June 30, 2023, and the proposed budget for the 2023-2024 school year. The late filing was caused by multiple financial processes being completed simultaneously.