

Vermillion School District No. 13-1

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

**For the Year Ended
June 30, 2023**

Vermillion School District No. 13-1

School District Officials

June 30, 2023

Board Members

Rachel Olson ----- Board President

Carol Voss-Ward -----Vice President

Jacob Skelton----- Member

Mark Winegar----- 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, 2023 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 January 10, 2024.

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 blue ink that reads "CLO Prof LLC". The signature is written in a cursive, slightly slanted style.

Elk Point, South Dakota
January 10, 2024



**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, 2023. 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, 2023.

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 cursive script that reads "CIO Prof LHC".

Elk Point, South Dakota
January 10, 2024

Vermillion School District No. 13-1
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2023

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
10.553, 10.555, 10.559	Child Nutrition Cluster

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
Year Ended June 30, 2023 (Continued)

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, 2023, 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, 2023, 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 January 10, 2024 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.



Elk Point, South Dakota
January 10, 2024

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The District passed a \$26 million bond in fiscal year 2022 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 \$3,068,563 due primarily to increases in its governmental activities due in part to additional grants and contributions, general revenues in taxes and state sourced income.
- General Fund revenue exceeded expenditures by \$197,779. The General Fund's fund balance increased from \$3,852,059 to \$4,049,838.

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 Fund and Other Enterprise Fund.
 - 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, 2023

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

Figure A-1

Major Features of 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 and other enterprise fund.	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, 2023

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 or "major" 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, 2023

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 District uses an enterprise fund (one type of proprietary fund) to report the activities of its Food Service Program and Other Enterprise Fund which includes the after school program, the preschool program, and the driver’s education program, all business-type activities.
- **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, 2023

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
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$ 49,562,270	\$ 37,200,161	\$ 617,962	\$ 633,407	\$ 50,180,232	\$ 37,833,568	-24.60%
Capital Assets (Net of Depreciation)	20,936,605	35,699,101	94,360	186,356	21,030,965	35,885,457	70.63%
Total Assets	<u>70,498,875</u>	<u>72,899,262</u>	<u>712,322</u>	<u>819,763</u>	<u>71,211,197</u>	<u>73,719,025</u>	<u>3.52%</u>
OPEB Related Deferred Outflows	289,949	252,501	--	--	289,949	252,501	-12.92%
Pension Related Deferred Outflows	3,172,589	1,393,781	--	--	3,172,589	1,393,781	-56.07%
Total Deferred Outflows or Resources	<u>3,462,538</u>	<u>1,646,282</u>	<u>--</u>	<u>--</u>	<u>3,462,538</u>	<u>1,646,282</u>	<u>-52.45%</u>
Long-Term Liabilities Outstanding	37,385,859	36,617,944	--	--	37,385,859	36,617,944	-2.05%
Other Liabilities	1,430,737	3,638,268	83,369	88,421	1,514,106	3,726,689	146.13%
Total Liabilities	<u>38,816,596</u>	<u>40,256,212</u>	<u>83,369</u>	<u>88,421</u>	<u>38,899,965</u>	<u>40,344,633</u>	<u>3.71%</u>
Taxes Levied for Future Period	4,094,591	4,335,361	--	--	4,094,591	4,335,361	5.88%
OPEB Related Deferred Inflows	1,230,992	1,231,461	--	--	1,230,992	1,231,461	0.04%
Pension Related Deferred Inflows	4,466,105	403,207	--	--	4,466,105	403,207	-90.97%
Total Deferred Inflows of Resources	<u>9,791,688</u>	<u>5,970,029</u>	<u>--</u>	<u>--</u>	<u>9,791,688</u>	<u>5,970,029</u>	<u>-39.03%</u>
Net Investment in Capital Assets	17,087,733	18,884,894	94,360	186,356	17,182,093	19,071,250	10.99%
Restricted	6,693,760	7,519,365	--	--	6,693,760	7,519,365	12.33%
Unrestricted	1,571,636	1,915,044	534,593	544,986	2,106,229	2,460,030	16.80%
Total Net Position.	<u>25,353,129</u>	<u>28,319,303</u>	<u>628,953</u>	<u>731,342</u>	<u>25,982,082</u>	<u>29,050,645</u>	<u>11.81%</u>
Beginning 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>
Increase (Decrease) in Net Position	<u>\$ 2,871,636</u>	<u>\$ 2,966,174</u>	<u>\$ 167,724</u>	<u>\$ 102,389</u>	<u>\$ 3,039,360</u>	<u>\$ 3,068,563</u>	<u>-0.96%</u>
Percentage of Increase (Decrease) in Net Position	<u>12.77%</u>	<u>11.70%</u>	<u>36.36%</u>	<u>16.28%</u>	<u>13.25%</u>	<u>11.81%</u>	

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, 2023

Changes in Net Position

The Vermillion School District’s total revenues (excluding transfers) in FY23 were \$20,827,701. More than 45% of the School’s revenue comes from property and other taxes, with approximately 31% coming from state aid. (See Table A-2).

Table A-2
Vermillion School District 13-1
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 9,411,010	45.19%
State Sources	6,549,201	31.44%
Operating Grants & Contributions	3,001,584	14.41%
Charges For Services	634,867	3.05%
Other General Revenues	390,158	1.87%
Unrestricted Investment Earnings	<u>840,881</u>	<u>4.04%</u>
Total Revenue	<u>\$ 20,827,701</u>	<u>100.00%</u>

Total expenditures of all programs and services increased by approximately 16%. The Vermillion School District expenses totaled \$17,759,138 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, community services, 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 2022-2023

Instruction	\$ 8,559,253	48.20%
Support Services	6,533,819	36.79%
Interest - on Long-Term Debt	995,171	5.60%
Community Services	11,344	0.06%
Cocurricular Activities	522,606	2.94%
Food Service	877,122	4.94%
Nonprogrammed Charges	82,955	0.47%
Drivers Education	<u>176,868</u>	<u>1.00%</u>
Total Expenditures	<u>\$ 17,759,138</u>	<u>100.00%</u>

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2023

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 Percentage Change
	2022	2023	2022	2023	2022	2023	
Revenues							
Program Revenues							
Charge for Services	\$ 642,665	\$ 37,306	\$ 342,899	\$ 597,561	\$ 985,564	\$ 634,867	-35.58%
Operating Grants/ Contributions	1,981,644	2,467,428	910,399	534,156	2,892,043	3,001,584	3.79%
General Revenues							
Taxes	8,593,959	9,411,010	--	--	8,593,959	9,411,010	9.51%
Revenue State Sources	5,324,481	6,549,201	--	--	5,324,481	6,549,201	23.00%
Other							
Other general revenues	488,897	390,158	--	--	488,897	390,158	-20.20%
Unrestricted Investment Earnings	50,582	831,219	2,351	9,662	52,933	840,881	1488.58%
	<u>17,082,228</u>	<u>19,686,322</u>	<u>1,255,649</u>	<u>1,141,379</u>	<u>18,337,877</u>	<u>20,827,701</u>	<u>13.58%</u>
Expenses							
Instruction	7,221,601	8,559,253	--	--	7,221,601	8,559,253	18.52%
Support Services	6,028,003	6,533,819	--	--	6,028,003	6,533,819	8.39%
Community Services	10,577	11,344			10,577	11,344	7.25%
Non-programmed Charges	23,975	82,955	--	--	23,975	82,955	246.01%
Interest on long-term debt	352,308	995,171	--	--	352,308	995,171	182.47%
Co-curricular Activities	487,316	522,606	--	--	487,316	522,606	7.24%
Food Service	--	--	935,778	877,122	935,778	877,122	-6.27%
Other Enterprise	--	--	238,959	176,868	238,959	176,868	-25.98%
	<u>14,123,780</u>	<u>16,705,148</u>	<u>1,174,737</u>	<u>1,053,990</u>	<u>15,298,517</u>	<u>17,759,138</u>	<u>16.08%</u>
Excess (Deficiency)							
Before Transfers	2,958,448	2,981,174	80,912	87,389	3,039,360	3,068,563	0.96%
Transfers	(86,812)	(15,000)	86,812	15,000	--	--	0.00%
Increase (Decrease) in Net Position	2,871,636	2,966,174	167,724	102,389	3,039,360	3,068,563	0.96%
Beginning 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>
Ending Net Position	<u>\$ 25,353,129</u>	<u>\$ 28,319,303</u>	<u>\$ 628,953</u>	<u>\$ 731,342</u>	<u>\$ 25,982,082</u>	<u>\$ 29,050,645</u>	<u>11.81%</u>

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues for the governmental activities increased by approximately 15.2%. Expenses increased by 18.3%. The district had an increase in Governmental Activities Net Position of \$2,966,174. This increase was due in part to additional grants and contributions, additional general revenues in taxes and a significant increase in income from state grants.

Business-Type Activities

Revenues for the business-type activities decreased by 9.1% due to a decrease in operating grants. Expenses decreased by 10.3%. The school district managed expenses for food service and the enterprise fund activities well. The enterprise fund consists of the district preschool, the after school program, as well as driver's education.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund increased \$197,779 due to revenues exceeding expenditures. Capital Outlay Fund increased by \$520,158 due to revenues exceeding expenditures. Special Education Fund increased by \$227,125 as a result of revenues exceeding expenditures..

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, 2023

Capital Asset Administration

By the end of FY23, the School had invested \$35,885,457 (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 \$14,854,493.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>		
Land	\$ 107,245	\$ 107,245	\$ --	\$ --	\$ --	0.00%
Construction in progress	1,363,176	16,354,734	--	--	14,991,558	1099.75%
Buildings & Improvements	18,973,895	18,532,437	--	--	(441,458)	-2.33%
Machinery & Equipment	387,140	618,560	94,360	186,356	323,416	67.17%
Intangible Lease Assets	16,817	--	--	--	(16,817)	-100.00%
Library Books	88,332	86,125	--	--	(2,207)	-2.50%
Total Capital Assets	\$ 20,936,605	\$ 35,699,101	\$ 94,360	\$ 186,356	\$ 14,854,492	70.63%

Major capital outlay purchases in FY23 included multiple roof replacements, new chiller/HVAC system, carpet extractor, electronic message signs, new boilers, gym sound system, volleyball standards, snow plow, simulator forklift and skidsteer, CTE Program vinyl Printer, and multiple expenses related to elementary school addition project.

Long-Term Debt

At year-end, the School had \$36,617,944 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

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>		
General Obligation Bonds	\$ 24,411,386	\$ 24,125,924	\$ (285,462)	-1.17%
Plus: Unamortized Premiums	3,222,575	3,115,156	(107,419)	-3.33%
Capital Outlay Certificates	8,205,000	7,915,000	(290,000)	-3.53%
Plus: Unamortized Premiums	281,296	281,296	--	0.00%
Intangible Lease Liabilities	16,817	--	(16,817)	-100.00%
Other Post Employment Benefits	1,144,834	1,074,514	(70,320)	-6.14%
Accrued Compensated Absences - Governmental Funds	103,951	106,054	2,103	2.02%
Total Outstanding Debt	\$ 37,385,859	\$ 36,617,944	\$ (767,915)	-2.05%

Vermillion School District No. 13-1
Management Discussion and Analysis (MD&A)
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The school is liable for the repayment of 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, and OPEB.

Economic Factors And Next Year's Budgets And Rates

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 1,390 students. 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.

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, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 11,065,389	\$ 588,045	\$ 11,653,434
Investments	20,988,479	--	20,988,479
Accounts receivable	758,839	42,236	801,075
Taxes receivable	4,380,556	--	4,380,556
Inventories	--	3,126	3,126
Net pension asset	6,898	--	6,898
Capital assets:			
Land and construction in progress	16,461,979	--	16,461,979
Other capital assets, net of depreciation	19,237,122	186,356	19,423,478
Total Assets	72,899,262	819,763	73,719,025
Deferred Outflows of Resources:			
OPEB-related deferred outflows	252,501		252,501
Pension-related deferred outflows	1,393,781	--	1,393,781
Total Deferred Outflows of Resources	1,646,282	--	1,646,282
Liabilities:			
Unearned revenue	--	54,709	54,709
Other current liabilities	3,638,268	33,712	3,671,980
Long-term liabilities:			
Due within one year	1,094,661	--	1,094,661
Due in more than one year	35,523,283	--	35,523,283
Total Liabilities	40,256,212	88,421	40,344,633
Deferred Inflows of Resources:			
Taxes levied for future periods	4,335,361	--	4,335,361
Pension related deferred inflows	403,207	--	403,207
OBEP-related deferred inflows	1,231,461	--	1,231,461
Total Deferred Inflows of Resources	5,970,029	--	5,970,029
Net Position:			
Net investment in capital assets	18,884,894	186,356	19,071,250
Restricted for:			
Capital outlay	4,342,420	--	4,342,420
Special education	1,240,909	--	1,240,909
Debt service	938,564	--	938,564
SDRS pension purposes	997,472	--	997,472
Unrestricted	1,915,044	544,986	2,460,030
Total Net Position	\$ 28,319,303	\$ 731,342	\$ 29,050,645

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, 2023

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	\$ 8,559,253	\$ --	\$ 2,433,454	\$ (6,125,799)	\$ --	\$ (6,125,799)	
Support services	6,533,819	--	33,974	(6,499,845)	--	(6,499,845)	
Community services	11,344	--	--	(11,344)	--	(11,344)	
Nonprogrammed charges	82,955	--	--	(82,955)	--	(82,955)	
Interest on long-term debt	995,171	--	--	(995,171)	--	(995,171)	
Cocurricular activities	522,606	37,306	--	(485,300)	--	(485,300)	
Total Governmental Activities	16,705,148	37,306	2,467,428	(14,200,414)	--	(14,200,414)	
Business-Type Activities:							
Food service	877,122	431,977	531,519	--	86,374	86,374	
Preschool	126,254	118,900	2,637	--	(4,717)	(4,717)	
Afterschool	35,367	29,674	--	--	(5,693)	(5,693)	
Driver's education	15,247	17,010	--	--	1,763	1,763	
Total Business Type Activities	1,053,990	597,561	534,156	--	77,727	77,727	
Total Primary Government	\$ 17,759,138	\$ 634,867	\$ 3,001,584	(14,200,414)	77,727	(14,122,687)	
General Revenues:							
Taxes:							
				9,230,335	--	9,230,335	
				180,675	--	180,675	
Revenue from state sources:							
				5,966,684	--	5,966,684	
				582,517	--	582,517	
				831,219	9,662	840,881	
				390,158	--	390,158	
				(15,000)	15,000	--	
Total General Revenues and Transfers				17,166,588	24,662	17,191,250	
				Change in Net Position	2,966,174	102,389	3,068,563
				Net Position - Beginning of Year	25,353,129	628,953	25,982,082
				Net Position - End of Year	\$ 28,319,303	\$ 731,342	\$ 29,050,645

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, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 4,657,720	\$ 4,175,163	\$ 1,296,638	\$ 935,868	\$ --	\$ 11,065,389
Investments	--	--	--	--	20,988,479	20,988,479
Taxes receivable - current	1,909,879	1,163,986	655,126	606,370	--	4,335,361
Taxes receivable - delinquent	24,734	11,766	5,999	2,696	--	45,195
Due from other governments	451,340	200,375	107,124	--	--	758,839
Total Assets	<u>\$ 7,043,673</u>	<u>\$ 5,551,290</u>	<u>\$ 2,064,887</u>	<u>\$ 1,544,934</u>	<u>\$ 20,988,479</u>	<u>\$ 37,193,263</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 17,508	\$ 44,884	\$ 125	\$ --	\$ 2,365,310	\$ 2,427,827
Contracts payable	801,880	--	113,245	--	--	915,125
Payroll deductions and withholding and employer matching payable	239,834	--	55,482	--	--	295,316
Total Liabilities	<u>1,059,222</u>	<u>44,884</u>	<u>168,852</u>	<u>--</u>	<u>2,365,310</u>	<u>3,638,268</u>
Deferred Inflows of Resources:						
Taxes levied for future period	1,909,879	1,163,986	655,126	606,370	--	4,335,361
Delinquent taxes not available	24,734	11,766	5,999	2,696	--	45,195
Total Deferred Inflows of Resources	<u>1,934,613</u>	<u>1,175,752</u>	<u>661,125</u>	<u>609,066</u>	<u>--</u>	<u>4,380,556</u>
Fund Balances:						
Restricted:						
For capital outlay	--	4,330,654	--	--	18,623,169	22,953,823
For special education	--	--	1,234,910	--	--	1,234,910
For debt service	--	--	--	935,868	--	935,868
Assigned	24,811	--	--	--	--	24,811
Unassigned	4,025,027	--	--	--	--	4,025,027
Total Fund Balances	<u>4,049,838</u>	<u>4,330,654</u>	<u>1,234,910</u>	<u>935,868</u>	<u>18,623,169</u>	<u>29,174,439</u>
Total Liabilities and Fund Balances	<u>\$ 7,043,673</u>	<u>\$ 5,551,290</u>	<u>\$ 2,064,887</u>	<u>\$ 1,544,934</u>	<u>\$ 20,988,479</u>	<u>\$ 37,193,263</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, 2023

Total Fund Balances - Governmental Funds \$ 29,174,439

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. 35,699,101

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

GO Bonds	(27,241,080)	
Other Postemployment Benefits Payable	(1,074,514)	
Capital Outlay Certificates	(8,196,296)	
Accrued Leave	<u>(106,054)</u>	(36,617,944)

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 45,195

Proportionate Share of Net Pension Asset 6,898

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,634,668)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,646,282

Net Position - Governmental Activities \$ 28,319,303

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, 2023

	<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	\$ 3,952,246	\$ 2,502,846	\$ 1,403,733	\$ 1,306,864	\$ --	\$ 9,165,689
Prior years' ad valorem taxes	17,606	9,433	5,059	2,264	--	34,362
Utility taxes	180,675	--	--	--	--	180,675
Penalties and interest on taxes	6,546	4,369	2,357	11,191	--	24,463
Earnings on Investments and Deposits	96,274	87,994	26,091	--	620,860	831,219
Tuition and Fees:						
Regular day school transportation fees	23,184	--	--	--	--	23,184
Cocurricular Activities:						
Admissions	37,306	--	--	--	--	37,306
Other Revenue from Local Sources:						
Rentals	20,066	--	--	--	--	20,066
Contributions and donations	3,006	114,004	--	--	--	117,010
Charges for services	15,567	--	9,407	--	--	24,974
Other	58,345	6,020	--	--	--	64,365
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	153,123	--	--	--	--	153,123
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	5,966,684	--	--	--	--	5,966,684
Restricted grants-in-aid	7,411	--	569,965	--	--	577,376
Other state revenue	2,435	2,706	--	--	--	5,141
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received directly from federal government	10,790	--	--	--	--	10,790
Restricted grants-in-aid received from federal government through the state	1,238,736	754,944	439,774	--	--	2,433,454
Total Revenues	<u>\$ 11,790,000</u>	<u>\$ 3,482,316</u>	<u>\$ 2,456,386</u>	<u>\$ 1,320,319</u>	<u>\$ 620,860</u>	<u>\$ 19,669,881</u>

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, 2023 (Continued)

Expenditures	General	Capital Outlay	Special Education	Bond Redemption	Capital Projects	Total Governmental Funds
Instructional Services:						
Regular Programs:						
Elementary	\$ 2,611,296	\$ 234,923	\$ --	\$ --	\$ --	\$ 2,846,219
Middle/junior high	1,363,267	108,875	--	--	--	1,472,142
High school	2,111,933	183,342	--	--	--	2,295,275
Special Programs:						
Programs for special education	--	9	1,531,117	--	--	1,531,126
Culturally different	10,784	--	--	--	--	10,784
Educationally deprived	399,854	--	--	--	--	399,854
Support Services:						
Students:						
Attendance and social work	187,822	--	--	--	--	187,822
Guidance	292,518	--	57,966	--	--	350,484
Health	178,298	--	--	--	--	178,298
Speech pathology	--	--	212,487	--	--	212,487
Student therapy services	--	--	171,163	--	--	171,163
Instructional Staff:						
Improvement of instruction	92,225	--	--	--	--	92,225
Educational media	256,380	--	--	--	--	256,380
General Administration:						
Board of education	124,247	--	--	--	--	124,247
Executive administration	270,273	--	--	--	--	270,273
School Administration:						
Office of the principal	774,059	--	--	--	--	774,059
Other	2,148	--	--	--	--	2,148
Business:						
Fiscal services	247,218	--	--	--	--	247,218
Facilities acquisition and construction	--	18,471	--	--	--	18,471
Operation and maintenance of plant	1,635,784	370,546	--	--	--	2,006,330
Student transportation	404,115	--	--	--	--	404,115
Internal services	41,686	18,622	--	--	--	60,308
Special Education:						
Administrative costs	--	--	110,471	--	--	110,471
Transportation costs	--	--	39,138	--	--	39,138
Other special education costs	--	--	106,919	--	--	106,919

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, 2023 (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	11,344	--	--	--	--	11,344
Nonprogrammed Charges:						
Early retirement payments	82,955	--	--	--	--	82,955
Debt Services:	--	581,330	--	1,113,539	--	1,694,869
Cocurricular Activities:						
Male activities	103,173	--	--	--	--	103,173
Female activities	86,328	--	--	--	--	86,328
Transportation	98,838	--	--	--	--	98,838
Combined activities	190,676	26,774	--	--	--	217,450
Capital Outlay	--	1,429,886	--	--	14,285,893	15,715,779
Total Expenditures	<u>11,577,221</u>	<u>2,972,778</u>	<u>2,229,261</u>	<u>1,113,539</u>	<u>14,285,893</u>	<u>32,178,692</u>
Excess of Revenue Over (Under) Expenditures	212,779	509,538	227,125	206,780	(13,665,033)	(12,508,811)
Other Financing Sources (Uses):						
Transfer out	(15,000)	--	--	--	--	(15,000)
Sale of Surplus Property	--	10,620	--	--	--	10,620
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>10,620</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(4,380)</u>
Net Change in Fund Balances	197,779	520,158	227,125	206,780	(13,665,033)	(12,513,191)
Fund Balance, Beginning 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>
Fund Balance, End of Year	<u>\$ 4,049,838</u>	<u>\$ 4,330,654</u>	<u>\$ 1,234,910</u>	<u>\$ 935,868</u>	<u>\$ 18,623,169</u>	<u>\$ 29,174,439</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (12,513,191)

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. 15,715,779

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. (953,283)

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	392,881	
Intangible Lease Liability	16,817	
CO Certificate	<u>290,000</u>	699,698

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." 5,821

Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses. (2,103)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (18,950)

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. 32,403

Change in net position of governmental activities \$ 2,966,174

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, 2023

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 412,615	\$ 175,430	\$ 588,045
Accounts receivable, net	5,198	17,010	22,208
Due from other government	20,028	--	20,028
Inventory of donated food	3,126	--	3,126
Total Current Assets	<u>440,967</u>	<u>192,440</u>	<u>633,407</u>
Noncurrent Assets:			
Machinery and equipment - local funds	426,253	--	426,253
Less accumulated depreciation	(239,897)	--	(239,897)
Total Noncurrent Assets	<u>186,356</u>	<u>--</u>	<u>186,356</u>
Total Assets	<u>\$ 627,323</u>	<u>\$ 192,440</u>	<u>\$ 819,763</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 13,419	\$ --	\$ 13,419
Contracts payable	--	15,384	15,384
Accrued payroll expenses	--	4,909	4,909
Unearned revenue	54,709	--	54,709
Total Current Liabilities	<u>68,128</u>	<u>20,293</u>	<u>88,421</u>
Net Position:			
Net investment in capital assets	186,356	--	186,356
Unrestricted net position	372,839	172,147	544,986
Total Net Position	<u>\$ 559,195</u>	<u>\$ 172,147</u>	<u>\$ 731,342</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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Preschool Tuition	\$ --	\$ 107,340	\$ 107,340
Driver's Education Fees	--	17,010	17,010
Student Transportation Fees	--	11,560	11,560
After School Program Fees	--	29,674	29,674
Food Sales:			
Student	303,980	--	303,980
Adult	1,942	--	1,942
Al La Carte Sales	126,055	--	126,055
Total Operating Revenue	<u>431,977</u>	<u>165,584</u>	<u>597,561</u>
Operating Expenses:			
Food Service:			
Salaries	--	129,807	129,807
Employee benefits	--	33,534	33,534
Purchased services	798,095	4,698	802,793
Supplies	--	8,829	8,829
Cost of sales - donated	57,297	--	57,297
Other	2,460	--	2,460
Depreciation	19,270	--	19,270
Total Operating Expenses	<u>877,122</u>	<u>176,868</u>	<u>1,053,990</u>
Operating Income(Loss)	(445,145)	(11,284)	(456,429)
Nonoperating Revenues/Expenses:			
Investment earnings	9,662	--	9,662
Other local revenue	2,359	--	2,359
State grants	1,930	2,637	4,567
Federal grants	469,099	--	469,099
Donated food	58,131	--	58,131
Total Nonoperating Revenue/ (Expenses)	<u>541,181</u>	<u>2,637</u>	<u>543,818</u>
Income (Loss) Before Contributions and Transfers	<u>96,036</u>	<u>(8,647)</u>	<u>87,389</u>
Transfer	--	15,000	15,000
Change in Net Position	96,036	6,353	102,389
Net Position - Beginning of Year	<u>463,159</u>	<u>165,794</u>	<u>628,953</u>
Net Position - End of Year	<u>\$ 559,195</u>	<u>\$ 172,147</u>	<u>\$ 731,342</u>

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, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 435,422	\$ 148,891	\$ 584,313
Cash payments to suppliers	(800,154)	(13,699)	(813,853)
Cash payments to employees	--	(161,963)	(161,963)
Net Cash (Used) by Operating Activities	<u>(364,732)</u>	<u>(26,771)</u>	<u>(391,503)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	15,000	15,000
Other local revenue	2,359	--	2,359
Cash reimbursements - state	1,930	2,637	4,567
Cash reimbursements - federal	467,951	--	467,951
Net Cash Provided by Noncapital Financing Activities	<u>472,240</u>	<u>17,637</u>	<u>489,877</u>
Cash Flows from Capital and related Financing Activities:			
Purchase of capital assets	(111,266)	--	(111,266)
Net Cash Provided by Noncapital Financing Activities	<u>(111,266)</u>	<u>--</u>	<u>(111,266)</u>
Cash Flows from Investing Activities:			
Investment Earnings	9,662	--	9,662
Net Cash Provided by Investing Activities	<u>9,662</u>	<u>--</u>	<u>9,662</u>
Net Change in Cash and Cash Equivalents	5,904	(9,134)	(3,230)
Cash and Cash Equivalents, Beginning of Year	<u>406,711</u>	<u>184,564</u>	<u>591,275</u>
Cash and Cash Equivalents, End of Year	<u>\$ 412,615</u>	<u>\$ 175,430</u>	<u>\$ 588,045</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (445,145)	\$ (11,284)	\$ (456,429)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	19,270	--	19,270
Value of commodities used	57,297	--	57,297
Change in Assets and Liabilities:			
Accounts receivable	--	(16,693)	(16,693)
Deferred revenue	3,445	--	3,445
Contracts payable	--	1,050	1,050
Accrued payroll expenses	--	328	328
Accounts payable	401	(172)	229
Net cash (used) by operating activities:	<u>\$ (364,732)</u>	<u>\$ (26,771)</u>	<u>\$ (391,503)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 58,131</u>	<u>\$ --</u>	<u>\$ 58,131</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 – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	\$ 27,502
Total Assets	<u>\$ 27,502</u>
Net Position:	
Individuals, organizations, and other governments	<u>\$ 27,502</u>
Total Net Position	<u>\$ 27,502</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, 2023

	<u>Custodial Funds</u>
Additions:	
Interest	\$ 751
Collections for student activities	<u>68,158</u>
Total Additions	<u>68,909</u>
Deductions:	
Payments for student activities	<u>61,403</u>
Total Deductions	<u>61,403</u>
Change in Net Position	<u>7,506</u>
Net Position - Beginning	<u>19,996</u>
Net Position - Ending	<u><u>\$ 27,502</u></u>

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, 2023

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.

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.

Vermillion Public Schools Foundation is a legally separate related entity of the School District and is designed to benefit the students of the School District. One member of the Vermillion School District Board serves on the Vermillion Public School Foundation Board. The component unit had insignificant transactions and balances for the year and is therefore not presented.

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

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

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

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, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

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. This is a major fund.

Proprietary Funds:

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

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

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

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, 2023

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 for the School District is 10 days. The Revenues that were accrued at June 30, 2023 are amounts due from other governments for grants, and other receivables.

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.

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 28% 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, 2023 balance of capital assets for business-type activities includes approximately 2% for which the costs were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

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

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land*	All Land	NA	NA
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.

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 primarily consist of general obligation bonds payable, capital outlay certificates payable, lease liabilities, other post-employment benefits (OPEB), and compensated absences.

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

h. Leases:

The School District recognizes a lease liability and an intangible right-to-use 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.

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

Key estimates and judgments related to 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.

i. Subscription-Based Information Technology Arrangements:

The School District has entered into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. The School District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

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

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription 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 subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

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

j. Program Revenues:

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

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

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

l. 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.

m. 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.

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

o. 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.

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

p. 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, Superintendent, or Business Manager.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District's assigned fund balance consists of amounts assigned for unemployment in the General Fund. There was a balance of \$24,811 in assigned fund balance for the year ended June 30, 2023.

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

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

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

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

q. 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.

2. Implementation of New Accounting Standard:

In 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

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

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

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

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

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

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

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

As of June 30, 2023, the School District had the following investments:

	<u>Credit Rating</u>	<u>Fair Value</u>
External Investment Pools:		
South Dakota Public Funds Investment - Trust	Unrated	\$ 20,988,479

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

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

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

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

4. 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 \$758,839 due from various county, school, state and federal governments.

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

5. Inventory:

Inventory held for consumption is stated at cost.

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. 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, 2023.

6. Property Tax:

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

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

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2023 is as follows:

	<u>Balance 06/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/2023</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 107,245	\$ --	\$ --	\$ 107,245
Construction in progress	1,363,176	15,213,958	222,400	16,354,734
Total capital assets not being depreciated	<u>1,470,421</u>	<u>15,213,958</u>	<u>222,400</u>	<u>16,461,979</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	40,170,287	418,378	--	40,588,665
Machinery & Equipment	1,053,060	287,625	25,762	1,314,923
Intangible Assets	70,286	--	--	70,286
Library Books	445,216	18,218	--	463,434
Total capital assets being depreciated/amortized	<u>41,738,849</u>	<u>724,221</u>	<u>25,762</u>	<u>42,437,308</u>
Less accumulated depreciation/amortized for:				
Buildings & Improvements	21,196,392	859,836	--	22,056,228
Machinery & Equipment	665,920	56,205	25,762	696,363
Intangible Assets	53,469	16,817	--	70,286
Library Books	356,884	20,425	--	377,309
Total accumulated depreciation/amortization	<u>22,272,665</u>	<u>953,283</u>	<u>25,762</u>	<u>23,200,186</u>
Total capital assets being depreciated/amortized, net	<u>19,466,184</u>	<u>(229,062)</u>	<u>--</u>	<u>19,237,122</u>
Net Capital Assets	<u>\$ 20,936,605</u>	<u>\$ 14,984,896</u>	<u>\$ 222,400</u>	<u>\$ 35,699,101</u>

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 3,853
Support services	921,559
Amortization	11,054
Co-curricular activities	16,817
Total Depreciation Expense	<u>\$ 953,283</u>

	<u>Balance 06/30/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/2023</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 314,987	\$ 111,266	\$ --	\$ 426,253
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>220,627</u>	<u>19,270</u>	<u>--</u>	<u>239,897</u>
Total capital assets being depreciated, net	<u>\$ 94,360</u>	<u>\$ 91,996</u>	<u>\$ --</u>	<u>\$ 186,356</u>

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 19,270</u>

Construction Work in Progress at June 30, 2023 is comprised of the following:

Project Name	Project Authorization	Through 6/30/2023	Committed
HS Theater Light Upgrade Project	\$ 80,012	\$ 68,847	\$ 11,165
MS/HS Light Replacement	257,151	221,108	36,043
Elementary School Addition Project	35,662,763	16,064,779	19,597,984
Total Work in Progress	<u>\$ 35,999,926</u>	<u>\$ 16,354,734</u>	<u>\$ 19,645,192</u>

8. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	06/30/2022	Increase	Decrease	06/30/2023	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 24,411,386	\$ --	\$ 285,462	\$ 24,125,924	\$ 430,462
Plus: Unamortized Premiums	3,222,575	--	107,419	3,115,156	107,419
Capital Outlay Certificates	8,205,000	--	290,000	7,915,000	485,000
Plus: Unamortized Premiums	281,296	--	--	281,296	18,753
	<u>36,120,257</u>	--	682,881	35,437,376	1,041,634
Other Liabilities:					
Compensated Absences	103,951	106,054	103,951	106,054	53,027
OPEB	1,144,834	128,100	198,420	1,074,514	--
Lease Liability	16,817	--	16,817	--	--
Total Long-Term Liabilities	<u>\$ 37,385,859</u>	<u>\$ 234,154</u>	<u>\$ 1,002,069</u>	<u>\$ 36,617,944</u>	<u>\$ 1,094,661</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds. Other Post-Employment Benefits have been liquidated from the General Fund.

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 106,054
Other Post Employment Benefits –	
Payable from the fund to which payroll expenditures are charged	\$ 1,074,514

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2023 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.	\$ 100,924
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.	\$ 24,025,000
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.	\$ 3,115,156
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.	\$ 2,670,000

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

Debt payable at June 30, 2023 is comprised of the following: (Continued)

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.	\$ 455,000
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

The annual requirements to amortize the General Obligation Bonds and Capital Outlay Certificates outstanding at June 30, 2023, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 537,881	\$ 971,036	\$ 503,753	\$ 283,185	\$ 1,041,634	\$ 1,254,221
2025	567,881	950,403	568,753	266,364	1,136,634	1,216,767
2026	552,419	928,145	588,753	247,343	1,141,172	1,175,488
2027	587,419	905,020	603,753	237,383	1,191,172	1,142,403
2028	627,419	880,020	508,753	205,900	1,136,172	1,085,920
2029-2033	3,552,095	3,972,975	2,853,765	712,875	6,405,860	4,685,850
2034-2038	4,262,095	3,273,800	2,568,766	195,250	6,830,861	3,469,050
2039-2043	4,997,095	2,516,350	--	--	4,997,095	2,516,350
2044-2048	5,957,095	1,531,350	--	--	5,957,095	1,531,350
2049-2053	5,599,681	380,445	--	--	5,599,681	380,445
Totals	<u>\$ 27,241,080</u>	<u>\$ 16,309,544</u>	<u>\$ 8,196,296</u>	<u>\$ 2,148,300</u>	<u>\$ 35,437,376</u>	<u>\$ 18,457,844</u>

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2023 was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 4,342,420
Special Education	Law	1,240,909
Debt Service	Debt Covenant	938,564
SDRS Pension Purposes	Law	997,472
Total		\$ 7,519,365

10. Interfund Transfers:

Transfers to/from other funds at June 30, 2023, consist of the following:

Transfer from the General Fund to the Other Enterprise Fund for Preschool Expenses.	\$ 15,000
--	-----------

11. Pension Plan:

Plan Information:

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

Benefits Provided:

SDRS has four different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

11. 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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, 2023

11. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022 and 2021, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 479,842
2022	425,314
2021	410,690

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

At June 30, 2022, SDRS is 100.1% 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, 2023 are as follows:

Proportionate share of pension liability	\$ 10,304,426
Less proportionate share of net pension restricted for pension	10,311,324
Proportionate share of net pension (asset)	<u>\$ (6,898)</u>

At June 30, 2023, the School District reported an (asset) of (\$6,898) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 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, 2022, the School District's proportion was 0.07299500%, which is a decrease of -0.2238397% from its proportion measured as of June 30, 2021.

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2023

11. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a pension expense of \$18,949. At June 30, 2023, 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	\$ 131,318	\$ 448
Changes in assumption	438,446	384,239
Net difference between projected and actual earnings on pension plan investments	--	16,532
Changes in proportion and difference between district contributions and proportionate share of contributions	344,175	1,988
District contributions subsequent to the measurement date	479,842	--
Total	\$ 1,393,781	\$ 403,207

\$479,842 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,		
2024	\$	145,888
2025		196,626
2026		(7,959)
2027		176,177
Total	\$	510,732

Actuarial Assumptions:

The Total pension liability (asset) in the June 30, 2022 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, 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010.

Other Class A Members: PubG-2010.

Public Safety Members: PubS-2010.

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65.

Other Class A Retirees: PubG-2010, 93% of the rates through age 74, increasing by 2% per year until 111% of the rates at age 83 and above.

Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

PubG-2010 contingent survivor mortality table.

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table.

Others: PubG-2010 disabled member mortality table.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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.

Vermillion School District No. 13-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

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, 2022 (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%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	<u>2.70%</u>

Discount Rate:

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

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>\$ 1,432,407</u>	<u>\$ (6,898)</u>	<u>\$ (1,183,191)</u>

Pension Plan Fiduciary Net Position:

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

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2023

12. 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.

Employees covered by benefit terms: At June 30, 2023, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	7
Active employees	<u>162</u>
	<u><u>169</u></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 12- Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 1,144,834
Service Cost	101,420
Interest	26,680
Effect on assumptions, changes or inputs	(176,167)
Benefit payments	<u>(22,253)</u>
End of Year Balances	<u><u>\$ 1,074,514</u></u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.14%.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,198,285	\$ 1,074,514	\$ 968,093

Vermillion School District No. 13-1

Notes to the Financial Statements

June 30, 2023

12. Postemployment Healthcare Plan: (Continued)

For the year ended June 30, 2023, the School District recognized OPEB expense (revenue) (\$10,150) At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 252,501	\$ (1,231,461)

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,	
2024	\$ (138,250)
2025	(138,250)
2026	(138,250)
2027	(138,250)
2028	(126,666)
Thereafter	(299,294)
Total	<u>\$ (978,960)</u>

13. 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, 2023, 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 Wellmark Blue Cross/Blue Shield with the premiums it receives from the members. The coverage includes the option of two 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, 2023

13. 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, 2023, there were no claims that were paid. There are no future expected claims at this time.

14. Significant Contingencies – Litigation:

At June 30, 2023, the School District was not involved in any litigation.

15. Subsequent Events:

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

Required Supplementary Information

Vermillion School District No. 13-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2023

	<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	\$ 3,899,000	\$ 3,899,000	\$ 3,952,246	\$ 53,246
Prior years' ad valorem taxes	25,000	25,000	17,606	(7,394)
Utility taxes	175,000	175,000	180,675	5,675
Penalties and interest on taxes	8,000	8,000	6,546	(1,454)
Tuition and Fees:				
Regular Day School Tuition				
Regular day school transportation fees	20,000	20,000	23,184	3,184
Earnings on Investments and Deposits	20,000	20,000	96,274	76,274
Cocurricular Activities:				
Admissions	32,500	32,500	37,306	4,806
Other Revenue from Local Sources:				
Rentals	11,500	11,500	20,066	8,566
Contributions and donations	--	--	3,006	3,006
Charges for services	10,000	10,000	15,567	5,567
Other	33,000	33,000	58,345	25,345
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	150,000	150,000	153,123	3,123
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	5,624,000	5,624,000	5,966,684	342,684
Restricted grants-in-aid	--	--	7,411	7,411
Other state revenues	--	--	2,435	2,435
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	14,618	14,618	10,790	(3,828)
Restricted grants-in-aid received from federal government through the state	<u>1,465,131</u>	<u>1,475,131</u>	<u>1,238,736</u>	<u>(236,395)</u>
Total Revenues	\$ 11,487,749	\$ 11,497,749	\$ 11,790,000	\$ 292,251

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, 2023 (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	\$ 2,685,683	\$ 2,785,683	\$ 2,611,296	\$ 174,387
Middle/junior high	1,484,925	1,529,925	1,363,267	166,658
High school	1,913,735	2,283,735	2,111,933	171,802
Special Programs:				
Culturally different	14,618	14,618	10,784	3,834
Educationally deprived	440,063	440,063	399,854	40,209
Support Services:				
Students:				
Attendance and social work	281,650	281,650	187,822	93,828
Guidance	316,630	316,630	292,518	24,112
Health	180,700	195,700	178,298	17,402
Instructional Staff:				
Improvement of instruction	133,018	198,018	92,225	105,793
Educational media	267,020	278,020	256,380	21,640
General Administration:				
Board of education	131,305	158,305	124,247	34,058
Executive administration	279,280	279,280	270,273	9,007
School Administration:				
Office of the principal	779,695	791,695	774,059	17,636
Other	4,900	4,900	2,148	2,752
Business:				
Fiscal services	287,350	287,350	247,218	40,132
Operation and maintenance of plant	1,476,370	1,806,370	1,635,784	170,586
Student transportation	382,950	405,950	404,115	1,835
Internal service	28,700	43,700	41,686	2,014
Community Services:				
Nonpublic school	21,102	21,102	11,344	9,758
Nonprogrammed Charges:				
Early retirement payments	83,000	83,000	82,955	45
Cocurricular Activities:				
Male activities	103,710	103,710	103,173	537
Female activities	93,025	93,025	86,328	6,697
Transportation	85,000	100,000	98,838	1,162
Combined activities	215,380	215,380	190,676	24,704
Total Expenditures	<u>11,689,809</u>	<u>12,717,809</u>	<u>11,577,221</u>	<u>1,140,588</u>
Excess of Revenues Over Expenditures	<u>(202,060)</u>	<u>(1,220,060)</u>	<u>212,779</u>	<u>1,432,839</u>
Other Financing Sources:				
Operating transfers out	<u>(16,000)</u>	<u>(16,000)</u>	<u>(15,000)</u>	<u>1,000</u>
Total Other Financing Sources:	<u>(16,000)</u>	<u>(16,000)</u>	<u>(15,000)</u>	<u>1,000</u>
Net Change in Fund Balances	(218,060)	(1,236,060)	197,779	1,433,839
Fund Balance, Beginning of Year	<u>3,852,059</u>	<u>3,852,059</u>	<u>3,852,059</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 3,633,999</u>	<u>\$ 2,615,999</u>	<u>\$ 4,049,838</u>	<u>\$ 1,433,839</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes				
Ad valorem taxes	\$ 2,480,000	\$ 2,480,000	\$ 2,502,846	\$ 22,846
Prior years' ad valorem taxes	2,500	2,500	9,433	6,933
Utilities				--
Penalties and interest on taxes	2,500	2,500	4,369	1,869
Earnings on Investments & Deposits	2,500	2,500	87,994	85,494
Other Revenue from Local Sources:				
Contributions and Donations	--	--	114,004	114,004
Other	--	--	6,020	6,020
Other State Revenue	--	--	2,706	2,706
Revenue from Federal Sources:				
Grants-in-Aid				
Restricted grants-in-aid received from federal government through the state	570,000	780,000	754,944	(25,056)
Total Revenues	3,057,500	3,267,500	3,482,316	214,816
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	125,000	225,000	234,923	(9,923)
Middle/junior high	124,200	174,200	108,875	65,325
High school	527,000	587,000	267,711	319,289
Special Programs:				
Programs for special education	2,000	2,000	9	1,991
Support Services:				
Students:				
Health	--	--	8,110	(8,110)
Instructional Staff:				
Educational media	20,000	20,000	18,218	1,782
General Administration:				
Executive administration	4,000	4,000	--	4,000
Business:				
Fiscal services	3,000	3,000	--	3,000
Facilities acquisition and construction	1,897,500	1,897,500	934,853	962,647
Operation and maintenance of plant	911,500	1,091,500	762,628	328,872
Student transportation	203,000	203,000	--	203,000
Food services	5,000	5,000	--	5,000
Internal service	31,000	31,000	18,622	12,378
Debt Services:	586,440	586,440	581,330	5,110
Cocurricular Activities:				
Combined activities	41,000	41,000	37,499	3,501
Total Expenditures	4,480,640	4,870,640	2,972,778	1,897,862
Excess of Revenue Over (Under)				
Expenditures	(1,423,140)	(1,603,140)	509,538	2,112,678
Other Financing Sources (Uses):				
Sale of Surplus Property	--	--	10,620	10,620
Total Other Financing Sources (Uses)	--	--	10,620	10,620
Net Change in Fund Balances	(1,423,140)	(1,603,140)	520,158	2,123,298
Fund Balance, Beginning of Year	3,810,496	3,810,496	3,810,496	--
Fund Balance, End of Year	\$ 2,387,356	\$ 2,207,356	\$ 4,330,654	\$ 2,123,298

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, 2023

	<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	\$ 1,356,000	\$ 1,356,000	\$ 1,403,733	\$ 47,733
Prior years' ad valorem taxes	2,500	2,500	5,059	2,559
Penalties and interest on taxes	1,500	1,500	2,357	857
Earnings on Investments & Deposits	--	--	26,091	26,091
Other Revenue from Local Sources:				
Charges for services	11,500	11,500	9,407	(2,093)
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	607,812	607,812	569,965	(37,847)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	355,000	355,000	439,774	84,774
Total Revenues	<u>2,334,312</u>	<u>2,334,312</u>	<u>2,456,386</u>	<u>122,074</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	1,648,560	1,723,560	1,531,117	192,443
Support Services:				
Students:				
Guidance services	63,430	63,430	57,966	5,464
Speech pathology	229,270	229,270	212,487	16,783
Student therapy services	200,900	200,900	171,163	29,737
Special Education:				
Administrative costs	119,980	119,980	110,471	9,509
Transportation costs	57,000	67,500	39,138	28,362
Other special education costs	92,500	92,500	106,919	(14,419)
Total Expenditures	<u>2,411,640</u>	<u>2,497,140</u>	<u>2,229,261</u>	<u>267,879</u>
Net Change in Fund Balance	(77,328)	(162,828)	227,125	389,953
Fund Balance, Beginning of Year	<u>1,007,785</u>	<u>1,007,785</u>	<u>1,007,785</u>	--
Fund Balance, End of Year	<u>\$ 930,457</u>	<u>\$ 844,957</u>	<u>\$ 1,234,910</u>	<u>\$ 389,953</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, 2023

1. Budgets and Budgetary Accounting:

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

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

2. USGAAP/Budgetary Accounting Basis Differences:

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

Vermillion School District No. 13-1
Schedule of Changes in Total OPEB Liability
June 30, 2023

Changes in the Total OPEB Liability

Service Cost	\$ 101,420
Interest on Total OPEB Liability	26,680
Effect of assumption changes or inputs	(176,167)
Benefit payments	<u>(22,253)</u>
Net change in total OPEB liability	(70,320)
Total OPEB liability, beginning	<u>1,144,834</u>
Total OPEB liability, ending	<u><u>\$ 1,074,514</u></u>

Vermillion School District No. 13-1

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

	<u>2023</u>	<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)	0.0729950%	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)	\$ (6,898)	\$ (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	\$ 7,088,554	\$ 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	-0.10%	-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)	100.10%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 479,842	\$ 425,314	\$ 410,690	\$ 390,974	\$ 374,619
Contributions in relation to the contractually-required contribution	<u>479,842</u>	<u>425,314</u>	<u>410,690</u>	<u>390,974</u>	<u>374,619</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 7,998,752	\$ 7,088,554	\$ 6,883,661	\$ 6,516,213	\$ 6,243,626
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	5.97%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 368,065	\$ 373,289	\$ 340,419	\$ 330,736	\$ 323,137
Contributions in relation to the contractually-required contribution	<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>
District's covered-employee payroll	\$ 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%	6.01%	6.00%	6.00%	6.00%

Vermillion School District No. 13-1
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2023

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflect numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.5% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

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%.

Vermillion School District No. 13-1
Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset)
and Schedule of Pension Contributions
For the Year Ended June 30, 2023 (Continued)

As of June 30, 2021, the FVFR assuming future COLAs equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Supplementary Information

Vermillion School District No. 13-1
Schedule of Expenditures of Federal Awards
June 30, 2023

<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	\$ 58,131	
Cash Assistance: (Note 3)				
School Breakfast Program (Note 4)	10.553	NA	57,732	
National School Lunch Program (Note 4)	10.555	NA	323,487	
Supply Chain Asst. (Note 4)	10.555	NA	41,697	
National Summer Lunch Program (Note 4)	10.559	NA	46,183	
Total Child Nutrition Cluster				<u>527,230</u>
Total U.S. Department of Agriculture				<u>527,230</u>
U.S. Department of Education:				
Pass through the S.D. Department of Education:				
Title I Grants to Local Educational Agencies	84.010	NA		346,161
Career and Technical Education	84.048	NA		19,407
Special Education - Grants for Infants and Families	84.181	NA		3,228
Indian Education Grant to LEA	84.060	NA		10,790
Supporting Effective Instruction State Grant	84.367	NA		86,600
Student Support and Academic Enrichment Program	84.424A	NA		43,491
Cares ESSER funds (Note 4)	84.425D	NA	695,317	
Cares ESSER funds ARP (Note 4)	84.425U	NA	802,704	
Total ESSER Funds				<u>1,498,021</u>
Special Education Cluster:				
Special Education Grants to States	84.027	NA	416,380	
Special Education - Preschool Grants	84.173	NA	20,166	
Total Special Education Cluster				<u>436,546</u>
Total U.S. Department of Education				<u>2,444,244</u>
Grand Total				<u>\$ 2,971,474</u>

Vermillion School District No. 13-1
Schedule of Expenditures of Federal Awards
June 30, 2023 (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.