

Vermillion School District No. 13-1

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

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

Vermillion School District No. 13-1

School District Officials

June 30, 2022

Board Members

Doug Peterson ----- Board President

Rachel Olson -----Vice President

Carol Voss-Ward ----- Member

Jim Peterson----- Member

Shane Nordyke ----- Member

Damon Alvey -----Superintendent

Kevin Kocer -----Business Manager

Vermillion School District No. 13-1

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

School Board
Vermillion School District No. 13-1
Vermillion, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Vermillion School District No. 13-1, South Dakota, 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 December 12, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermillion School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Elk Point, South Dakota
December 12, 2022



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

School Board
Vermillion School District No. 13-1
Vermillion, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Vermillion School District No. 13-1’s, South Dakota 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 Vermillion School District’s major federal programs for the year ended June 30, 2022. Vermillion 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 Vermillion School District No. 13-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct 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 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 grants agreements applicable to School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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.

A handwritten signature in blue ink that reads "Elk Point LLC". The signature is written in a cursive, slightly slanted style.

Elk Point, South Dakota
December 12, 2022

Vermillion School District No. 13-1
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year ended June 30, 2022

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: _____ Yes _____ X None Reported

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

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards:

Internal control over major program:

Material weakness identified: _____ Yes _____ X None Reported

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): _____ Yes _____ X No

Identification of major program:

CFDA Number	Name of Federal Program
84.425D	ESSER II
84.425U	ESSER III

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

\$ 750,000

Auditee qualified as low-risk auditee? _____ x yes _____ no

Vermillion School District No. 13-1
Schedule of Prior and Current Audit Findings and Questioned Costs (Cont.)
Year ended June 30, 2022

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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



Independent Auditor's Report

School Board
Vermillion School District No. 13-1
Vermillion, 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 Vermillion School District No. 13-1, Vermillion, South Dakota, as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise Vermillion School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Vermillion School District No. 13-1, South Dakota 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*, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and Schedule of School District Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Vermillion School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) 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 December 12, 2022 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Elk Point, South Dakota
December 12, 2022

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Vermillion School District 13-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The District passed a \$26 million bond to build a new elementary school. An additional \$5 million in Capital Outlay Certificates were issued for the project. Once the project is completed, the two existing elementary school buildings will be closed.
- The School's net position from governmental and business-type activities increased approximately \$3,039,360 due primarily to increases in its governmental activities due in part to additional general revenues in taxes and federal sourced income.
- General Fund revenue exceeded expenditures by \$764,067. The General Fund's fund balance increased from \$3,087,991 to \$3,852,058.

Overview of the Financial Statements

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

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

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

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

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

Figure A-1

Major Features of Vermillion School's Government-Wide and Fund Financial Statements

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

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

The School has three kinds of funds:

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

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Vermillion School District 13-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 12,447,094	\$ 49,562,270	\$ 481,984	\$ 617,962	\$ 12,929,078	\$ 50,180,232	288.12%
Capital Assets (Net of Depreciation)	20,020,570	20,936,605	31,533	94,360	20,052,103	21,030,965	4.88%
Total Assets	32,467,664	70,498,875	513,517	712,322	32,981,181	71,211,197	115.91%
OPEB Related Deferred Outflows	327,397	289,949	--	--	327,397	289,949	-11.44%
Pension Related Deferred Outflows	2,100,577	3,172,589	--	--	2,100,577	3,172,589	51.03%
Total Deferred Outflows or Resources	2,427,974	3,462,538	--	--	2,427,974	3,462,538	42.61%
Long-Term Liabilities Outstanding	5,566,993	37,385,859	--	--	5,566,993	37,385,859	571.56%
Other Liabilities	986,179	1,430,737	52,289	83,369	1,038,468	1,514,106	45.80%
Total Liabilities	6,553,172	38,816,596	52,289	83,369	6,605,461	38,899,965	488.91%
Taxes Levied for Future Period	3,343,566	4,094,591	--	--	3,343,566	4,094,591	22.46%
OPEB Related Deferred Inflows	824,759	1,230,992	--	--	824,759	1,230,992	49.25%
Pension Related Deferred Inflows	1,692,647	4,466,105	--	--	1,692,647	4,466,105	163.85%
Total Deferred Inflows of Resources	5,860,972	9,791,688	--	--	5,860,972	9,791,688	67.07%
Net Investment in Capital Assets	16,113,722	17,087,733	31,533	94,360	16,145,255	17,182,093	6.42%
Restricted	5,526,810	6,693,760	--	--	5,526,810	6,693,760	21.11%
Unrestricted	840,961	1,571,636	429,696	534,593	1,270,657	2,106,229	65.76%
Total Net Assets	22,481,493	25,353,129	461,229	628,953	22,942,722	25,982,082	13.25%
Beginning Net Position	21,735,531	22,481,493	328,417	461,229	22,063,948	22,942,722	3.98%
Increase (Decrease) in Net Position	\$ 745,962	\$ 2,871,636	\$ 132,812	\$ 167,724	\$ 878,774	\$ 3,039,360	-245.86%
Percentage of Increase (Decrease) in Net Position	3.43%	12.77%	40.44%	36.36%	3.98%	13.25%	

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

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The Vermillion School District's total revenues (excluding transfers) in FY22 were \$18,337,877. More than 46% of the School's revenue comes from property and other taxes, with approximately 29% coming from state aid. (See Table A-2).

Table A-2
Vermillion School District 13-1
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 8,593,959	46.86%
State Sources	5,324,481	29.04%
Operating Grants & Contributions	2,892,043	15.77%
Charges For Services	985,564	5.37%
Other General Revenues	488,897	2.67%
Unrestricted Investment Earnings	<u>52,933</u>	<u>0.29%</u>
Total Revenue	<u>\$ 18,337,877</u>	<u>100.00%</u>

Total expenditures of all programs and services increased by approximately 2%. The Vermillion School District expenses totaled \$15,298,517 (See Table A-4). The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, food services, and driver's education. (See Table A-3).

Table A-3
Vermillion School District 13-1
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 7,221,601	47.20%
Support Services	6,028,003	39.40%
Interest - on Long-Term Debt	352,308	2.30%
Community Services	10,577	0.07%
Cocurricular Activities	487,316	3.19%
Food Service	935,778	6.12%
Nonprogrammed Charges	23,975	0.16%
Drivers Education	<u>238,959</u>	<u>1.56%</u>
Total Expenditures	<u>\$ 15,298,517</u>	<u>100.00%</u>

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental and Business-Type Activities

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

Table A-4

	Government Activities		Business-type Activities		Total		Total
	2021	2022	2021	2022	2021	2022	Percentage Change
Revenues							
Program Revenues							
Charge for Services	\$ 49,773	\$ 642,665	\$ 272,801	\$ 342,899	\$ 322,574	\$ 985,564	205.53%
Operating Grants/ Contributions	1,499,066	1,981,644	738,469	910,399	2,237,535	2,892,043	29.25%
General Revenues							
Taxes	7,648,218	8,593,959	--	--	7,648,218	8,593,959	12.37%
Revenue State Sources	5,325,433	5,324,481	--	--	5,325,433	5,324,481	-0.02%
Other							
Other general revenues	252,759	488,897	15,000	--	267,759	488,897	82.59%
Unrestricted Investment Earnings	43,183	50,582	1,459	2,351	44,642	52,933	18.57%
	<u>14,818,432</u>	<u>17,082,228</u>	<u>1,027,729</u>	<u>1,255,649</u>	<u>15,846,161</u>	<u>18,337,877</u>	<u>15.72%</u>
Expenses							
Instruction	7,057,792	7,221,601	--	--	7,057,792	7,221,601	2.32%
Support Services	6,262,867	6,028,003	--	--	6,262,867	6,028,003	-3.75%
Community Services	18,511	10,577			18,511	10,577	-42.86%
Non-programmed Charges	166,374	23,975	--	--	166,374	23,975	-85.59%
Interest on long-term debt	107,753	352,308	--	--	107,753	352,308	226.96%
Co-curricular Activities	459,173	487,316	--	--	459,173	487,316	6.13%
Food Service	--	--	738,327	935,778	738,327	935,778	26.74%
Other Enterprise	--	--	156,590	238,959	156,590	238,959	52.60%
	<u>14,072,470</u>	<u>14,123,780</u>	<u>894,917</u>	<u>1,174,737</u>	<u>14,967,387</u>	<u>15,298,517</u>	<u>2.21%</u>
Excess (Deficiency)							
Before Transfers	745,962	2,958,448	132,812	80,912	878,774	3,039,360	245.86%
Transfers	--	(86,812)	--	86,812	--	--	0.00%
Increase (Decrease) in Net Assets	745,962	2,871,636	132,812	167,724	878,774	3,039,360	245.86%
Beginning Adjusted Net Position	<u>21,735,531</u>	<u>22,481,493</u>	<u>328,417</u>	<u>461,229</u>	<u>22,063,948</u>	<u>22,942,722</u>	<u>3.98%</u>
Ending Net Position	<u>\$22,481,493</u>	<u>\$25,353,129</u>	<u>\$ 461,229</u>	<u>\$ 628,953</u>	<u>\$22,942,722</u>	<u>\$25,982,082</u>	<u>13.25%</u>

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental Activities

The district had an increase in Governmental Activities Net Position of \$2,871,636. This increase was due in part to additional general revenues in taxes and a significant increase in income from federal grants.

Business-Type Activities

Food Service revenues increased by 21.10% from \$814,937 in FY2021 to \$986,909 in FY2022 and expenses increased about 16.61% from \$738,327 in FY2021 to \$860,927. The large increase in revenues was the result of student enrollment increases that consequently resulted in program participation increases and operating under the SSO program for the entire year. The large expenditure increase was largely tied to the program participation increase as well. Other Enterprise Fund revenue increased by 24.19% from \$212,791 in FY2021 to \$280,699 in FY2022 and expenses increased by 52.60% from \$156,590 in FY2021 to \$238,958 in FY2022. The enterprise fund consists of the district preschool, the after school program, as well as driver's education. The significant revenue and expenditure increases in the Other Enterprise Fund in FY22 resulted from a return to normal operations in the after school and preschool programs after the COVID-19 pandemic disrupted some of these operations in FY21.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund increased \$764,067 largely due to student enrollment increases which significantly increased state aid received from the State of South Dakota. Capital Outlay Fund decreased by \$25,145.52 as professional service expenses for the new elementary building project were incurred during FY22. Special Education Fund decreased by \$131,751 as additional staffing was needed due to student enrollment increases prior to Special Education state aid increases for the additional students, which will take place in FY23.

General Fund Budgetary Highlights

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

- Supplemental appropriations approved to prevent budget overruns for unanticipated but necessary expenses.
- Changes in actual federal revenue receipts versus budgeted amounts.
- Increases in appropriations, primarily by supplemental transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Capital Asset Administration

By the end of FY22, the School had invested \$21,030,964 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$944,216.

Table A-5
Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 107,245	\$ 107,245	\$ --	\$ --	\$ --	0.00%
Construction in progress	--	1,363,176	--	--	1,363,176	100.00%
Buildings & Improvements	19,666,975	18,973,895	--	--	(693,080)	-3.52%
Machinery & Equipment	155,233	387,140	31,533	94,359	294,733	157.81%
Intangible Lease Assets	34,644	16,817	--	--	(17,827)	-51.46%
Library Books	91,118	88,332	--	--	(2,786)	-3.06%
Total Capital Assets	\$ 20,055,215	\$ 20,936,605	\$ 31,533	\$ 94,359	\$ 944,216	4.70%

Major capital outlay purchases in FY22 included High School roof preplacement, Elementary portable classroom, High School soccer fields, an ionization system for all buildings, High School Chiller/AHU cooling, Middle School/High School light replacement, and costs associated with the Elementary School Addition project.

Long-Term Debt

At year-end, the School had \$37,385,859 in general long-term obligations. This balance includes Qualified Zone Academy Bonds, General Obligation Bonds, Capital Outlay Certificates, OPEB, and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2021	2022		
General Obligation Bonds	\$ 201,848	\$ 24,411,386	\$ 24,209,538	11993.94%
Plus: Unamortized Premiums	--	3,222,575	3,222,575	100.00%
Capital Outlay Certificates	3,705,000	8,205,000	4,500,000	121.46%
Plus: Unamortized Premiums	--	281,296	281,296	100.00%
Intangible Lease Liabilities	34,644	16,817	(17,827)	-51.46%
Other Post Employment Benefits	1,565,826	1,144,834	(420,992)	-26.89%
Accrued Compensated Absences - Governmental Funds	94,319	103,951	9,632	10.21%
Total Outstanding Debt	\$ 5,601,637	\$ 37,385,859	\$ 31,784,222	567.41%

Vermillion School District No. 13-1
 Management Discussion and Analysis (MD&A)
 June 30, 2022

The school is liable for the repayment of Qualified Zone Academy Bonds, General Obligation bonds, Capital Outlay Certificates, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District.

Economic Factors And Next Year’s Budgets And Rates

The District experienced a \$33,328,719 (4.19%) increase in total property valuation in 2021 payable in 2022. While the growth in property valuation does increase the amount of revenue the District can generate from property taxes, the total amount which can be levied is limited by the State of South Dakota. In addition, growth in property valuation does not improve revenues for the General Fund or Special Education because major revenues for these funds are based on an annual allocation derived from a formula determined by the State. The allocation is based on a combination of local property tax revenue and state funds.

As noted above, one of the District’s primary sources of revenue for the General Fund is the district allocation received from the State of South Dakota. Beginning in FY2018, the student allocation is based on a new state aid calculation that combines a formula certified instructional staff salary/benefit need with an overhead need to get to the state aid total need. The District’s enrollment was 1,345 students for the fall of 2021, which was a significant increase from the previous year (1,258 students in fall of 2020). The District reviewed the FY2023 General Fund budget very carefully resulting in a budget that anticipates using \$135,060 of the fund balance. With close monitoring of the budget and an additional \$880,000 dollars that can be generated due to passage of the Opt-Out Election, the District hopes to maintain a fund balance that accommodates the cash flow needs and is closely aligned with the limits allowed by the state.

The School’s enrollment for the last three years has been as follows:

Table A-7
 Vermillion School District
 ADM for the Last Three Years

<u>Year</u>	<u>ADM</u>	<u>Percent (Decrease) in ADM</u>
2022	1344.95	6.86%
2021	1258.61	-0.16%
2020	1260.58	0.11%

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Vermillion School’s Business Office, 1001 E. Main St., Vermillion, SD 57069.

Vermillion School District No. 13-1
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 42,489,653	\$ 591,275	\$ 43,080,928
Accounts receivable	515,757	24,395	540,152
Taxes receivable	4,133,966	--	4,133,966
Inventories	--	2,292	2,292
Other assets	112,956	--	112,956
Net pension asset	2,309,938	--	2,309,938
Capital assets:			
Land and construction in progress	1,470,421	--	1,470,421
Other capital assets, net of depreciation	19,466,184	94,360	19,560,544
Total Assets	70,498,875	712,322	71,211,197
Deferred Outflows of Resources:			
OPEB-related deferred outflows	289,949		289,949
Pension-related deferred outflows	3,172,589	--	3,172,589
Total Deferred Outflows of Resources	3,462,538	--	3,462,538
Liabilities:			
Unearned revenue	--	51,264	51,264
Other current liabilities	1,430,737	32,105	1,462,842
Long-term liabilities:			
Due within one year	846,818	--	846,818
Due in more than one year	36,539,041	--	36,539,041
Total Liabilities	38,816,596	83,369	38,899,965
Deferred Inflows of Resources:			
Taxes levied for future periods	4,094,591	--	4,094,591
Pension related deferred inflows	4,466,105	--	4,466,105
OBEP-related deferred inflows	1,230,992	--	1,230,992
Total Deferred Inflows of Resources	9,791,688	--	9,791,688
Net Position:			
Net investment in capital assets	17,087,733	94,360	17,182,093
Restricted for:			
Capital outlay	3,821,856	--	3,821,856
Special education	1,013,438	--	1,013,438
Debt service	729,088	--	729,088
Insurance purposes	112,956	--	112,956
SDRS pension purposes	1,016,422	--	1,016,422
Unrestricted	1,571,636	534,593	2,106,229
Total Net Position	\$ 25,353,129	\$ 628,953	\$ 25,982,082

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

Vermillion School District No. 13-1
Statement of Activities – Government-Wide
June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 7,221,601	\$ --	\$ 1,979,047	\$ (5,242,554)	\$ --	\$ (5,242,554)
Support services	6,028,003	604,307	2,597	(5,421,099)	--	(5,421,099)
Community services	10,577	--	--	(10,577)	--	(10,577)
Nonprogrammed charges	23,975	--	--	(23,975)	--	(23,975)
Interest on long-term debt	352,308	--	--	(352,308)	--	(352,308)
Cocurricular activities	487,316	38,358	--	(448,958)	--	(448,958)
Total Governmental Activities	14,123,780	642,665	1,981,644	(11,499,471)	--	(11,499,471)
Business-Type Activities:						
Food service	935,778	75,526	909,073	--	48,821	48,821
Preschool	116,899	116,585	1,326	--	1,012	1,012
Afterschool	102,432	133,238	--	--	30,806	30,806
Driver's education	19,628	17,550	--	--	(2,078)	(2,078)
Total Business Type Activities	1,174,737	342,899	910,399	--	78,561	78,561
Total Primary Government	\$ 15,298,517	\$ 985,564	\$ 2,892,043	(11,499,471)	78,561	(11,420,910)
General Revenues:						
Taxes:						
				8,427,023	--	8,427,023
				166,936	--	166,936
Revenue from state sources:						
				5,217,877	--	5,217,877
				106,604	--	106,604
				50,582	2,351	52,933
				488,897	--	488,897
				(86,812)	86,812	--
Total General Revenues and Transfers				14,371,107	89,163	14,460,270
				2,871,636	167,724	3,039,360
				22,481,493	461,229	22,942,722
				\$ 25,353,129	\$ 628,953	\$ 25,982,082

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

Vermillion School District No. 13-1
Balance Sheet – Governmental Funds
June 30, 2022

	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 4,418,585	\$ 3,984,525	\$ 1,069,253	729,088	\$ 32,288,202	\$ 42,489,653
Taxes receivable - current	1,780,682	1,111,259	620,459	582,192	--	4,094,592
Taxes receivable - delinquent	22,361	11,360	5,653	--	--	39,374
Due from other governments	287,231	127,028	101,498	--	--	515,757
Deposits NPIP Reserve	112,956	--	--	--	--	112,956
Total Assets	<u>\$ 6,621,815</u>	<u>\$ 5,234,172</u>	<u>\$ 1,796,863</u>	<u>\$ 1,311,280</u>	<u>\$ 32,288,202</u>	<u>\$ 47,252,332</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 15,014	\$ 301,057	\$ --	\$ --	\$ --	\$ 316,071
Contracts payable	728,731	--	108,292	--	--	837,023
Payroll deductions and withholding and employer matching payable	222,969	--	54,674	--	--	277,643
Total Liabilities	<u>966,714</u>	<u>301,057</u>	<u>162,966</u>	<u>--</u>	<u>--</u>	<u>1,430,737</u>
Deferred Inflows of Resources:						
Taxes levied for future period	1,780,681	1,111,259	620,459	582,192	--	4,094,591
Delinquent taxes not available	22,361	11,360	5,653	--	--	39,374
Total Deferred Inflows of Resources	<u>1,803,042</u>	<u>1,122,619</u>	<u>626,112</u>	<u>582,192</u>	<u>--</u>	<u>4,133,965</u>
Fund Balances:						
Nonspendable	112,956	--	--	--	--	112,956
Restricted:						
For capital outlay	--	3,810,496	--	--	32,288,202	36,098,698
For special education	--	--	1,007,785	--	--	1,007,785
For debt service	--	--	--	729,088	--	729,088
Assigned	664,635	--	--	--	--	664,635
Unassigned	3,074,468	--	--	--	--	3,074,468
Total Fund Balances	<u>3,852,059</u>	<u>3,810,496</u>	<u>1,007,785</u>	<u>729,088</u>	<u>32,288,202</u>	<u>41,687,630</u>
Total Liabilities and Fund Balances	<u>\$ 6,621,815</u>	<u>\$ 5,234,172</u>	<u>\$ 1,796,863</u>	<u>\$ 1,311,280</u>	<u>\$ 32,288,202</u>	<u>\$ 47,252,332</u>

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

Vermillion School District No. 13-1

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

Total Fund Balances - Governmental Funds \$ 41,687,630

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 20,936,605

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

Intangible Lease Assets	(16,817)	
GO Bonds	(27,633,961)	
Other Postemployment Benefits Payable	(1,144,834)	
Capital Outlay Certificates	(8,486,296)	
Accrued Leave	<u>(103,951)</u>	(37,385,859)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 39,374

Proportionate Share of Net Pension Asset 2,309,938

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (5,697,097)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 3,462,538

Net Position - Governmental Activities \$ 25,353,129

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

Vermillion School District No. 13-1

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

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 3,909,999	\$ 2,438,547	\$ 1,303,743	\$ 728,208	\$ --	\$ 8,380,497
Prior years' ad valorem taxes	19,678	11,030	5,655	--	--	36,363
Utility taxes	166,936	--	--	--	--	166,936
Penalties and interest on taxes	5,840	3,558	1,797	880	--	12,075
Earnings on Investments and Deposits	19,768	21,432	5,549	--	3,833	50,582
Tuition and Fees:						
Regular day school transportation fees	23,330	--	--	--	--	23,330
Cocurricular Activities:						
Admissions	38,358	--	--	--	--	38,358
Other Revenue from Local Sources:						
Rentals	13,658	--	--	--	--	13,658
Contributions and donations	1,313	3,774	--	--	--	5,087
Charges for services	16,000	--	17,447	--	--	33,447
Other	36,731	2,710	5	--	--	39,446
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	172,424	--	--	--	--	172,424
Revenue in lieu of taxes	101	--	--	--	--	101
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	5,217,877	--	--	--	--	5,217,877
Restricted grants-in-aid	5,514	--	100,577	--	--	106,091
Other state revenue	513	--	--	--	--	513
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received directly from federal government	2,597	--	--	--	--	2,597
Restricted grants-in-aid received from federal government through the state	961,439	629,573	388,035	--	--	1,979,047
Total Revenues	\$ 10,612,076	\$ 3,110,624	\$ 1,822,808	\$ 729,088	\$ 3,833	\$ 16,278,429

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

Vermillion School District No. 13-1

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

June 30, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures						
Instructional Services:						
Regular Programs:						
Elementary	\$ 2,282,602	\$ 129,787	\$ --	\$ --	\$ --	\$ 2,412,389
Middle/junior high	1,219,781	115,641	--	--	--	1,335,422
High school	1,693,220	107,002	--	--	--	1,800,222
Special Programs:						
Programs for special education	--	--	1,291,044	--	--	1,291,044
Culturally different	2,947	--	--	--	--	2,947
Educationally deprived	375,956	--	--	--	--	375,956
Support Services:						
Students:						
Attendance and social work	165,255	--	--	--	--	165,255
Guidance	273,885	--	58,741	--	--	332,626
Health	152,167	--	--	--	--	152,167
Speech pathology	--	--	202,292	--	--	202,292
Student therapy services	--	--	172,592	--	--	172,592
Instructional Staff:						
Improvement of instruction	94,638	--	--	--	--	94,638
Educational media	218,156	1	--	--	--	218,157
General Administration:						
Board of education	112,321	--	--	--	--	112,321
Executive administration	251,771	--	--	--	--	251,771
School Administration:						
Office of the principal	713,733	--	--	--	--	713,733
Other	2,554	--	--	--	--	2,554
Business:						
Fiscal services	242,951	--	--	--	--	242,951
Facilities acquisition and construction	--	28,699	--	--	--	28,699
Operation and maintenance of plant	1,383,102	432,396	--	--	--	1,815,498
Student transportation	365,725	--	--	--	--	365,725
Internal services	29,515	23,110	--	--	--	52,625
Special Education:						
Administrative costs	--	--	105,552	--	--	105,552
Transportation costs	--	--	31,574	--	--	31,574
Other special education costs	--	--	92,765	--	--	92,765

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

Vermillion School District No. 13-1

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

June 30, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Community Services:						
Nonpublic school	\$ 10,577	\$ --	\$ --	\$ --	\$ --	\$ 10,577
Nonprogrammed Charges:						
Payments to state - unemployment	92	--	--	--	--	92
Early retirement payments	23,883	--	--	--	--	23,883
Debt Services:	--	483,964	--	--	226,633	710,597
Cocurricular Activities:						
Male activities	97,339	--	--	--	--	97,339
Female activities	69,884	--	--	--	--	69,884
Transportation	81,915	--	--	--	--	81,915
Combined activities	168,462	31,031	--	--	--	199,493
Capital Outlay	--	1,855,320	--	--	--	1,855,320
Total Expenditures	<u>10,032,431</u>	<u>3,206,951</u>	<u>1,954,560</u>	<u>--</u>	<u>226,633</u>	<u>15,420,575</u>
Excess of Revenue Over (Under) Expenditures	579,645	(96,327)	(131,752)	729,088	(222,800)	857,854
Other Financing Sources (Uses):						
Transfer in	--	--	--	--	5,028,427	5,028,427
Transfer out	(12,000)	(5,028,427)	--	--	--	(5,040,427)
General Long-Term Debt Issued	--	5,071,296	--	--	27,482,575	32,553,871
Compensation for Loss of General Capital As	196,422	28,312	--	--	--	224,734
Total Other Financing Sources (Uses)	<u>184,422</u>	<u>71,181</u>	<u>--</u>	<u>--</u>	<u>32,511,002</u>	<u>32,766,605</u>
Net Change in Fund Balances	764,067	(25,146)	(131,752)	729,088	32,288,202	33,624,459
Fund Balance, Beginning of Year	<u>3,087,992</u>	<u>3,835,642</u>	<u>1,139,537</u>	<u>--</u>	<u>--</u>	<u>8,063,171</u>
Fund Balance, End of Year	<u>\$ 3,852,059</u>	<u>\$ 3,810,496</u>	<u>\$ 1,007,785</u>	<u>\$ 729,088</u>	<u>\$ 32,288,202</u>	<u>\$ 41,687,630</u>

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

Vermillion School District No. 13-1

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

Net Change in Fund Balances - Total Governmental Funds			\$ 33,624,459
Amounts reported for governmental activities in the statement of activities are different because:			
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.			
			1,855,320
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.			
			(973,930)
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.			
GO Bond		50,462	
Intangible Lease Liability		17,827	
CO Certificate		290,000	358,289
		<hr/>	
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."			
			(1,912)
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.			
			(32,553,871)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.			
			(9,632)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.			
			595,602
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.			
			(22,689)
			<hr/>
Change in net position of governmental activities			<u>\$ 2,871,636</u>

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

Vermillion School District No. 13-1
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 406,711	\$ 184,564	\$ 591,275
Accounts receivable, net	5,198	317	5,515
Due from other government	18,880	--	18,880
Inventory of donated food	2,292	--	2,292
Total Current Assets	<u>433,081</u>	<u>184,881</u>	<u>617,962</u>
Noncurrent Assets:			
Machinery and equipment - local funds	314,987	--	314,987
Less accumulated depreciation	<u>(220,627)</u>	<u>--</u>	<u>(220,627)</u>
Total Noncurrent Assets	<u>94,360</u>	<u>--</u>	<u>94,360</u>
Total Assets	<u><u>\$ 527,441</u></u>	<u><u>\$ 184,881</u></u>	<u><u>\$ 712,322</u></u>
Liabilities:			
Current Liabilities:			
Contracts payable	\$ --	\$ 14,334	\$ 14,334
Accounts Payable	13,018	172	13,190
Accrued payroll expenses	--	4,581	4,581
Unearned revenue	<u>51,264</u>	<u>--</u>	<u>51,264</u>
Total Current Liabilities	<u>64,282</u>	<u>19,087</u>	<u>83,369</u>
Net Position:			
Net investment in capital assets	94,360	--	94,360
Unrestricted net position	<u>368,799</u>	<u>165,794</u>	<u>534,593</u>
Total Net Position	<u><u>\$ 463,159</u></u>	<u><u>\$ 165,794</u></u>	<u><u>\$ 628,953</u></u>

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

Vermillion School District No. 13-1

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

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 108,775	\$ 108,775
Driver's Education Fees	--	17,550	17,550
Student Transportation Fees	--	7,810	7,810
After School Program Fees	--	133,238	133,238
Food Sales:			
Student	63,896	--	63,896
Adult	11,630	--	11,630
Total Operating Revenue	75,526	267,373	342,899
Operating Expenses:			
Food Service:			
Salaries	--	171,331	171,331
Employee benefits	--	44,959	44,959
Purchased services	772,158	4,698	776,856
Supplies	91,318	14,919	106,237
Cost of sales - donated	58,685	--	58,685
Other	1,631	3,051	4,682
Depreciation	11,986	--	11,986
Total Operating Expenses	935,778	238,958	1,174,736
Operating Income(Loss)	(860,252)	28,415	(831,837)
Nonoperating Revenues/Expenses:			
Investment earnings	2,351	--	2,351
Other local revenue	1,465	--	1,465
State grants	2,001	1,326	3,327
Federal grants	849,832	--	849,832
Donated food	55,775	--	55,775
Total Nonoperating Revenue/ (Expenses)	911,424	1,326	912,750
Income (Loss) Before Contributions and Transfers	51,172	29,741	80,913
Capital Contributions	74,812	--	74,812
Transfer	--	12,000	12,000
Change in Net Position	125,984	41,741	167,725
Net Position - Beginning of Year	337,175	124,053	461,228
Net Position - End of Year	\$ 463,159	\$ 165,794	\$ 628,953

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

Vermillion School District No. 13-1
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 100,960	\$ 263,584	\$ 364,544
Cash payments to suppliers	(866,611)	(23,637)	(890,248)
Cash payments to employees	--	(204,588)	(204,588)
Net Cash (Used) by Operating Activities	<u>(765,651)</u>	<u>35,359</u>	<u>(730,292)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	12,000	12,000
Other local revenue	1,465	--	1,465
Cash reimbursements - state	2,001	1,326	3,327
Cash reimbursements - federal	847,648	--	847,648
Net Cash Provided by Noncapital Financing Activities	<u>851,114</u>	<u>13,326</u>	<u>864,440</u>
Cash Flows from Investing Activities:			
Investment Earnings	2,351	--	2,351
Net Cash Provided by Investing Activities	<u>2,351</u>	<u>--</u>	<u>2,351</u>
Net Change in Cash and Cash Equivalents	87,814	48,685	136,499
Cash and Cash Equivalents, Beginning of Year	318,897	135,879	454,776
Cash and Cash Equivalents, End of Year	<u>\$ 406,711</u>	<u>\$ 184,564</u>	<u>\$ 591,275</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (860,252)	\$ 28,415	\$ (831,837)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	11,986	--	11,986
Value of commodities used	58,685	--	58,685
Change in Assets and Liabilities:			
Accounts receivable	--	(205)	(205)
Deferred revenue	25,434	(3,584)	21,850
Contracts payable		7,121	7,121
Accrued payroll expenses		4,581	4,581
Accounts payable	(1,504)	(969)	(2,473)
Net cash (used) by operating activities:	<u>\$ (765,651)</u>	<u>\$ 35,359</u>	<u>\$ (730,292)</u>
Noncash Investing, Capital and Financing Activities			
Equipment purchased by Capital Outlay Fund	\$ 74,812	\$ --	\$ 74,812
Value of commodities received	\$ 55,775	\$ --	\$ 55,775

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

Vermillion School District No. 13-1
Statement of Net Position – Fiduciary Funds
June 30, 2022

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 19,996</u>
Total Assets	<u><u>\$ 19,996</u></u>
Net Position:	
Individuals, organizations, and other governments	<u>\$ 19,996</u>
Total Net Position	<u><u>\$ 19,996</u></u>

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

Vermillion School District No. 13-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Custodial Funds
Additions:	
Interest	\$ 305
Collections for student activities	77,926
Total Additions	78,231
Deductions:	
Payments for student activities	76,843
Total Deductions	76,843
Change in Net Position	1,388
Net Position - Beginning of Year	18,608
Net Position - End of Year	\$ 19,996

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Vermillion School District No. 13-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a five-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

The Bond Redemption Funds: A fund established by SDCL 13-16-13. There is one Bond Redemption Fund: The Bond Redemption Fund – a fund established by SDCL 13-16-13 to account for the proceeds on a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt for Capital Projects.

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The New School Construction Fund is the only capital projects fund maintained by the School District. This fund was opened in FY22.

Proprietary Funds:

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Other Enterprise Fund: A fund used to record financial transactions related to driver's education. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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).

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 Vermillion School District 13-1, the length of that cycle is ten days. The revenues which are accrued at June 30, 2022 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately 38% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 3% for which the costs were determined by estimates of the original cost.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All Land	--	--
Buildings	\$ 50,000	Straight-line	10-50 years
Improvements	50,000	Straight-line	10-50 years
Equipment (governmental)	5,000	Straight-line	5-10 years
Equipment (proprietary funds)	5,000	Straight-line	2-12 years
Other intangible assets	\$ 25,000	Straight-line	3-20 years

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

h. Deferred Outflows/Inflows of Resources:

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 10.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period; property taxes collected within the available period that are intended to finance the next fiscal year; and capital credits that are owed to the District but will be received at some point in the future. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period and pension-related items. In the business-type activities, the District reports deferred inflows for pension-related items.

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

i. Program Revenues:

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

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

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.

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

The School District's assigned fund balance consists of amounts assigned for subsequent year's budget in the General Fund. There was no balance in assigned fund balance for the year ended June 30, 2022.

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

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

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

o. Use of Estimates:

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

p. Pensions:

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

q. Leases:

The School District is a lessee for a noncancellable lease of a copier. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$25,000 or more.

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

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

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

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

Deposits are reported at cost plus interest if the account is of the add-on type.

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

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

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits.

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2022, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

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

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investment to the General Fund, except for the private purpose trust funds which retains its investments income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. Inventory:

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

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

4. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

5. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$515,757 due from various county, school, state and federal governments.

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets:

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

	<u>6/30/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
**Restatement due to GASB 87				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 107,245	\$ --	\$ --	\$ 107,245
Construction in progress	--	1,363,176	--	1,363,176
Total capital assets not being depreciated	<u>107,245</u>	<u>1,363,176</u>	<u>--</u>	<u>1,470,421</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	39,981,103	189,184	--	40,170,287
Machinery & Equipment	768,882	284,178	--	1,053,060
Intangible Assets**	70,286	--	--	70,286
Library Books	426,434	18,782	--	445,216
Total capital assets being depreciated/amortized	<u>41,246,705</u>	<u>492,144</u>	<u>--</u>	<u>41,738,849</u>
Less accumulated depreciation/amortized for:				
Buildings & Improvements	20,314,128	882,264	--	21,196,392
Machinery & Equipment	613,649	52,271	--	665,920
Intangible Assets**	35,642	17,827	--	53,469
Library Books	335,316	21,568	--	356,884
Total accumulated depreciation/amortization	<u>21,298,735</u>	<u>973,930</u>	<u>--</u>	<u>22,272,665</u>
Total capital assets being depreciated/amortized, net	<u>19,947,970</u>	<u>(481,786)</u>	<u>--</u>	<u>19,466,184</u>
Net Capital Assets	<u>\$ 20,055,215</u>	<u>\$ 881,390</u>	<u>\$ --</u>	<u>\$ 20,936,605</u>

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 3,622
Support services	913,796
Amortization	17,827
Co-curricular activities	38,685
Total Depreciation Expense	<u>\$ 973,930</u>

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets: (Continued)

	<u>Balance 6/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 240,175	\$ 74,812	\$ --	\$ 314,987
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>208,642</u>	<u>11,986</u>	<u>--</u>	<u>220,628</u>
Total capital assets being depreciated, net	<u>\$ 31,533</u>	<u>\$ 62,826</u>	<u>\$ --</u>	<u>\$ 94,359</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 11,986</u>

Construction Work in Progress at June30, 2022 is comprised of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Through 6/30/2022</u>	<u>Committed</u>	<u>Required Future Financing</u>
Vermillion School Chiller Replacement	\$ 222,400	\$ 71,201	\$ 151,199	\$ 151,199
MS/HS Light Replacement	257,151	20,274	236,877	236,877
Elementary School Addition Project	<u>2,115,589</u>	<u>1,271,701</u>	<u>843,888</u>	<u>843,888</u>
Total Work in Progress	<u>\$ 2,595,140</u>	<u>\$ 1,363,176</u>	<u>\$ 1,231,964</u>	<u>\$ 1,231,964</u>

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities:

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

**Restated-Implementation of GASB 87	<u>6/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 201,848	\$ 24,260,000	\$ 50,462	\$ 24,411,386	\$ 285,462
Plus: Unamortized Premiums	--	3,222,575	--	3,222,575	107,419
Capital Outlay Certificates	3,705,000	4,790,000	290,000	8,205,000	290,000
Plus: Unamortized Premiums	--	281,296	--	281,296	--
	<u>3,906,848</u>	<u>32,553,871</u>	<u>340,462</u>	<u>36,120,257</u>	<u>682,881</u>
Other Liabilities:					
Compensated Absences	94,319	103,951	94,319	103,951	147,120
OPEB	1,565,826	183,125	604,117	1,144,834	--
Right to Use asset:					
OSC Copier**	34,644	--	17,827	16,817	16,817
Total Long-Term Liabilities	<u>\$ 5,601,637</u>	<u>\$ 32,840,947</u>	<u>\$ 1,056,725</u>	<u>\$ 37,385,859</u>	<u>\$ 846,818</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

Compensated Absences –

 Payable from the fund to which payroll expenditures are charged \$ 103,951

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

Vermillion School District No 13-1 General Obligation Construction Bonds, Series 2009	During September 2009, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$756,938. There is an interest rate of 1.75% assessed on these bonds. Final payment is July 2024. The Capital Outlay Fund makes payment on this debt.	\$ 151,386
Vermillion School District No 13-1 General Obligation Bonds, Series 2022	During March 2022, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$24,260,000. There is a varying interest rate from 3 to 5.00% assessed on these bonds. Final payment is August 2051. The Debt Service Fund makes payment on this debt.	\$ 24,260,000

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2022

7. Long-Term Liabilities: (Continued)

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

Vermillion School District No 13-1 General Obligation Bonds, Series 2022	During March 2022, the School District entered into an agreement to receive General Obligation Bonds with a Reoffering Premium in the amount of \$3,222,575. There is an interest rate of 5.00% assessed on these bonds. Final payment is August 2051. The Debt Service Fund makes payment on this debt.	\$ 3,222,575
Vermillion School District No 13-1 Capital Outlay Certificates Series 2015	During April 2015, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$4,090,000. There is a varying interest rate from .3 to 3.50% assessed on these certificates. Final payment is December 2034. The Capital Outlay Fund makes payment on this debt.	\$ 2,855,000
Vermillion School District No 13-1 Capital Outlay Certificates Series 2016	During February 2016, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$1,165,000. There is a varying interest rate from 1 to 2.00% assessed on these bonds. Final payment is January 2027. The Capital Outlay Fund makes payment on this debt.	\$ 560,000
Vermillion School District No 13-1 Capital Outlay Certificates Series 2022	During May 2022, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$4,790,000. There is a varying interest rate from 3.5 to 5.00% assessed on these bonds. Final payment is August 2037. The Capital Outlay Fund makes payment on this debt.	\$ 4,790,000
Vermillion School District No 13-1 Capital Outlay Certificates Series 2022	During May 2022, the School District entered into an agreement to receive Capital Outlay Certificates with a Reoffering Premium in the amount of \$281,296. There is a varying interest rate from 3.5 to 5.00% assessed on these premiums. Final payment is August 2037. The Capital Outlay Fund makes payment on this debt.	\$ 281,296
Vermillion School District No 13-1 Other Post-employment Benefits	The School District provides medical coverage to retired employees and their dependents under certain conditions.	\$ 1,144,834
Vermillion School District No 13-1 Compensated Absences	Accrued leave is earned by employees at varying rates depending on position. Upon termination, classified staff are entitled to their vested leave balance. The General Fund pays this debt.	\$ 103,951
Vermillion School District No 13-1 Copier Lease	During June 2019, the School District entered into a lease agreement for copiers. There is an interest rate of 3.0%. Final payment in May 2023. The General Fund pays this debt.	\$ 16,817

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

The annual requirements to amortize the General Obligation Bonds, Capital Outlay Certificates and capital lease/purchase agreements outstanding at June 30, 2022, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates	
	Principal	Interest	Principal	Interest
2023	\$ 392,881	\$ 879,987	\$ 290,000	\$ 236,400
2024	537,881	971,036	503,753	283,185
2025	567,881	950,403	568,753	266,364
2026	552,419	929,028	588,753	247,343
2027	587,419	905,020	603,753	227,384
2028-2032	3,407,095	4,122,100	2,748,765	819,038
2033-2037	4,137,095	3,401,225	2,743,765	287,641
2038-2042	4,822,095	2,691,250	438,753	7,350
2043-2047	5,752,095	1,744,050	--	--
2048-2052	6,877,101	1,473,436	--	--
Totals	<u>\$ 27,633,962</u>	<u>\$ 18,067,535</u>	<u>\$ 8,486,295</u>	<u>\$ 2,374,705</u>

Year Ending June 30,	Leases		Totals	
	Principal	Interest	Principal	Interest
2023	\$ 16,817	\$ 253	\$ 699,698	\$ 1,116,640
2024	--	--	1,041,634	1,254,221
2025	--	--	1,136,634	1,216,767
2026	--	--	1,141,172	1,176,371
2027	--	--	1,191,172	1,132,404
2028-2032	--	--	6,155,860	4,941,138
2033-2037	--	--	6,880,860	3,688,866
2038-2042	--	--	5,260,848	2,698,600
2043-2047	--	--	5,752,095	1,744,050
2048-2052	--	--	6,877,101	1,473,436
Totals	<u>\$ 16,817</u>	<u>\$ 253</u>	<u>\$ 36,137,074</u>	<u>\$ 20,442,493</u>

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

8. Interfund Transfers:

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

Transfer from the General Fund to the Other Enterprise Fund for Preschool Expenses.	\$ 12,000
Transfer from the Capital Outlay Fund to the Capital Projects Fund to fund the capital projects fund from proceeds of long-term debt.	\$ 5,028,427

9. Restricted Net Position:

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 3,821,856
Special Education	Law	1,013,438
Insurance Purposes	Law	112,956
Debt Service	Debt Covenant	729,088
SDRS Pension Purposes	Law	1,016,422
Total		<u>\$ 6,693,760</u>

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

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

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

c. Contributions:

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

<u>Year</u>	<u>Amount</u>
2022	\$ 425,314
2021	410,690
2020	\$ 390,974

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

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

Proportionate share of pension liability	\$ 41,824,578
Less proportionate share of net pension restricted for pension	<u>44,134,516</u>
Proportionate share of net pension (asset)	<u>\$ (2,309,938)</u>

At June 30, 2022, the School District reported an (asset) of (\$2,309,938) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.30162600%, which is an increase of 0.0047913% from its proportion measured as of June 30, 2020.

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$595,601. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82,933	\$ 6,056
Changes in assumption	2,656,406	1,156,784
Net difference between projected and actual earnings on pension plan investments	--	3,299,794
Changes in proportion and difference between district contributions and proportionate share of contributions	7,936	3,471
District contributions subsequent to the measurement date	425,314	--
Total	<u>\$ 3,172,589</u>	<u>\$ 4,466,105</u>

\$425,314 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:

<u>Year Ended</u>	
2023	\$ (418,866)
2024	(290,251)
2025	(81,421)
2026	(928,292)
Total	<u>\$ (1,718,830)</u>

e. Actuarial Assumptions:

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	4.3%
Fixed income	30.0%	1.6%
Real estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	<u>100.0%</u>	

f. Discount Rate:

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 3,740,366</u>	<u>\$ (2,309,938)</u>	<u>\$ (7,221,378)</u>

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

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

11. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members. The coverage includes the option of four different plans with a deductible from \$2,000 to \$4,000.

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

11. Risk Management: (Continued)

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.

Workers' Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier. 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.

Unemployment Benefits:

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

The School District has Assigned Fund Balances in the amount of \$24,811 for the payment of future unemployment benefits.

During the year ended June 30, 2022, there were two claims for unemployment that were paid. These claims totaled \$92 and were paid from the General Fund. There are no future expected claims at this time.

12. Subsequent Events:

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

13. Postemployment Healthcare Plan:

Plan Description: Vermillion School District has a pooled defined benefit medical plan administered by either the Sanford Health Plan or DakotaCare. The Plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Vermillion School District, 1001 E. Main St, Vermillion, SD 57069, or by calling (605) 677-7000.

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

13. Postemployment Healthcare Plan: (Continued)

Employees covered by benefit terms: At June 30, 2022, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	7
Active employees	147
	<u>154</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the July 8, 2022 Actuarial Valuation Report. See Note 10- Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 1,565,826
Service Cost	145,733
Interest	37,392
Effect on assumptions, changes or inputs	(564,626)
Benefit payments	<u>(39,491)</u>
End of Year Balances	<u>\$ 1,144,834</u>

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,280,057	\$ 1,144,834	\$ 1,029,243

For the year ended June 30, 2022, the School District recognized OPEB expense \$62,180. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 289,949	\$ (1,230,992)

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2022

13. Postemployment Healthcare Plan: (Continued)

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

Year Ended		
June 30,		
2023	\$	(120,945)
2024		(120,945)
2025		(120,945)
2026		(120,945)
2027		(120,945)
Thereafter		<u>(336,318)</u>
Total	\$	<u><u>(941,043)</u></u>

14. Implementation of Accounting Standard:

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. There was no effect on the beginning net position as a result of implementation of the standard.

Required Supplementary Information

Vermillion School District No. 13-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,775,000	\$ 3,775,000	\$ 3,909,999	\$ 134,999
Prior years' ad valorem taxes	35,000	35,000	19,678	(15,322)
Utility taxes	205,000	205,000	166,936	(38,064)
Penalties and interest on taxes	11,000	11,000	5,840	(5,160)
Tuition and Fees:				
Regular day school transportation fees	20,000	20,000	23,330	3,330
Earnings on Investments and Deposits	40,000	40,000	19,768	(20,232)
Cocurricular Activities:				
Admissions	27,500	27,500	38,358	10,858
Other Revenue from Local Sources:				
Rentals	11,500	11,500	13,658	2,158
Contributions and donations	--	--	1,313	1,313
Charges for services	10,000	10,000	16,000	6,000
Other	38,000	38,000	36,731	(1,269)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	170,000	170,000	172,424	2,424
Revenue in lieu of taxes	--	--	101	101
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	4,554,000	4,554,000	5,217,877	663,877
Restricted grants-in-aid	--	--	5,514	5,514
Other state revenues	--	--	513	513
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	14,618	14,618	2,597	(12,021)
Restricted grants-in-aid received from federal government through the state	1,258,236	1,258,236	961,439	(296,797)
Total Revenues	\$ 10,169,854	\$ 10,169,854	\$ 10,612,076	\$ 442,222

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

Vermillion School District No. 13-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 2,416,092	\$ 2,416,092	\$ 2,282,602	\$ 133,490
Middle/junior high	1,355,275	1,355,275	1,219,781	135,494
High school	1,822,469	1,822,469	1,693,220	129,249
Special Programs:				
Culturally different	14,618	14,618	2,947	11,671
Educationally deprived	396,181	396,181	375,956	20,225
Support Services:				
Students:				
Attendance and social work	280,512	280,512	165,255	115,257
Guidance	291,890	291,890	273,885	18,005
Health	162,155	162,155	152,167	9,988
Instructional Staff:				
Improvement of instruction	128,698	128,698	94,638	34,060
Educational media	245,559	245,559	218,156	27,403
General Administration:				
Board of education	140,305	140,305	112,321	27,984
Executive administration	262,770	262,770	251,771	10,999
School Administration:				
Office of the principal	722,808	722,808	713,733	9,075
Other	5,106	5,106	2,554	2,552
Business:				
Fiscal services	279,800	279,800	242,951	36,849
Operation and maintenance of plant	1,511,675	1,511,675	1,383,102	128,573
Student transportation	378,250	378,250	365,725	12,525
Internal service	30,000	30,000	29,515	485
Community Services:				
Nonpublic school	20,273	20,273	10,577	9,696
Nonprogrammed Charges:				
Payments to state - unemployment	--	--	92	(92)
Early retirement payments	24,000	24,000	23,883	117
Cocurricular Activities:				
Male activities	94,500	94,500	97,339	(2,839)
Female activities	73,235	73,235	69,884	3,351
Transportation	78,000	78,000	81,915	(3,915)
Combined activities	192,590	192,590	168,462	24,128
Total Expenditures	<u>10,926,761</u>	<u>10,926,761</u>	<u>10,032,431</u>	<u>894,330</u>
Excess of Revenues Over Expenditures	<u>(756,907)</u>	<u>(756,907)</u>	<u>579,645</u>	<u>1,336,552</u>
Other Financing Sources:				
Operating transfers out	(18,660)	(18,660)	(12,000)	6,660
Compensation for loss of general capital assets	<u>194,150</u>	<u>194,150</u>	<u>196,422</u>	<u>2,272</u>
Total Other Financing Sources:	<u>175,490</u>	<u>175,490</u>	<u>184,422</u>	<u>8,932</u>
Net Change in Fund Balances	(581,417)	(581,417)	764,067	1,345,484
Fund Balance, Beginning of Year	<u>3,087,992</u>	<u>3,087,992</u>	<u>3,087,992</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 2,506,575</u>	<u>\$ 2,506,575</u>	<u>\$ 3,852,059</u>	<u>\$ 1,345,484</u>

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

Vermillion School District No. 13-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues				
Revenue from Local Sources:				
Taxes				
Ad valorem taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,438,547	\$ 138,547
Prior years' ad valorem taxes	--	--	11,030	11,030
Penalties and interest on taxes	2,500	2,500	3,558	1,058
Earnings on Investments & Deposits	5,000	5,000	21,432	16,432
Other Revenue from Local Sources:				
Contributions and Donations	--	--	3,774	3,774
Other	--	--	2,710	2,710
Revenue from Federal Sources:				
Grants-in-Aid				
Restricted grants-in-aid received from federal government through the state	1,106,243	1,106,243	629,573	(476,670)
Total Revenues	3,413,743	3,413,743	3,110,624	(303,119)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	167,750	167,750	129,787	37,963
Middle/junior high	225,250	225,250	115,641	109,609
High school	167,000	167,000	107,002	59,998
Special Programs:				
Programs for special education	2,000	2,000	--	2,000
Support Services:				
Instructional Staff:				
Educational media	20,000	20,000	18,783	1,217
General Administration:				
Executive administration	10,000	10,000	--	10,000
Business:				
Fiscal services	5,000	5,000	--	5,000
Facilities acquisition and construction	1,978,690	1,978,690	1,668,561	310,129
Operation and maintenance of plant	762,154	762,154	629,072	133,082
Student transportation	448,000	448,000	--	448,000
Food services	5,000	5,000	--	5,000
Internal service	22,000	22,000	23,110	(1,110)
Debt Services:	444,210	444,210	483,964	(39,754)
Cocurricular Activities:				
Combined activities	35,000	35,000	31,031	3,969
Total Expenditures	4,292,054	4,292,054	3,206,951	1,085,103
Excess of Revenue Over (Under)				
Expenditures	(878,311)	(878,311)	(96,327)	781,984
Other Financing Sources (Uses):				
Transfers out	(5,028,427)	(5,028,427)	(5,028,427)	--
Proceeds of general long-term liabilities	5,028,427	5,028,427	5,071,296	42,869
Compensation for Loss of General Cap Assets	28,311	28,311	28,312	1
Total Other Financing Sources (Uses)	28,311	28,311	71,181	42,870
Net Change in Fund Balances	(850,000)	(850,000)	(25,146)	824,854
Fund Balance, Beginning of Year	4,311,635	4,311,635	3,835,642	(475,993)
Fund Balance, End of Year	\$ 3,461,635	\$ 3,461,635	\$ 3,810,496	\$ 348,861

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

Vermillion School District No. 13-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,303,743	\$ 3,743
Prior years' ad valorem taxes	--	--	5,655	5,655
Penalties and interest on taxes	1,200	1,200	1,797	597
Earnings on Investments & Deposits	--	--	5,549	5,549
Other Revenue from Local Sources:				
Charges for services	11,500	11,500	17,447	5,947
Other Revenue	--	--	5	5
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	357,235	357,235	100,577	(256,658)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	335,000	335,000	388,035	53,035
Total Revenues	<u>2,004,935</u>	<u>2,004,935</u>	<u>1,822,808</u>	<u>(182,127)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	1,371,855	1,371,855	1,291,044	80,811
Support Services:				
Students:				
Guidance services	60,410	60,410	58,741	1,669
Speech pathology	211,750	211,750	202,292	9,458
Student therapy services	197,985	197,985	172,592	25,393
Special Education:				
Administrative costs	114,435	114,435	105,552	8,883
Transportation costs	57,000	57,000	31,574	25,426
Other special education costs	92,500	92,500	92,765	(265)
Total Expenditures	<u>2,105,935</u>	<u>2,105,935</u>	<u>1,954,560</u>	<u>151,375</u>
Net Change in Fund Balance	(101,000)	(101,000)	(131,752)	(30,752)
Fund Balance, Beginning of Year	<u>1,139,537</u>	<u>1,139,537</u>	<u>1,139,537</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,038,537</u>	<u>\$ 1,038,537</u>	<u>\$ 1,007,785</u>	<u>\$ (30,752)</u>

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

Vermillion School District No. 13-1
Notes to the Required Supplementary Information
June 30, 2022

1. Basis of Presentation:

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present Capital outlay expenditures as a separate function.

2. Budgets and Budgetary Accounting:

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

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

Vermillion School District No. 13-1
Schedule of Changes in Total OPEB Liability
June 30, 2022

Changes in the Total OPEB Liability:	
Beginning of Year Balances	\$ 1,565,826
Service Cost	145,733
Interest	37,392
Effect on assumptions, changes or inputs	(564,626)
Benefit payments	<u>(39,491)</u>
End of Year Balances	<u><u>\$ 1,144,834</u></u>

Vermillion School District No. 13-1

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.3016260%	0.2968347%	0.2936520%	0.2950793%	0.3062064%	0.2983776%	0.3019235%	0.3079737%
District's proportionate share of net pension liability (asset)	\$ (2,309,939)	\$ (12,891)	\$ (31,119)	\$ (6,882)	\$ (27,789)	\$ 1,007,890	\$ (1,280,544)	\$ (2,218,825)
District's covered-employee payroll	\$ 6,883,661	\$ 6,515,213	\$ 6,243,626	\$ 6,134,412	\$ 6,214,824	\$ 5,671,029	\$ 5,511,875	\$ 5,385,402
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-33.56%	-0.20%	-0.50%	-0.11%	-0.45%	17.77%	-23.23%	-41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Vermillion School District No. 13-1
Schedule of the School District Contributions South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 425,314	\$ 410,690	\$ 390,974	\$ 374,619	\$ 368,065	\$ 373,289	\$ 340,419	\$ 330,736	\$ 323,137
Contributions in relation to the contractually-required contribution	<u>425,314</u>	<u>410,690</u>	<u>390,974</u>	<u>374,619</u>	<u>368,065</u>	<u>373,289</u>	<u>340,419</u>	<u>330,736</u>	<u>323,137</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 7,088,554	\$ 6,883,661	\$ 6,516,213	\$ 6,243,626	\$ 6,134,412	\$ 6,214,842	\$ 5,671,029	\$ 5,511,875	\$ 5,385,402
Contributions as a percentage of employee-covered payroll	6.00%	5.97%	6.00%	6.00%	6.00%	6.01%	6.00%	6.00%	6.00%

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

Vermillion School District No. 13-1

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

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflect no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low 12-09.22 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 anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

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

Supplementary Information

Vermillion School District No. 13-1
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>		<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
Pass through the S.D Department of Education				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	NA	\$ 55,775	
Cash Assistance:				
School Breakfast Program	10.553	NA	88,707	
National School Lunch Program	10.555	NA	719,271	
National Summer Lunch Program	10.559	NA	<u>41,854</u>	
Total Child Nutrition Cluster				<u>905,607</u>
Total U.S. Department of Agriculture				<u>905,607</u>
U.S. Department of Education:				
Pass through the S.D. Department of Education:				
Title I Grants to Local Educational Agencies	84.010	NA		341,917
Career and Technical Education	84.048	NA		17,895
Indian Education Grant to LEA	84.060	NA		2,597
Supporting Effective Instruction State Grant	84.367	NA		81,119
Student Support and Academic Enrichment Program	84.424A	NA		39,521
Cares ESSER funds (Note 4)	84.425D	NA	668,985	
Cares ESSER funds ARP (Note 4)	84.425U	NA	<u>441,576</u>	
Total ESSER Funds				1,110,561
Special Education Cluster:				
Special Education Grants to States	84.027	NA	362,813	
Special Education - Preschool Grants	84.173	NA	17,819	
Special Education - Birth to Three Grants	84.181	NA	<u>7,403</u>	
Total Special Education Cluster				<u>388,035</u>
Total U.S. Department of Education				<u>1,981,645</u>
Grand Total				<u>\$ 2,887,252</u>

Vermillion School District No. 13-1
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis Of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Vermillion School District No. 13-1 under programs of the federal government for the year ended . 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 Vermillion School District No. 13-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of Vermillion School District No. 13-1.

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 allowed or are limited as to reimbursement. The Cooperative has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursements:

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

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.