

**LEOLA SCHOOL DISTRICT NO. 44-2
LEOLA, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2022**

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditor's Report

School Board
Leola School District No. 44-2
McPherson County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2, South Dakota (School District) as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Smee 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, items 2022-001, 2022-002, 2022-003, 2022-004, and 2022-005 that we consider to be material weaknesses.

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School Board
Leola School District No. 44-2
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Report on Internal Control and Compliance

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Leola School District No. 44-2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the 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 that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Mobridge, South Dakota
February 15, 2023



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

School Board
Leola School District No. 44-2
McPherson County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Leola School District No. 44-2, South Dakota (School District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Leola School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

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Auditor's Responsibilities for the Audit of Compliance

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

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

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Calvin Berman

Mobridge, South Dakota
February 15, 2023

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

PRIOR FEDERAL AUDIT FINDINGS

No prior year federal audit findings were reported.

PRIOR OTHER AUDIT FINDINGS

Finding Number 2021-001:

Internal control over financial reporting and compliance is not adequate.

Current Status

Condition still exists, see current audit finding number 2022-001.

Finding Number 2021-002:

The District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Current Status

Condition still exists, see current audit finding number 2022-002.

Finding Number 2021-003:

Internal control does not provide for identifying material misstatements.

Current Status

Condition still exists, see current audit finding number 2022-003.

Finding Number 2021-004:

The School District's internal control did not identify checks requiring dual signature to be signed by the business manager and counter signed by the School Board President.

Current Status

This condition has been corrected.

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

SECTION 1 - SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties as discussed in finding number 2022-001. A material weakness was disclosed by our audit of the financial statements for the preparation of the financial statements by the auditor as discussed in finding number 2022-002. A material weakness was disclosed by our audit of the financial statements for proposing material adjustments as discussed in finding number 2022-003. A material weakness was disclosed for an organization's lack of internal control structure to provide for proper cash flow management over the grants it is awarded as discussed in finding number 2022-004.
- c. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. A material weakness was disclosed for a lack of internal controls over the School District's federal awards for the following compliance requirements: procurement, suspension, and debarment as discussed in finding number 2022-005.
- f. The federal awards tested as major programs were:

Elementary and Secondary School Emergency Relief Fund - CFDA 84.425

- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Leola School District did not qualify as a low-risk auditee.

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control-Related Findings: Material Weaknesses

Finding 2022-001

Criteria

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of the cash transaction. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

Statement of Condition

A lack of proper segregation of duties existed for the revenue function resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. The business manager processed all revenue transactions from beginning to end. The business manager received money, issued receipts, recorded receipts, posted receipts in the accounting records, prepared bank deposits, reconciled bank statements and prepared financial statements. As a result, an inadequate segregation of duties existed for the revenue function of the School District.

Cause and Effect

Inaccurate financial statement and/or misappropriations of funds could result from a lack of segregation of duties.

Identification as a repeat finding: Yes, has been a finding for several years in a row.

Recommendation

We recommend that School District's officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever possible and practical.

Finding 2022-002

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

Statement of Condition

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause and Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Identification as a repeat finding: Yes, has been a finding for several years in a row.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Finding 2022-003

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Statement of Condition

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause and Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Identification as a repeat finding: Yes, has been a finding for several years in a row.

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Finding 2022-004

Criteria

An organization's internal control structure should provide for proper cash flow management over the grants it is awarded. School Districts are encouraged to claim for reimbursements on a quarterly basis. By not doing so, it can be misleading and lead to interpretations of an unnecessary need of funds.

Statement of Condition

The School District filed the majority of its' grant claims after year-end.

Cause and Effect

By not filing grant claims on a periodic basis throughout the fiscal year, a cash flow management problem exists. This also deters the District from reviewing the expenses related to the grant on a periodic basis.

Identification as a repeat finding: No, this is the first year for this finding.

Recommendation

We recommend the District file their grant claims throughout the year in order to efficiently manage their cash flow and related expenses.

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
AS OF JUNE 30, 2022 AND FOR THE YEAR THEN ENDED**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Internal Control-Related Findings: Material Weaknesses

Finding 2022-005

Major Federal Program

The major federal program affected is the Elementary and Secondary School Emergency Relief Fund (CFDA 84.425) for the 2022 federal award year.

Criteria

CFR Title 2 states that a non-federal entity must establish and maintain effective internal control over federal awards that provide reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and terms and conditions of the federal award.

Statement of Condition

A material weakness was reported for a lack of internal controls over the School District's federal awards for the following compliance requirements: procurement, suspension, and debarment. This is undesirable from an internal control viewpoint and could result in a misappropriation of assets.

Cause and Effect

Internal controls are not adequately designed to prevent or detect noncompliance with the compliance requirements identified. Inadequate internal controls could adversely affect the School District's ability to detect noncompliance that would be material in relation to federal programs in a timely manner by employees in the normal course of performing their assigned duties.

Questioned Cost

None reported.

Recommendation

We recommend the School Board take a more active role in the oversight of the School District's compliance with federal statutes, regulations, and the terms and conditions of federal awards.

Leola School District 44-2

P.O. Box 350, Leola, SD 57456 Phone: 605-439-3142 Fax: 605-439-3206

Finding Number 2022-001: Material weakness in internal controls due to a lack of segregation of duties.

Views of Responsible officials and Planned Correct Action Plan:

The Leola School District Business Manager, Kayla Casey, is the contact person at this entity responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the district's business office. Staffing the office at an efficient and financially feasible level precludes the hiring of enough personnel to provide an ideal environment for internal controls. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the district.

Finding Number 2022-002: Material weakness due to a lack of internal control structure to enable for the preparation of the financial statements and related notes.

Views of Responsible officials and Planned Correct Action Plan:

The Leola School District Business Manager, Kayla Casey, is the contact person at this entity responsible for the corrective action plan for this finding. The district is aware of our overall responsibility for the preparation of the School's financial statements and footnotes and plans to attempt to set aside time to complete these statements and required footnotes. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the district.

Finding Number 2022-003: Material weakness due to a lack of internal control structure to provide recording of all necessary material adjustments in order to ensure that accounting records are in accordance with GAAP.

Views of Responsible officials and Planned Correct Action Plan:

The Leola School District Business Manager, Kayla Casey, is the contact person at this entity responsible for the corrective action plan for this finding. The district is aware of our overall responsibility for the preparation of all material adjustments of the School's financial statements to ensure their accuracy. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the district.

Finding Number 2022-004: Material weakness due to a lack of internal control structure to file the majority of its' grant claims on a periodic basis to more efficiently manage there cash flow.

Views of Responsible officials and Planned Correct Action Plan:

The Leola School District Business Manager, Kayla Casey, is the contact person at this entity responsible for the corrective action plan for this finding. This district is aware of the overall responsibility to file their grant claims throughout the year in order to efficiently manage their cash flow and related expenses and will file them quarterly in the future.

All students will have equal access to an excellent educational program and be educated to their greatest potential. They will meet high academic standards through school interventions, and family involvement.

Beverly Myer, Superintendent/Colony Principal



Brett Flemmer, K-12 Principal



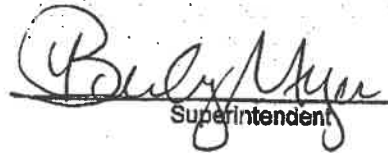
Kayla Casey, Business Manager

Finding Number 2022-005: Material weakness due to a lack of internal control structure to comply with the following federal award compliance requirements: procurement, suspension, and debarment.

Views of Responsible officials and Planned Correct Action Plan:

The Leola School District Business Manager, Kayla Casey, is the contact person at this entity responsible for the corrective action plan for this finding. This finding is due to the limited number of staff employed in the district's business office. The Board is aware of the issue and will provide continual analysis of the processes and procedures surrounding the compliance requirements of procurement, suspension, and debarment.


Business Manager


Superintendent



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

School Board
Leola School District No. 44-2
McPherson 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 the Leola School District No. 44-2, as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leola School District No. 44-2 as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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.
4. 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.
5. 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, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Schedule of Expenditures of Federal Awards, which as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Cathie Bone

Mobridge, South Dakota
February 15, 2023

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,948,716	\$ 8,678	\$ 1,957,394
Due from other funds	11,657	-	11,657
Investments	160,114	-	160,114
Taxes receivable	1,315,914	-	1,315,914
Inventories	-	10,552	10,552
Other assets	648,353	28,860	677,213
Net pension asset	593,508	19,530	613,038
Capital assets			
Land, improvements	18,000	-	18,000
Other capital assets, net depreciation	4,731,980	66,032	4,798,012
TOTAL ASSETS	9,428,242	133,652	9,561,894
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	829,929	27,100	857,029
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 829,929	\$ 27,100	\$ 857,029

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 75,675	\$ 23,232	\$ 98,907
Other current liabilities	168,828	17,125	185,953
Noncurrent liabilities:			
Due within one year	210,000	-	210,000
Due in more than one year	1,729,320	-	1,729,320
TOTAL LIABILITIES	2,183,823	40,357	2,224,180
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	1,154,523	37,824	1,192,347
TOTAL DEFERRED INFLOWS OF RESOURCES	1,154,523	37,824	1,192,347
NET POSITION			
Net Investment in Capital Assets	2,796,749	66,032	2,862,781
Restricted for:			
Capital Outlay	1,187,807	-	1,187,807
Special Education	732,664	-	732,664
SDRS Pension Purposes	268,914	8,806	277,720
Unrestricted	1,933,691	7,733	1,941,424
TOTAL NET POSITION	\$ 6,919,825	\$ 82,571	\$ 7,002,396

**LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary governmental activities						
Instruction	\$ 2,020,663	\$ 11,000	\$ 354,944	\$ (1,654,719)	\$ -	\$ (1,654,719)
Support services	1,354,990	11,650	137,887	(1,205,453)	-	(1,205,453)
Co-curricular activities	156,163	13,027	91,432	(51,704)	-	(51,704)
** Interest on long term debt	45,821	-	-	(45,821)	-	(45,821)
Total governmental activities	3,577,637	35,677	584,263	(2,957,697)	-	(2,957,697)
Business-type activities						
Food services	301,819	15,814	275,956	-	(10,049)	(10,049)
Other enterprise funds	3,634	1,855	-	-	(1,779)	(1,779)
Total business-type activities	305,453	17,669	275,956	-	(11,828)	(11,828)
Total primary government	\$ 3,883,090	\$ 53,346	\$ 860,219	\$ (2,957,697)	\$ (11,828)	\$ (2,969,525)
General Revenues						
Taxes						
Property taxes				2,641,759	-	2,641,759
Utility taxes				59,932	-	59,932
Revenue from state sources:						
State Aid				1,019,011	-	1,019,011
Revenue from federal sources:						
Other				6,812	-	6,812
Unrestricted investments earnings				1,793	-	1,793
Other general revenues				35,022	-	35,022
Transfers				(36,347)	36,347	-
Total general revenues and transfers				3,727,982	36,347	3,764,329
Change in net position				770,285	24,519	794,804
Net position - beginning				6,149,540	58,052	6,207,592
Net position - ending				\$ 6,919,825	\$ 82,571	\$ 7,002,396

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

**LEOLA SCHOOL DISTRICT NO. 44-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,016,209
Investments	104,638
Due from other funds	11,657
Taxes-receivables	606,893
Taxes-delinquent	9,789
Accounts receivable	242
Due from state government	60,485
Due from federal government	272,763
Deposits	19,489
TOTAL ASSETS	\$ 2,102,165
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 31,879
Contracts payable	89,079
Amounts held for others	6,852
Payroll deductions and withholdings payable and employer matching payable	11,344
Total Liabilities	139,154
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	574,398
Total Deferred Inflows of Resources	574,398
Fund Balances:	
Nonspendable	
Deposits	19,489
Restricted	
Capital outlay	-
Special education	-
Unassigned	1,369,124
Total Fund Balance	1,388,613
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 2,102,165

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

	Capital Outlay Fund		Special Education Fund		Total Governmental Funds
\$	550,115	\$	382,392	\$	1,948,716
	-		55,476		160,114
	-		-		11,657
	365,969		323,959		1,296,821
	6,330		2,974		19,093
	-		-		242
	-		-		60,485
	295,374		-		568,137
	-		-		19,489
\$	1,217,788	\$	764,801	\$	4,084,754
\$	29,981	\$	13,815	\$	75,675
	-		16,244		105,323
	-		-		6,852
	-		2,078		13,422
	29,981		32,137		201,272
	346,449		304,426		1,225,273
	346,449		304,426		1,225,273
	-		-		19,489
	841,358		-		841,358
	-		428,238		428,238
	-		-		1,369,124
	841,358		428,238		2,658,209
\$	1,217,788	\$	764,801	\$	4,084,754

**LEOLA SCHOOL DISTRICT NO. 44-2
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balances - governmental funds	\$ 2,658,209
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	593,508
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$6,910,946 and the accumulated depreciation is (\$2,160,966) for a net amount of \$4,749,980.	4,749,980
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	829,929
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$29,320, capital outlay certificates of \$1,910,000, unamortized bond premium of \$24,000, and accrued interest of \$19,231.	(1,982,551)
Governmental funds report property tax revenue on the modified accrual basis of accounting recognizing revenue in the period for which the levy was made subject to meeting availability criteria which results in deferral of some revenue recognition while the statement of net position recognizes property tax revenue in the period for which it was levied without regard to availability criteria.	1,225,273
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(1,154,523)</u>
Total net position - governmental funds	<u>\$ 6,919,825</u>

**LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund
REVENUES:	
Revenue from local sources:	
Taxes:	
Ad valorem taxes	\$ 1,253,455
Prior years' ad valorem taxes	10,588
Tax deed revenue	1,690
Utility taxes	59,932
Penalties and interest on taxes	4,879
Tuition and fees:	
Regular Day School Tuition	11,000
Earnings on investments and deposits	1,793
Cocurricular activities:	
Admissions	11,277
Other pupil activity income	1,750
Other revenue from local sources:	
Rentals	3,247
Contributions and donations	800
Charges for services	1,998
Other	6,788
Total revenue from local sources	<u>1,369,197</u>
Revenue from intermediate sources	
County sources:	
County appointment	19,950
Total revenue from intermediate sources	<u>19,950</u>
Revenue from state sources:	
Grants-in-aid:	
Unrestricted grants-in-aid	1,019,011
Total revenue from state sources	<u>1,019,011</u>
Revenue from federal sources:	
Grants-in-aid:	
Unrestricted grants-in-aid received from fed govt thru intermediate	2,740
Restricted grants-in-aid directly from fed govt	10,560
Restricted grants-in-aid thru state	281,900
Total revenue from federal sources	<u>295,200</u>
Total revenues	<u>\$ 2,703,358</u>

(Continued on next page)

	Capital Outlay Fund		Special Education Fund		Total Governmental Funds
\$	734,902	\$	550,861	\$	2,539,218
	5,531		3,165		19,284
	459		268		2,417
	-		-		59,932
	2,879		1,687		9,445
	-		-		11,000
	-		-		1,793
	-		-		11,277
	-		-		1,750
	-		-		3,247
	-		62		862
	-		9,652		11,650
	-		20		6,808
	<u>743,771</u>		<u>565,715</u>		<u>2,678,683</u>
	-		-		19,950
	-		-		19,950
	-		-		1,019,011
	-		-		1,019,011
	2,160		1,912		6,812
	-		-		10,560
	287,403		4,400		573,703
	<u>289,563</u>		<u>6,312</u>		<u>591,075</u>
\$	<u>1,033,334</u>	\$	<u>572,027</u>	\$	<u>4,308,719</u>

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
Expenditures:	
Instruction:	
Regular programs:	
Elementary	\$ 782,312
Middle/junior high	202,184
High school	267,749
Preschool	71,580
Special programs:	
Programs for special education	-
Educationally deprived	69,843
Other special programs	119,793
Total instruction	<u>1,513,461</u>
Support services:	
Pupils:	
Guidance	43,907
Health	882
Psychological	-
Speech pathology	-
Student therapy services	-
Instructional staff:	
Improvement of instruction	27,750
Educational media	59,173
General administration:	
Board of education	71,080
Executive administration	52,889
School administration:	
Office of the principal	165,450
Other	171
Business:	
Fiscal services	139,136
Operation and maintenance of plant	297,085
Pupil transportation	83,754
Food services	6,194
Central:	
Staff	496
Special education:	
Administrative costs	-
Transportation costs	-
Other	-
Total support services	<u>\$ 947,967</u>

(Continued on next page)

Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 61,594	\$ -	\$ 843,906
33,619	-	235,803
38,043	-	305,792
-	-	71,580
-	421,606	421,606
2,074	-	71,917
-	-	119,793
135,330	421,606	2,070,397
2,150	-	46,057
-	-	882
-	5,282	5,282
-	12,402	12,402
-	37,669	37,669
-	-	27,750
49,402	-	108,575
-	-	71,080
-	-	52,889
2,683	-	168,133
-	-	171
2,074	-	141,210
185,599	-	482,684
2,687	-	86,441
36,347	-	42,541
-	-	496
-	10,985	10,985
-	2,707	2,707
-	8,533	8,533
\$ 280,942	\$ 77,578	\$ 1,306,487

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
Debt services	\$ -
Cocurricular activities:	
Male activities	26,535
Female activities	24,019
Transportation	21,619
Combined activities	50,763
Total cocurricular activities	<u>122,936</u>
Capital outlay	-
Total expenditures/expenses	<u>2,584,364</u>
Other financing sources (uses)	
Sale of surplus property	4,155
Total other financing sources (uses)	<u>4,155</u>
Net change in fund balances	123,149
Fund balance - beginning	1,265,464
Fund balance - ending	<u>\$ 1,388,613</u>

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

Capital Outlay Fund	Special Education Fund	Total Governmental Funds
\$ 253,415	\$ -	\$ 253,415
618	-	27,153
-	-	24,019
-	-	21,619
6,048	-	56,811
6,666	-	129,602
269,136	-	269,136
945,489	499,184	4,029,037
-	-	4,155
-	-	4,155
87,845	72,843	283,837
753,513	355,395	2,374,372
\$ 841,358	\$ 428,238	\$ 2,658,209

**LEOLA SCHOOL DISTRICT NO. 44-2
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds	\$	283,837
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 exceeded depreciation expense.</p>		46,599
<p>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 funds' statements 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".</p>		71,395
<p>Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.</p>		293
<p>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. These expenses consist of the change in amortization of bond premiums of \$2,594, and reduction of pension expense of \$160,567.</p>		163,161
<p>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.</p>		205,000
Change in net position of governmental activities	\$	<u>770,285</u>

**LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,000	\$ 2,678	\$ 8,678
Accounts receivable	1,133	-	1,133
Due from federal government	27,727	-	27,727
Inventory of supplies	1,235	-	1,235
Inventory of store purchased for resale	2,661	-	2,661
Inventory of donated foods	6,656	-	6,656
Total Current Assets	<u>45,412</u>	<u>2,678</u>	<u>48,090</u>
Noncurrent assets			
Pension asset	19,530	-	19,530
Capital assets			
Machinery and equipment	145,622	-	145,622
Accumulated depreciation	(79,590)	-	(79,590)
Total Noncurrent Assets	<u>85,562</u>	<u>-</u>	<u>85,562</u>
TOTAL ASSETS	<u>130,974</u>	<u>2,678</u>	<u>133,652</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	27,100	-	27,100
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>27,100</u>	<u>-</u>	<u>27,100</u>
LIABILITIES			
Current liabilities			
Accounts payable	23,232	-	23,232
Due to other fund	11,657	-	11,657
Contracts payable	1,016	1,213	2,229
Benefits payable	125	165	290
Unearned revenue	2,949	-	2,949
Total Current Liabilities	<u>38,979</u>	<u>1,378</u>	<u>40,357</u>
TOTAL LIABILITIES	<u>38,979</u>	<u>1,378</u>	<u>40,357</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	37,824	-	37,824
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>37,824</u>	<u>-</u>	<u>37,824</u>
NET POSITION			
Net investment in capital assets	66,032	-	66,032
Restricted for SDRS	8,806	-	8,806
Unrestricted	6,433	1,300	7,733
TOTAL NET POSITION	<u>\$ 81,271</u>	<u>\$ 1,300</u>	<u>\$ 82,571</u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
OPERATING REVENUES			
Sales			
To pupils	\$ 188	\$ -	\$ 188
To adults	8,570	-	8,570
A la carte	7,056	-	7,056
Other charges for goods and services	-	1,855	1,855
Total operating revenues	<u>15,814</u>	<u>1,855</u>	<u>17,669</u>
OPERATING EXPENSES			
Salaries	81,366	3,167	84,533
Employee benefits	7,448	432	7,880
Purchased services	101,568	-	101,568
Supplies	9,038	35	9,073
Cost of sales - purchased food	79,321	-	79,321
Cost of sales - donated food	16,523	-	16,523
Other	1,201	-	1,201
Depreciation	5,354	-	5,354
Total operating expenses	<u>301,819</u>	<u>3,634</u>	<u>305,453</u>
Operating income/(loss)	<u>(286,005)</u>	<u>(1,779)</u>	<u>(287,784)</u>
NONOPERATING REVENUES			
State sources			
State grants	494	-	494
Federal sources			
Cash reimbursements	262,105	-	262,105
Donated food	13,357	-	13,357
Total nonoperating revenues	<u>275,956</u>	<u>-</u>	<u>275,956</u>
Net income/(loss) before transfers	(10,049)	(1,779)	(11,828)
Capital contributions	<u>36,347</u>	<u>-</u>	<u>36,347</u>
Change in net position	26,298	(1,779)	24,519
Total net position - July 1, 2021	<u>54,973</u>	<u>3,079</u>	<u>58,052</u>
Total net position - June 30, 2022	<u>\$ 81,271</u>	<u>\$ 1,300</u>	<u>\$ 82,571</u>

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

**LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Food Service Fund	Drivers Education Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 16,425	\$ 1,855	\$ 18,280
Payments to employees for services	(85,734)	(4,602)	(90,336)
Payments to suppliers of goods and services	(201,870)	(35)	(201,905)
Net cash provided/(used) by operating activities	<u>(271,179)</u>	<u>(2,782)</u>	<u>(273,961)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the general fund	36,347	-	36,347
Operating grants	277,179	-	277,179
Net cash provided by noncapital financing activities	<u>313,526</u>	<u>-</u>	<u>313,526</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,000	(2,782)	3,218
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>	<u>5,460</u>	<u>5,460</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 6,000</u></u>	<u><u>\$ 2,678</u></u>	<u><u>\$ 8,678</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES			
Operating income/(loss)	\$ (283,312)	\$ (1,779)	\$ (285,091)
ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES			
Depreciation expense	5,354	-	5,354
Value of donated commodities used	16,523	-	16,523
Change in assets and liabilities			
Receivables	(2,082)	-	(2,082)
Inventories	832	-	832
Accounts and other payables	(3,161)	(1,003)	(4,164)
Change in pension asset/(liability)	<u>(5,333)</u>	<u>-</u>	<u>(5,333)</u>
Net cash provided/(used) by operating activities	<u><u>\$ (271,179)</u></u>	<u><u>\$ (2,782)</u></u>	<u><u>\$ (273,961)</u></u>
Noncash investing, capital and financing activities:			
Value of commodities received	<u><u>\$ 13,357</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,357</u></u>

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

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 14,004	\$ 25,578
TOTAL ASSETS	<u>14,004</u>	<u>25,578</u>
NET POSITION		
Restricted for student activities	-	25,578
Restricted for scholarships	14,004	-
TOTAL NET POSITION	<u>\$ 14,004</u>	<u>\$ 25,578</u>

LEOLA SCHOOL DISTRICT NO. 44-2
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Collections for student activities	\$ -	\$ 43,715
Other additions	13,184	-
Total additions	<u>13,184</u>	<u>43,715</u>
DEDUCTIONS		
Payments for student activities	-	38,922
Other deductions	1,188	-
Total deductions	<u>1,188</u>	<u>38,922</u>
Change in net position	11,996	4,793
Total net position - July 1, 2021	<u>2,008</u>	<u>20,785</u>
Total net position - June 30, 2022	<u>\$ 14,004</u>	<u>\$ 25,578</u>

**LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022
(See Independent Auditors' Report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of the Leola School District No. 44-2, 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; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and 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 governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 minus liabilities, equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

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

Fund Financial Statements

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

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

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

Governmental Funds

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding 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.

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.

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

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 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 services), 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.

The Driver's Education Fund is an enterprise fund maintained by the School District. This is a not major fund.

Fiduciary Funds

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

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

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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 maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Leola School District No. 44-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2022 are expected state reimbursements, utility taxes, federal reimbursements, and miscellaneous reimbursements.

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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 Funds 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.

d. Interfund Eliminations and Reclassifications

Government Wide Financial Statements

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

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

e. Deposits and Investments

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

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

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f. Capital Assets

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

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

Government-Wide Statements

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

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately 10 percent for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 8 percent for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets were determined by reviewing applicable historical costs and basing the estimations thereon.

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 assets 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	\$ 1,000	N/A	N/A
Improvements, other than buildings	15,000	Straight-line	12-50 years
Buildings	50,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Intangible lease assets	5,000	Straight-line	Various
Food service equipment	1,000	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

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Fund Financial Statements

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

g. Long-Term Liabilities

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

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

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

h. Program Revenues

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

- 1: Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
- 2: Program-specific operating grants and contributions - These arise from mandatory and voluntary 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.

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i. Deferred Inflows and Deferred Outflows of Resources

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

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

j. Proprietary Funds Revenue and Expense Classifications

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

k. Cash and Cash Equivalents

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

l. Equity Classifications

Government-wide Financial Statements

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

1: Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) 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."

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Fund Financial Statements

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

m. Application of Net Position

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

n. Fund Balance Classification Policies and Procedures

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

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o. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions/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 are recognized on an accrual basis of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

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

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) 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.

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.

As of June 30, 2022, all of the School District's investments were in certificates of deposits.

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

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

NOTE 3 - 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.

NOTE 4 - INVENTORY

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are 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.

NOTE 5 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before April 30 and October 31 of the following year. 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 and not susceptible to accrual has been reported as deferred revenue in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, have been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

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NOTE 6 - CHANGES IN CAPITAL ASSETS

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

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Primary Government				
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 18,000	\$ -	\$ -	\$ 18,000
Total capital assets, not being depreciated	18,000	-	-	18,000
Capital assets, being depreciated				
Buildings	4,471,022	-	-	4,471,022
Improvements other than buildings	1,278,665	55,692	-	1,334,357
Machinery and equipment	874,123	213,444	-	1,087,567
Total capital assets, being depreciated	6,623,810	269,136	-	6,892,946
Less accumulated depreciation for				
Buildings	1,078,766	79,748	-	1,158,514
Improvements other than buildings	422,677	49,133	-	471,810
Machinery and equipment	436,986	93,656	-	530,642
Total accumulated depreciation	1,938,429	222,537	-	2,160,966
Total capital assets, being depreciated, net	4,685,381	46,599	-	4,731,980
Governmental activity capital assets, net	<u>\$ 4,703,381</u>	<u>\$ 46,599</u>	<u>\$ -</u>	<u>\$ 4,749,980</u>

Depreciation expense was charged to functions as follows:

	6/30/2022
Governmental activities	
Instructional	\$ 62,085
Support Services	130,329
Cocurricular	30,123
Total depreciation expense - governmental activities	<u>\$ 222,537</u>

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	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	109,275	36,347	\$ -	\$ 145,622
Total capital assets, being depreciated	109,275	36,347	-	145,622
Less accumulated depreciation for				
Machinery and equipment	74,236	5,354	-	79,590
Total accumulated depreciation	74,236	5,354	-	79,590
 Total business-type activities, capital assets, being depreciated, net	 35,039	 30,993	 -	 66,032
 Business-type activities capital assets, net	 \$ 35,039	 \$ 30,993	 \$ -	 \$ 66,032

Depreciation expense was charged to functions as follows:

	6/30/2022
Business-type activities	
Food Service	\$ 5,354

NOTE 7 - LONG-TERM DEBT

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

	Beginning Balance 07/01/2021	Additions	Deletions	Ending Balance 06/30/2022	Due Within One Year
Primary government					
Governmental activities					
Capital outlay certificates 2017	\$ 2,115,000	\$ -	\$ (205,000)	\$ 1,910,000	\$ 210,000
Compensated absences	29,613	10,413	(10,706)	29,320	-
Total governmental activities	\$ 2,144,613	\$ 10,413	\$ (215,706)	\$ 1,939,320	\$ 210,000

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Long-term debt payable at June 30, 2022, is comprised of the following:

Capital Outlay Certificates, Series 2017, maturing August 2031, 2.20% interest, semi annual interest payments and annual principal payments, made from the Capital Outlay Fund.	\$1,910,000
Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within.	<u>29,320</u>
Total long-term debt	<u><u>\$1,939,320</u></u>

Annual requirements to Maturity for Long-Term Debt as of June 30, 2022:

**Capital Outlay
Certificates**

<u>Year Ending June 30, 2022</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 210,000	\$ 44,055
2023	205,000	39,905
2024	200,000	35,855
2025	180,000	32,055
2026	175,000	28,417
2027-2031	<u>940,000</u>	<u>67,815</u>
	<u><u>\$1,910,000</u></u>	<u><u>\$ 248,102</u></u>

NOTE 8 - RESTRICTED NET POSITION

<u>Fund</u>	<u>Restricted By</u>	<u>6/30/2022</u>
Special Education	Law	\$ 732,664
Capital Outlay	Law	1,187,807
SDRS Pension Purposes	Law	<u>277,720</u>
Total Restricted Net Position		<u><u>\$2,198,191</u></u>

These balances are restricted due to statutory requirements.

NOTE 9 - PENSION PLAN

Plan Information:

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

Benefits Provided:

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

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

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

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

Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

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

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living 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% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021, and 2020 was \$115,740, \$109,137, and \$96,757, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Revenue, 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 June 30, 2022 are as follows:

Proportionate share of pension liability	\$ 11,099,891
Less proportionate share of net position restricted for pension benefits	<u>11,712,929</u>
Proportionate share of net pension asset	<u>\$ (613,038)</u>

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At June 30 2022, the School District reported an asset of \$613,038 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the net pension asset was based on a projection of the School'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 .0800490% which is an increase of .000065711% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$166,043. 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	\$ 22,009	\$ 1,607
Changes in assumption	704,988	307,001
Net difference between projected and actual earnings on pension plan investments	-	875,738
Changes in proportion and difference between District contributions and proportionate share of contributions	14,292	8,001
School district contributions subsequent to the measurement date	115,740	-
Total	<u>\$ 857,029</u>	<u>\$ 1,192,347</u>

\$115,740 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2023	(107,315)
2024	(75,071)
2025	(22,321)
2026	<u>(246,351)</u>
TOTAL	<u>\$ (451,058)</u>

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(See Independent Auditors' Report)

Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.5%
Future COLAs	2.25%

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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(See Independent Auditors' Report)

Asset Class	Target Allocation	Long-term Expected 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	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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 6.5%, 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:

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net pension liability/(asset)	\$ 992,662	\$ (613,038)	\$(1,916,493)

Pension Plan Fiduciary Net Position:

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

NOTE 10 - JOINT VENTURES

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing Special Education Services to the member School Districts. Each member district has an equal interest in the cooperative.

The members of the co-op are as follows:

Doland School District No. 56-2	12.5%
Frederick Area School District No. 6-2	12.5%
Groton Area School District No. 6-6	12.5%
Hitchcock Tulare School District No. 56-6	12.5%
Langford Area School District No. 45-5	12.5%
Leola School District No. 44-2	12.5%
Northwestern Area School District No. 56-7	12.5%
Warner School District No. 6-5	12.5%

The North Central Special Education Cooperative governing board is composed of one representative from each member School District, who is elected by the local School Board. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the North Central Special Education Cooperative.

At June 30, 2022, this joint venture had total assets of \$412,317, net position of \$412,317 (unaudited), and no long-term debt outstanding.

The School District also participates in the joint venture known as Northern High Technology Module Consortium formed for the purpose of providing technological equipment to the member School Districts. Each member district has an equal interest in the consortium (unaudited).

NOTES TO FINANCIAL STATEMENTS - Page 21
(See Independent Auditors' Report)

The members of the co-op are as follows:

Edmunds Central School District No. 22-5	14.3%
Eureka School District No. 44-1	14.3%
Groton School District No. 6-3	14.3%
Leola School District No. 44-2	14.3%
Warner School District No.6-5	14.3%
Selby Area School District No. 62-5	14.3%
Ipswich School District No. 22-3	14.2%

The Northern High Technology Module Consortium governing board is composed of the superintendents from each member School District. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

Angie Vetter performs the recordkeeping for this consortium.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Angie Vetter.

At June 30, 2022 this joint venture had total assets of \$10,450 and net position of \$10,450 and no reported long-term debt outstanding.

NOTE 11 - 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 year ended June 30, 2022, the School District managed its risks as follows:

Employee Health Insurance

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

NOTES TO FINANCIAL STATEMENTS - Page 22
(See Independent Auditors' Report)

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

During the year ended June 30, 2022, no claims for these matters were paid. At June 30, 2022 no claims had been filed for these matters and none are anticipated.

Unemployment Benefits

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

The School District appropriates an amount each year in the General Fund to provide resources for potential claims for unemployment benefits.

During the fiscal year ended June 30, 2022, no unemployment claims were paid. At June 30, 2022, the School District does not anticipate that any substantive additional claims will be paid in the subsequent fiscal year.

Workmen's Compensation

The School District participates with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool, which provides workers' compensation insurance coverage for participating members of the pool. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident. The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

NOTES TO FINANCIAL STATEMENTS - Page 23
(See Independent Auditors' Report)

NOTE 12 - LITIGATION

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

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 1,203,000	\$ 1,203,000	\$ 1,253,455	\$ 50,455
1120	Prior Years' Ad Valorem Taxes	8,000	8,000	10,588	2,588
1130	Tax Deed Revenue	-	-	1,690	1,690
1140	Utility Taxes	74,552	74,552	59,932	(14,620)
1190	Penalties and Interest on Taxes	3,000	3,000	4,879	1,879
1300	Tuition and Fees				
1310	Regular Day School Tuition	11,000	11,000	11,000	-
1510	Interest	1,500	1,500	1,793	293
1700	Cocurricular Activities:				
1710	Admissions	8,000	8,000	11,277	3,277
1790	Other	1,000	1,000	1,750	750
1900	Other Revenue from Local Sources:				
1910	Rentals	2,000	2,000	3,247	1,247
1920	Contributions and Donations	-	-	800	800
1970	Charges for Services	1,500	1,500	1,998	498
1990	Other	3,500	3,500	6,788	3,288
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2110	County Apportionment	15,000	15,000	19,950	4,950
3000	Revenue from State Sources:				
3110	Unrestricted Grants-in-Aid	955,365	955,365	1,019,011	63,646
4000	Revenue from Federal Sources:				
4130	Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	-	-	2,740	2,740
4140	Restricted Grants-in-Aid Received Directly from				
4199	Restricted Grants-in-Aid Received Directly from Federal Government Through the State	9,555	9,555	10,560	1,005
		97,994	277,429	281,900	4,471
	Total Revenue	\$ 2,394,966	\$ 2,574,401	\$ 2,703,358	\$ 128,957

(Continued on next page)

**LEOLA SCHOOL DISTRICT NO. 44-2
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2022**

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 761,668	\$ 809,005	\$ 782,312	\$ 26,693
1120	Middle/Junior High	199,021	201,313	202,184	(871)
1130	High School	302,970	306,647	267,749	38,898
1140	Preschool		77,017	71,580	5,437
1200	Special Programs:				
1270	Educationally Deprived	67,706	67,706	69,843	(2,137)
1290	Other Special Programs	77,926	141,174	119,793	21,381
2000	Support Services:				
2100	Pupils:				
2120	Guidance	45,653	45,653	43,907	1,746
2130	Health Services	500	500	882	(382)
2200	Support Services-Instructional Staff:				
2210	Improvement of Instruction	27,918	27,918	27,750	168
2220	Educational Media	55,393	55,393	59,173	(3,780)
2300	Support Services-General Administration:				
2310	Board of Education	77,366	77,366	71,080	6,286
2321	Executive Administration	52,107	52,107	52,889	(782)
2400	Support Services - School Administration:				
2410	Office of the Principal	114,151	212,468	165,450	47,018
2490	Other	-	-	171	(171)
2500	Support Services-Business:				
2520	Fiscal Services	116,383	120,783	139,136	(18,353)
2540	Operation & Maintenance of Plant	214,389	214,389	297,085	(82,696)
2550	Pupil Transportation	81,006	81,006	83,754	(2,748)
2560	Food Service	5,000	5,000	6,194	(1,194)
2600	Support Services-Central:				
2640	Staff	500	500	496	4
6000	Cocurricular Activities				
6100	Male Activities	14,012	14,012	26,535	(12,523)
6200	Female Activities	21,245	21,245	24,019	(2,774)
6500	Transportation	17,048	17,048	21,619	(4,571)
6900	Combined Activities	50,556	50,556	50,763	(207)
7000	Contingencies	46,000	-	-	-
	Total Expenditures	\$ 2,348,518	\$ 2,598,806	\$ 2,584,364	\$ 14,442

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LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Excess Revenue Over/Under Expenditures	\$ 46,448	\$ (24,405)	\$ 118,994	\$ 143,399
Other Financing Sources				
5130 Sale of Surplus Property	-	-	4,155	4,155
Total Other Financing Sources	-	-	4,155	4,155
Net Change in Fund Balances	46,448	(24,405)	123,149	147,554
Fund Balance - Beginning	1,265,464	1,265,464	1,265,464	-
Fund Balance - Ending	\$ 1,311,912	\$ 1,241,059	\$ 1,388,613	\$ 147,554

**LEOLA SCHOOL DISTRICT NO. 44-2
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 FOR THE YEAR ENDED JUNE 30, 2022**

Data	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final	(Budgetary Basis)		
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 697,000	\$ 697,000	\$ 734,902	\$ 37,902
1120	Prior Years' Ad Valorem Taxes	5,000	5,000	5,531	531
1130	Tax Deed Revenue	-	-	459	459
1190	Penalties and Interest on Taxes	4,000	4,000	2,879	(1,121)
4000	Revenue from Federal Sources:				
4130	Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source	-	-	2,160	2,160
4150	Restricted Grants-in-Aid Received from Federal Government Through the State	248,644	544,018	287,403	(256,615)
Total Revenue		\$ 954,644	\$ 1,250,018	\$ 1,033,334	\$ (216,684)

**LEOLA SCHOOL DISTRICT NO. 44-2
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 CAPITAL OUTLAY FUND
 FOR THE YEAR ENDED JUNE 30, 2022**

Data	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final	(Budgetary Basis)		
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 51,000	\$ 73,630	\$ 61,594	\$ 12,036
1120	Middle/Junior High	7,500	7,500	33,619	(26,119)
1130	High School	12,900	12,900	38,043	(25,143)
1200	Special Programs:				
1270	Educationally Deprived	2,000	2,000	2,074	(74)
2000	Support Services:				
2100	Pupils:				
2120	Guidance	2,000	2,000	2,150	(150)
2200	Support Services-Instructional Staff:				
2220	Educational Media	24,750	55,870	49,402	6,468
2300	Support Services-General Administration:				
2321	Executive Administration	250	250	-	250
2410	Office of the Principal	2,750	2,750	2,683	67
2500	Support Services-Business				
2520	Fiscal Services	4,500	4,500	2,074	2,426
2530	Facilities Acquisition and Construction	50,000	50,000	18,584	31,416
2540	Operation & Maintenance of Plant	315,733	330,109	243,179	86,930
2550	Pupil Transportation	207,971	400,942	104,227	296,715
2560	Food Service	-	34,277	36,347	(2,070)
5000	Debt Services	253,340	253,340	253,415	(75)
6000	Cocurricular Activities				
6100	Male Activities	6,050	6,050	618	5,432
6200	Female Activities	1,900	1,900	-	1,900
6500	Transportation	-	-	91,432	(91,432)
6900	Combined Activities	12,000	12,000	6,048	5,952
	Total Expenditures	954,644	1,250,018	945,489	304,529
	Excess Revenue Over/Under Expenditures	-	-	87,845	87,845
	Net Change in Fund Balances	-	-	87,845	87,845
	Fund Balance - Beginning	753,513	753,513	753,513	-
	Fund Balance - Ending	\$ 753,513	\$ 753,513	\$ 841,358	\$ 87,845

LEOLA SCHOOL DISTRICT NO. 44-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2022

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES:				
1000	Revenue from Local Sources:			
1100	Taxes:			
1110	\$ 522,210	\$ 532,010	\$ 550,861	\$ 18,851
1120	3,000	3,000	3,165	165
1130	-	-	268	268
1190	2,000	2,000	1,687	(313)
1900	Other Revenue from Local Sources:			
1920	-	-	62	62
1970	10,100	10,100	9,652	(448)
1990	-	-	20	20
4000	Revenue from Federal Sources:			
4130	Unrestricted Grants-in-Aid Received from Federal Government Through an Intermediate Source			
	-	-	1,912	1,912
4199	Restricted Grants-in-Aid Received Directly from Federal Government Through the State			
	-	-	4,400	4,400
Total Revenue	\$ 537,310	\$ 547,110	\$ 572,027	\$ 24,917
EXPENDITURES:				
1200	Special Programs:			
1220	\$ 417,011	\$ 417,011	\$ 421,606	\$ (4,595)
2000	Support Services:			
2100	Pupils:			
2140	5,282	5,282	5,282	-
2150	12,402	12,402	12,402	-
2170	37,843	37,843	37,669	174
2700	Special Education:			
2710	250	10,050	10,985	(935)
2730	7,450	7,450	2,707	4,743
2750	57,072	57,072	8,533	48,539
Total Expenditures	537,310	547,110	499,184	47,926
Excess Revenue Over/Under Expenditures	-	-	72,843	72,843
Net Change in Fund Balances	-	-	72,843	72,843
Fund Balance - Beginning	355,395	355,395	355,395	-
Fund Balance - Ending	\$ 355,395	\$ 355,395	\$ 428,238	\$ 72,843

**LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular board meeting in May of each year the School Board prepares 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 trust and agency 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 five 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.
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 Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0800490%	0.0734779%	0.0678952%	0.0765042%	0.0726197%	0.0665721%	0.0644733%	0.0743679%
District's proportionate share of net pension liability (asset)	\$ (613,038)	\$ (3,191)	\$ (7,195)	\$ (1,784)	\$ (6,590)	\$ 224,874	\$ (273,450)	\$ (535,790)
District's covered-employee payroll	\$ 1,818,945	\$ 1,607,257	\$ 1,443,857	\$ 1,590,457	\$ 1,447,824	\$ 1,253,353	\$ 1,152,405	\$ 1,300,490
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-33.70%	-0.20%	-0.50%	-0.11%	-0.46%	17.94%	-23.73%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability	105.25%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.29%

*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.

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 115,740	\$ 109,137	\$ 96,757	\$ 86,616	\$ 95,427	\$ 88,529	\$ 75,201	\$ 69,144
Contributions in relation to the contractually required contribution	\$ 115,740	\$ 109,137	\$ 96,757	\$ 86,616	\$ 95,427	\$ 88,529	\$ 75,201	\$ 69,144
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$1,928,993	\$1,818,945	\$1,612,617	\$1,443,857	\$1,590,457	\$1,475,483	\$1,253,353	\$1,152,405
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

LEOLA SCHOOL DISTRICT NO. 44-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS

Changes from prior valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and 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, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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

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

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying	Disbursements/ Expenditures
Child Nutrition Cluster:			
US Department of Agriculture Pass-Through Programs from:			
SD Department of Education:			
School breakfast program (Note3)	10.553	NSLP-44002-22	
Cash Reimbursement			\$ 71,458
National school lunch program (Note 3)	10.555	NSLP-44002-22	
Cash Reimbursement			176,718
Donated Food			<u>13,357</u>
			<u>190,075</u>
Total child nutrition cluster			261,533
US Department of Agriculture Pass-Through Programs from:			
SD Department of Education:			
Fresh Fruit & Vegetable Program	10.582	N/A	<u>6,220</u>
Total U.S. Department of Agriculture			<u>267,753</u>
US Department of the Interior - Direct Programs			
Fish and Wildlife Management Assistanc	15.608	N/A	<u>6,812</u>
Total U.S. Department of the Interior			<u>6,812</u>
US Department of Homeland Security - Direct Programs			
Homeland Security Grant Program	97.067	N/A	<u>14,376</u>
Total US Department of Homeland Security			14,376
US Department of Education: Pass-Through Programs from:			
SD Department of Education:			
Title I grants to local educational agenc	84.010	TIA-44002-22	63,131
Rural Education	84.358	N/A	10,560
Improving teacher quality state grants	84.367A	TIIA-4402-22	19,863

**LEOLA SCHOOL DISTRICT NO. 44-2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

School Support and Academic Enrichment Grants	84.424A	TIVA-44002-22	10,000	
Elementary and secondary school emergency relief	84.425U	ESSERIIIG-44002-21	<u>460,433</u>	
Subtotal for US Department of Education - Pass-Through Programs				563,987
Total U.S. Department of Education				<u>563,987</u>
Total Expenditures				<u>\$ 852,928</u>

NOTE 1 -BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant 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 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - FEDERAL REIMBURSEMENTS

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