

Arlington School District No. 38-1

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

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

Arlington School District No. 38-1

School District Officials

June 30, 2022

Board Members

Justin Petersen ----- Board President
Jolene King-----Vice President
Marshall Mix ----- Member
Casey Hanson ----- Member
Laura Carlson----- Member

Brian Sampson-----Superintendent

Stacy Andersen -----Business Manager

Arlington School District No. 38-1
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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
Arlington School District No. 38-1
Arlington, 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 Arlington School District No. 38-1, South Dakota, as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated March 2, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) 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. 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arlington 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 Arlington 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.

Handwritten signature in cursive script that reads "CIO Prof LLC".

Elk Point, South Dakota

March 2, 2023

Arlington School District No. 38-1
Schedule of Prior and Current Audit Findings
Year ended June 30, 2022

Prior Audit Findings

There are no prior other audit findings to report.

Current Audit Findings

There are no current audit findings to report.



Independent Auditor's Report

School Board
Arlington School District No. 38-1
Arlington, 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 Arlington School District No. 38-1, Arlington, South Dakota, as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise Arlington 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 Arlington School District No. 38-1, South Dakota as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, in 2022, the School District adopted Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which has resulted in a restatement of the net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

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 GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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
March 2, 2023

Arlington School District No. 38-1
Statement of Net Position – Government-Wide
June 30, 2022

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 4,423,458	\$ 56,655	\$ 4,480,113
Investments	264,528	--	264,528
Taxes receivable	2,985,092	--	2,985,092
Interest receivable	6,195	--	6,195
Inventories	--	4,641	4,641
Other assets	302,678	--	302,678
Net pension asset	732,370	--	732,370
Capital assets:			
Land	37,133	--	37,133
Other capital assets, net of depreciation	5,194,476	3,881	5,198,357
Total Assets	<u>13,945,930</u>	<u>65,177</u>	<u>14,011,107</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>1,053,782</u>	--	<u>1,053,782</u>
Total Deferred Outflows of Resources	<u>1,053,782</u>	--	<u>1,053,782</u>
Liabilities:			
Accounts payable	84,295	459	84,754
Other current liabilities	283,842	7,086	290,928
Unearned revenue	--	9,173	9,173
Noncurrent liabilities:			
Due within one year	91,000	--	91,000
Due in more than one year	31,944	--	31,944
Total Liabilities	<u>491,081</u>	<u>16,718</u>	<u>507,799</u>
Deferred Inflows of Resources			
Taxes levied for future period	2,442,516	--	2,442,516
Pension related deferred inflows	<u>1,508,572</u>	--	<u>1,508,572</u>
Total Deferred Inflows of Resources	<u>3,951,088</u>	--	<u>3,951,088</u>
Net Position:			
Net Investment in Capital Assets	5,141,609	3,881	5,145,490
Restricted for:			
Capital outlay	2,790,904	--	2,790,904
Special education	1,322,144	--	1,322,144
Health purposes	23,666	--	23,666
Debt service	150,238	--	150,238
SDRS pension purposes	277,580	--	277,580
Unrestricted	<u>851,402</u>	<u>44,578</u>	<u>895,980</u>
Total Net Position	<u>\$ 10,557,543</u>	<u>\$ 48,459</u>	<u>\$ 10,606,002</u>

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

Arlington School District No. 38-1
Statement of Activities – Government-Wide
June 30, 2022

Functions/ Programs	Expenses	Program Revenues		Net (Expense)Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:						
Governmental Activities:						
Instruction	\$ 2,061,707	\$ 2,267	\$ 313,840	\$ (1,745,600)	\$ --	\$ (1,745,600)
Support services	1,652,165	--	--	(1,652,165)	--	(1,652,165)
Interest on long-term debt *	8,978	--	--	(8,978)	--	(8,978)
Cocurricular activities	316,444	23,758	--	(292,686)	--	(292,686)
Total Governmental Activities	4,039,294	26,025	313,840	(3,699,429)	--	(3,699,429)
Business-Type Activities:						
Food service	164,950	16,768	179,653	--	31,471	31,471
Driver's education	4,663	4,275	--	--	(388)	(388)
Preschool	38,335	10,047	15,747	--	(12,541)	(12,541)
Total Business-Type Activities	207,948	31,090	195,400	--	18,542	18,542
Total Primary Government	\$ 4,247,242	\$ 57,115	\$ 509,240	(3,699,429)	18,542	(3,680,887)
General Revenues:						
Taxes:						
				3,263,228	--	3,263,228
				52,586	--	52,586
Revenue from State Sources:						
				990,145	--	990,145
				5,034	9	5,043
				47,292	--	47,292
				(14,707)	14,707	--
				4,343,578	14,716	4,358,294
				644,149	33,258	677,407
				9,913,394	15,201	9,928,595
				\$ 10,557,543	\$ 48,459	\$ 10,606,002

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

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

Arlington School District No. 38-1
Balance Sheet – Governmental Funds
June 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 726,657	\$ 2,409,927	\$ 1,211,302	\$ 75,572	\$ 4,423,458
Investments	153,709	57,200	26,178	27,441	264,528
Taxes receivable--current	970,810	732,818	525,958	212,930	2,442,516
Taxes receivable--delinquent	220,027	160,577	115,295	46,677	542,576
Interest Receivable	4,280	974	393	548	6,195
Due from other governments	64,861	214,151	--	--	279,012
Deposits	23,666	--	--	--	23,666
Total Assets	<u>\$ 2,164,010</u>	<u>\$ 3,575,647</u>	<u>\$ 1,879,126</u>	<u>\$ 363,168</u>	<u>\$ 7,981,951</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 32,370	\$ 51,925	\$ --	\$ --	\$ 84,295
Contracts payable	157,852	--	16,690	--	174,542
Payroll deductions and withholding and employer matching payable	94,966	--	14,334	--	109,300
Total Liabilities	<u>285,188</u>	<u>51,925</u>	<u>31,024</u>	<u>--</u>	<u>368,137</u>
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	970,810	732,818	525,958	212,930	2,442,516
Unavailable Revenue-Property Taxes	220,028	160,577	115,296	46,677	542,578
Unavailable Revenue-Utility Taxes	--	--	--	--	--
Total Deferred Inflows of Resources	<u>1,190,838</u>	<u>893,395</u>	<u>641,254</u>	<u>259,607</u>	<u>2,985,094</u>
Fund Balances:					
Nonspendable:					
Deposits (Health Insurance)	23,666	--	--	--	23,666
Restricted:					
Capital outlay	--	2,630,327	--	--	2,630,327
Special education	--	--	1,206,848	--	1,206,848
Bond redemption	--	--	--	103,561	103,561
Assigned to:					
Unemployment	43,490	--	--	--	43,490
Unassigned	620,828	--	--	--	620,828
Total Fund Balances	<u>687,984</u>	<u>2,630,327</u>	<u>1,206,848</u>	<u>103,561</u>	<u>4,628,720</u>
Total Liabilities and Fund Balances	<u>\$ 2,164,010</u>	<u>\$ 3,575,647</u>	<u>\$ 1,879,126</u>	<u>\$ 363,168</u>	<u>\$ 7,981,951</u>

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

Arlington School District No. 38-1

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

Total Fund Balances - Governmental Funds	\$ 4,628,720
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	732,370
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,231,609
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	1,053,782
Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(122,944)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(1,508,572)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	<u>542,578</u>
Net Position-Government Funds	<u><u>\$ 10,557,543</u></u>

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

Arlington School District No. 38-1

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

June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,303,273	\$ 979,836	\$ 706,748	\$ 287,907	\$ 3,277,764
Prior years' ad valorem taxes	2,912	2,216	1,487	631	7,246
Utility taxes	52,586	--	--	--	52,586
Penalties and interest on taxes	1,901	1,019	694	299	3,913
Other Revenue from Local Sources					
Other	--	927	--	--	927
Earnings on Investments and Deposits	978	2,653	1,167	236	5,034
Cocurricular Activities:					
Admissions	17,672	--	--	--	17,672
Rentals	1,155	--	--	--	1,155
Other student activity income	4,931	--	--	--	4,931
Other Revenue from Local Sources:					
Rentals	753	--	--	--	753
Contributions and donations	2,500	--	--	--	2,500
Charges for services	1,012	--	328	--	1,340
Other	22,003	--	--	--	22,003
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	12,232	--	--	--	12,232
Lease of county-owned land	8,554	--	--	--	8,554
Revenue in lieu of taxes	3,563	--	--	--	3,563
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	984,211	--	--	--	984,211
Restricted grants-in-aid	2,834	--	--	--	2,834
Other State Revenue	3,100	--	--	--	3,100
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	61,492	252,348	--	--	313,840
Total Revenues	<u>\$ 2,487,662</u>	<u>\$ 1,238,999</u>	<u>\$ 710,424</u>	<u>\$ 289,073</u>	<u>\$ 4,726,158</u>

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

Arlington School District No. 38-1

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

June 30, 2022 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	\$ 589,932	\$ 42,515	\$ --	\$ --	\$ 632,447
Middle school	180,003	4,089	--	--	184,092
High school	557,577	221,674	--	--	779,251
Special Programs:					
Programs for special education	--	--	518,673	--	518,673
Culturally different	18,487	--	--	--	18,487
Educationally deprived	107,813	--	--	--	107,813
Support Services:					
Students:					
Guidance	61,010	--	--	--	61,010
Psychological	--	--	12,681	--	12,681
Speech pathology	--	--	23,025	--	23,025
Student therapy services	--	--	15,492	--	15,492
Instructional Staff:					
Improvement of instruction	6,923	--	--	--	6,923
Educational media	130,398	--	--	--	130,398
General Administration:					
Board of education	53,064	--	982	--	54,046
Executive administration	140,046	547	--	--	140,593
School Administration:					
Office of the principal	155,905	1,122	--	--	157,027
Other	2,943	--	--	--	2,943
Business:					
Fiscal services	149,554	3,785	--	--	153,339
Facilities acquisition and construction	--	31,600	--	--	31,600
Operation and maintenance of plant	385,292	206,152	--	--	591,444
Student transportation	117,352	--	--	--	117,352
Food services	30,258	2,123	--	--	32,381
Debt Services:	--	89,198	--	284,780	373,978

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

Arlington School District No. 38-1

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

June 30, 2022 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures:					
Cocurricular Activities:					
Male activities	58,964	3,409	--	--	62,373
Female activities	56,861	15,785	--	--	72,646
Transportation	12,458	--	--	--	12,458
Combined activities	111,061	--	--	--	111,061
Capital Outlay	--	211,027	--	--	211,027
Total Expenditures	<u>2,925,901</u>	<u>833,026</u>	<u>570,853</u>	<u>284,780</u>	<u>4,614,560</u>
Excess of Revenues Over (Under) Expenditures	<u>(438,239)</u>	<u>405,973</u>	<u>139,571</u>	<u>4,293</u>	<u>111,598</u>
Other Financing Sources (Uses):					
Transfers in	350,000	--	--	--	350,000
Transfers out	<u>(12,929)</u>	<u>(350,000)</u>	--	--	<u>(362,929)</u>
Total Other Financing Sources (Uses)	<u>337,071</u>	<u>(350,000)</u>	--	--	<u>(12,929)</u>
Net Change in Fund Balances	(101,168)	55,973	139,571	4,293	98,669
Fund Balance - Beginning of Year	<u>789,152</u>	<u>2,574,354</u>	<u>1,067,277</u>	<u>99,268</u>	<u>4,530,051</u>
Fund Balance - End of Year	<u><u>\$ 687,984</u></u>	<u><u>\$ 2,630,327</u></u>	<u><u>\$ 1,206,848</u></u>	<u><u>\$ 103,561</u></u>	<u><u>\$ 4,628,720</u></u>

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

Arlington School District No. 38-1

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

Total Net Change in Fund Balances - Governmental Funds	\$	98,669
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		211,027
This amount represents the current year depreciation expense reported in the statement of activists which is not reported on the fund financial statements because it does not require the use of current financial resources.		(221,846)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		2,887
In the statement of activities, net gains and (losses) (\$0) on disposal of capital assets are reported, whereas, in the governmental funds, from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (+gains, -losses, -proceeds=amount)		(2,313)
Payment of the 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.		365,000
In both the government-wide and the fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		(25,695)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		<u>216,420</u>
Change in Net Position of Governmental Activites	\$	<u><u>644,149</u></u>

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

Arlington School District No. 38-1
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 56,655	\$ --	\$ 56,655
Inventory of stores purchased for resale	4,199	--	4,199
Inventory of donated foods	442	--	442
Total Current Assets	<u>61,296</u>	<u>--</u>	<u>61,296</u>
Capital Assets:			
Machinery and equipment	45,214	--	45,214
Accumulated depreciation	<u>(41,333)</u>	<u>--</u>	<u>(41,333)</u>
Total Noncurrent Assets	<u>3,881</u>	<u>--</u>	<u>3,881</u>
Total Assets	<u>\$ 65,177</u>	<u>\$ --</u>	<u>\$ 65,177</u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 459	\$ --	\$ 459
Payroll deductions and withholdings and employer matching payable	7,086	--	7,086
Unearned revenue	<u>9,173</u>	<u>--</u>	<u>9,173</u>
Total Current Liabilities	<u>16,718</u>	<u>--</u>	<u>16,718</u>
Net Position:			
Invested in capital assets	3,881	--	3,881
Unrestricted	<u>44,578</u>	<u>--</u>	<u>44,578</u>
Total Net Position	<u>48,459</u>	<u>--</u>	<u>48,459</u>
Total Liabilities and Net Position	<u>\$ 65,177</u>	<u>\$ --</u>	<u>\$ 65,177</u>

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

Arlington School District No. 38-1

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

June 30, 2022

	Enterprise Funds		
	Food Service		
	Fund	Other Fund	Total
Operating Revenue:			
Sales:			
To students	\$ 8,997	\$ --	\$ 8,997
To adults	2,768	--	2,768
Ala carte	4,739	--	4,739
Other charges for goods and services	264	14,322	14,586
Total Operating Revenue	<u>16,768</u>	<u>14,322</u>	<u>31,090</u>
Operating Expense:			
Food Service:			
Salaries	78,526	31,230	109,756
Employee benefits	3,047	9,849	12,896
Purchased services	1,980	--	1,980
Supplies	3,457	1,919	5,376
Cost of sales - purchased food	64,949	--	64,949
Cost of sales - donated food	11,680	--	11,680
Depreciation - local funds	1,311	--	1,311
Total Operating Expenses	<u>164,950</u>	<u>42,998</u>	<u>207,948</u>
Operating Income (Loss)	<u>(148,182)</u>	<u>(28,676)</u>	<u>(176,858)</u>
Nonoperating Revenues:			
Investment earnings	9	--	9
State Sources:			
Cash reimbursements	425	--	425
Federal Sources:			
Cash reimbursements	167,548	15,747	183,295
Donated food	11,680	--	11,680
Total Nonoperating Revenue	<u>179,662</u>	<u>15,747</u>	<u>195,409</u>
Income (Loss) before Contributions	31,480	(12,929)	18,551
Capital Contributions:	1,778	--	1,778
Transfers In	--	12,929	12,929
Change in Net Position	33,258	--	33,258
Net Position - Beginning of Year	<u>15,201</u>	<u>--</u>	<u>15,201</u>
Net Position - End of Year	<u>\$ 48,459</u>	<u>\$ --</u>	<u>\$ 48,459</u>

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

Arlington School District No. 38-1
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 25,941	\$ 14,322	\$ 40,263
Payments to suppliers	(69,434)	(1,919)	(71,353)
Payments to employees	(82,045)	(41,079)	(123,124)
Net Cash Provided (Used) by Operating Activities:	<u>(125,538)</u>	<u>(28,676)</u>	<u>(154,214)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	425	--	425
Cash reimbursements - federal	167,548	15,747	183,295
Tranfers In	--	12,929	12,929
Net Cash Provided from Noncapital Financing Activities	<u>167,973</u>	<u>28,676</u>	<u>196,649</u>
Cash Flows from Investing Activities:			
Cash received for interest	9	--	9
Net Cash Provided by Investing Activities	<u>9</u>	<u>--</u>	<u>9</u>
Net Increase in Cash and Cash Equivalents	42,444	--	42,444
Cash and Cash Equivalents, Beginning of Year	14,211	--	14,211
Cash and Cash Equivalents, End of Year	<u>\$ 56,655</u>	<u>\$ --</u>	<u>\$ 56,655</u>
Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities			
Operating (Loss)	\$ (148,182)	\$ (28,676)	\$ (176,858)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation expense	1,311	--	1,311
Noncash cost of sales - commodities	11,680	--	11,680
Change in Assets and Liabilities:			
Inventories	1,297	--	1,297
Accounts and other payables	(817)	--	(817)
Unearned revenue	9,173	--	9,173
Net Cash Provided (Used) by Operating Activities	<u>\$ (125,538)</u>	<u>\$ (28,676)</u>	<u>\$ (154,214)</u>
Noncash, Investing Capital, and Financing Activities:			
Value of Commodities Received	<u>\$ 11,680</u>	<u>\$ --</u>	<u>\$ 11,680</u>
Equipment Purchased by Capital Outlay Fund	<u>\$ 1,778</u>	<u>\$ --</u>	<u>\$ 1,778</u>

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

Arlington School District No. 38-1
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	\$ --	\$ 45,109
Investments-certificates of deposit	60,500	
Accounts Receivable	376	--
Total Assets	<u>\$ 60,876</u>	<u>\$ 45,109</u>
Net Position:		
Restricted for:		
Scholarships	\$ 60,876	\$ --
Individuals, organizations, and other governments	--	45,109
Total Liabilities and Net Position	<u>\$ 60,876</u>	<u>\$ 45,109</u>

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

Arlington School District No. 38-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Contributions and Donations	\$ --	\$ --
Collections for student activities	--	124,916
	--	124,916
Total Additions	--	124,916
Deductions:		
Trust deductions for scholarships	--	--
Payments for student activities	--	129,102
	--	129,102
Total Deductions	--	129,102
Change in Net Position	--	(4,186)
Net Position - Beginning of Year	60,876	--
Restatement - Implementation of GASB 84 (See Note 14)	--	49,295
	60,876	49,295
Net Position - Beginning of Year, as Restated	60,876	49,295
Net Position - End of Year	\$ 60,876	\$ 45,109

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Arlington School District No. 38-1, 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. The School District has no component units.

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

b. 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.

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.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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) 38-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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 of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District.

Proprietary Funds:

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

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

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

Drivers Education Fund: A fund used to record financial transactions related to driver’s education. This fund is financed by user charges. This is a major fund.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Arlington School District 38-1, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2022 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

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

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	*	*	*
Land improvements	\$ 15,000	Straight-Line	10-25 yrs
Buildings	25,000	Straight-Line	33-50 yrs
Machinery and Equipment	5,000	Straight-Line	5-20 yrs
Food Service Machinery and Equipment	1,000	Straight-Line	5-20 yrs

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

h. Deferred Outflows/Inflows of Resources:

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

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

i. Program Revenues:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

The School District's assigned fund balance consists of amounts held in deposit for unemployment purposes in the General Fund. There was a balance of \$43,490 in assigned fund balance for the year ended June 30, 2022.

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

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

Major Special Revenue Fund ---- Revenue Source

Capital Outlay Fund----- Taxes

Special Education Fund----- Taxes

o. Use of Estimates:

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

p. Pensions:

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

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

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

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

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

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

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

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

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits. The investments reported in the financial statements consist of only certificates of deposit.

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

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

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

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

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

3. Inventory:

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

3. Inventory: (Continued)

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

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

4. Property Tax:

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

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

5. Due from other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$279,012 due from various county, school, state and federal governments.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets:

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

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Capital assets, not being depreciated:				
Land	\$ 37,133	\$ --	\$ --	\$ 37,133
Total, not being depreciated	<u>37,133</u>	<u>--</u>	<u>--</u>	<u>37,133</u>
Capital assets, being depreciated:				
Buildings	6,930,254	--	--	6,930,254
Improvements other than buildings	719,303	40,800	--	760,103
Machinery and equipment	<u>1,257,151</u>	<u>170,227</u>	<u>(23,108)</u>	<u>1,404,270</u>
Total, being depreciated	<u>8,906,708</u>	<u>211,027</u>	<u>(23,108)</u>	<u>9,094,627</u>
Less accumulated depreciation for:				
Buildings	2,585,440	127,755	--	2,713,195
Improvements	245,757	24,008	--	269,765
Machinery and equipment	<u>867,905</u>	<u>70,083</u>	<u>(20,797)</u>	<u>917,191</u>
Total accumulated depreciation	<u>3,699,102</u>	<u>221,846</u>	<u>(20,797)</u>	<u>3,900,151</u>
Total capital assets, being depreciated, net	<u>5,207,606</u>	<u>(10,819)</u>	<u>(2,311)</u>	<u>5,194,476</u>
Governmental activity capital assets, net	<u>\$ 5,244,739</u>	<u>\$ (10,819)</u>	<u>\$ (2,311)</u>	<u>\$ 5,231,609</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 40,251
Support services	123,689
Cocurricular activities	<u>57,906</u>
Total depreciation expense - governmental activities	<u>\$ 221,846</u>

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

6. Changes in Capital Assets: (Continued)

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 43,436	\$ 1,778	\$ --	\$ 45,214
Total, being depreciated	<u>43,436</u>	<u>1,778</u>	<u>--</u>	<u>45,214</u>
Less accumulated depreciation for:				
Machinery and equipment	40,022	1,311	--	41,333
Total accumulated depreciation	<u>40,022</u>	<u>1,311</u>	<u>--</u>	<u>41,333</u>
Total capital assets, being depreciated, net	<u>3,414</u>	<u>467</u>	<u>--</u>	<u>3,881</u>
Business-type activity capital assets, net	<u>\$ 3,414</u>	<u>\$ 467</u>	<u>\$ --</u>	<u>\$ 3,881</u>
Business-Type Activities:				
Food service	<u>\$ 1,311</u>			

7. Long-Term Liabilities:

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

	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
GO 2012 Series Certificates	\$ 175,000	\$ --	\$ 85,000	\$ 90,000	\$ 90,000
GO 2016 Series Certificates	280,000	--	280,000	--	--
Accrued Leave	35,831	27,464	30,351	32,944	1,000
Total Governmental Activities	<u>\$ 490,831</u>	<u>\$ 27,464</u>	<u>\$ 395,351</u>	<u>\$ 122,944</u>	<u>\$ 91,000</u>

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

7. Long-Term Liabilities: (Continued)

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

Capital outlay certificates	Series 2012 Refunding Certificates, maturity dates - July, 2014 to July, 2023, interest rates from .60% (with a set annual increase ranging from .10 to .30) to a maximum of 2.3%, payments made from Capital Outlay Fund.	\$ 90,000
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and classified staff and the business manager are entitled to reimbursement of unused sick leave up to \$25 per day before 25 years and \$50 per day after 25 years.	\$ 32,944

The annual debt service requirements to maturity, except for compensated absences and postemployment benefits, for all debt outstanding as of June 30, 2022 are as follows:

Year Ending June 30,	Capital Outlay 2012		Total	
	Principal	Interest	Principal	Interest
2022	\$ 90,000	\$ 2,070	\$ 90,000	\$ 2,070
Totals	\$ 90,000	\$ 2,070	\$ 90,000	\$ 2,070

8. Interfund Transfers:

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

\$ 350,000 Transfer to cover the expenditures in the general fund for insurance, utilities, and fuel.

\$ 12,929 Transfer from General Fund to Other Enterprise fund to cover expenses.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

9. Restricted Net Position:

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 2,790,904
Special Education	Law	1,322,144
Health Insurance	Law	23,666
Bond Redemption Fund	Debt Covenants	150,238
SDRS Pension Purposes	Law	277,580
		<u>\$ 4,564,532</u>

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

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.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 121,259
2021	\$ 129,799
2020	\$ 110,765

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

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

Proportionate share of pension liability	\$ 13,260,548
Less proportionate share of net pension restricted for pension benefits	<u>13,992,918</u>
Proportionate share of net pension (asset)	<u>\$ (732,370)</u>

At June 30, 2022, the School District reported an asset of (\$732,370) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.09563100%, which is a decrease of 0.012514% from its proportion measured as of June 30, 2020.

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

For the year ended June 30, 2022, the School District recognized reduction of pension expense of \$216,420. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,294	\$ 1,920
Changes in assumption	842,217	366,760
Net difference between projected and actual earnings on pension plan investments	--	1,046,205
Changes in proportion and difference between District contributions and proportionate share of contributions	64,012	93,687
District contributions subsequent to the measurement date	<u>121,259</u>	<u>--</u>
Total	<u>\$ 1,053,782</u>	<u>\$ 1,508,572</u>

\$121,259 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended June 30,</u>	
2023	\$ (172,035)
2024	(93,317)
2025	(16,398)
2026	<u>(294,299)</u>
Total	<u>\$ (576,049)</u>

e. Actuarial Assumptions:

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

Inflation	2.25%
Salary increases	Graded by years of service, from 6.5% at entry to 3% after 25years of service
Discount rate	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

f. Discount Rate:

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

10. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,185,889	\$ (732,370)	\$ (2,289,549)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

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

11. Joint Venture Information:

The School District participates in the Northeast Educational Services Cooperative for the purpose of providing educational services to the member School Districts. The members of the Co-op are as follows with each member district having a determined allocation:

Arlington School District No. 38-1	3%	Florence School District No. 14-1	4%
Britton-Hecla School District No. 45-4	5%	Hamlin School District No. 28-3	11%
Castlewood School District No. 28-1	4%	Henry School District No. 14-2	2%
Clark School District No. 12-2	5%	Iroquois School District No. 02-3	3%
DeSmet School District No. 38-2	4%	Lake Preston School District No. 38-3	2%
Deubrook School District No. 5-6	5%	Oldham-Ramona School District No. 39-5	2%
Deuel School District No. 19-4	7%	Rosholt School District No. 54-4	3%
Elkton School District No. 5-3	5%	Rutland School District No. 39-4	2%
Enemy Swim Day School	2%	Sioux Valley School District No. 5-5	8%
Estelline School District No. 28-2	3%	Summit School District No. 54-6	2%
Waubay School District No. 18-3	2%	Willow Lake School District No. 12-3	4%
Waverly School District No. 14-5	3%	Wilmot School District No. 54-7	3%
Webster Area School District No. 18-5	6%		

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

11. Joint Ventures Information: (Continued)

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the Net Position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Northeast Area Cooperative.

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

	<u>June 30, 2022</u>
Total Assets	\$ 3,308,211
Total Liabilities	\$ 531,507
Total Net Position	\$ 2,289,459

12. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The school District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from \$2,000.00 to \$4,000.00.

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

Liability Insurance:

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

Arlington School District No. 38-1

Notes to the Financial Statements

June 30, 2022

12. Risk Management: (Continued)

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has an Assigned Fund Balance in the General Fund in the amount of \$43,490 for the payment of future unemployment benefits.

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

13. Restatement and Implementation of New Standards:

In 2022, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities accounting standard. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2022. The implementation of this standard required the District reclassify previously reported agency funds as custodial funds. The adjustment to beginning fund balance is as follows:

Fiduciary Activities - Custodial Funds:

Net Position - June 30, 2021, as previously reported	\$	--
Restatement due to the inclusion of amounts held for others		<u>49,295</u>
Net Position - July 1, 2021, as restated	\$	<u><u>49,295</u></u>

14. 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

Arlington School District No. 38-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,304,747	\$ 1,304,747	\$ 1,303,273	\$ (1,474)
Prior years' ad valorem taxes	3,000	3,000	2,912	(88)
Utility taxes	40,000	40,000	52,586	12,586
Penalties and interest on taxes	1,500	1,500	1,901	401
Earnings on Investments and Deposits	1,350	1,350	978	(372)
Cocurricular Activities:				
Admissions	17,000	17,000	17,672	672
Rentals	--	--	1,155	1,155
Other student activity income	2,000	2,000	4,931	2,931
Other Revenue from Local Sources:				
Rentals	200	200	753	553
Contributions and donations	370	370	2,500	2,130
Charges for services	500	500	1,012	512
Other	15,500	15,500	22,003	6,503
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	14,000	14,000	12,232	(1,768)
Lease of county-Owned Land	--	--	8,554	8,554
Revenue in lieu of taxes	5,000	5,000	3,563	(1,437)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	973,429	973,429	984,211	10,782
Restricted grants-in-aid	1,000	1,000	2,834	1,834
Other State Revenue	500	500	3,100	2,600
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	4,000	4,000	--	(4,000)
Restricted grants-in-aid received from federal government through the state	43,455	43,455	61,492	18,037
Total Revenues	<u>\$ 2,427,551</u>	<u>\$ 2,427,551</u>	<u>\$ 2,487,662</u>	<u>\$ 60,111</u>

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

Arlington School District No. 38-1

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 601,880	\$ 601,880	\$ 589,932	\$ 11,948
Middle school	186,983	186,983	180,003	6,980
High school	592,520	592,520	557,577	34,943
Special Programs:				
Culturally different	19,455	19,455	18,487	968
Educationally deprived	114,225	114,225	107,813	6,412
Support Services:				
Students:				
Guidance	71,200	71,200	61,010	10,190
Instructional Staff:				
Improvement of instruction	15,917	15,917	6,923	8,994
Educational media	142,825	142,825	130,398	12,427
General Administration:				
Board of education	57,448	57,448	53,064	4,384
Executive administration	146,720	146,720	140,046	6,674
School Administration:				
Office of the principal	171,574	171,574	155,905	15,669
Other	4,675	4,675	2,943	1,732
Business:				
Fiscal services	168,975	168,975	149,554	19,421
Operation and maintenance of plant	439,074	439,074	385,292	53,782
Student transportation	127,693	127,693	117,352	10,341
Food service	36,800	36,800	30,258	6,542
Cocurricular Activities:				
Male activities	79,325	79,325	58,964	20,361
Female activities	62,315	62,315	56,861	5,454
Transportation	11,765	11,765	12,458	(693)
Combined activities	122,825	122,825	111,061	11,764
Contingencies	50,000	50,000	--	50,000
Total Expenditures	<u>3,224,194</u>	<u>3,224,194</u>	<u>2,925,901</u>	<u>298,293</u>
Excess of Revenue Over (Under)	<u>(796,643)</u>	<u>(796,643)</u>	<u>(438,239)</u>	<u>358,404</u>
Other Financing Sources:				
Transfers in	350,000	350,000	350,000	--
Transfers out	<u>(20,987)</u>	<u>(20,987)</u>	<u>(12,929)</u>	<u>8,058</u>
Total Other Financing Sources	<u>329,013</u>	<u>329,013</u>	<u>337,071</u>	<u>8,058</u>
Net Change in Fund Balances	(467,630)	(467,630)	(101,168)	366,462
Fund Balance - Beginning of Year	<u>789,152</u>	<u>789,152</u>	<u>789,152</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 321,522</u>	<u>\$ 321,522</u>	<u>\$ 687,984</u>	<u>\$ 366,462</u>

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

Arlington School District No. 38-1

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

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget-Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 971,972	\$ 971,972	\$ 979,836	\$ 7,864
Prior years' ad valorem taxes	1,000	1,000	2,216	1,216
Penalties and interest on taxes	600	600	1,019	419
Earnings on Investments and Deposits	700	700	2,653	1,953
Other Revenue from Local Sources				
Other	--	--	927	927
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	18,750	18,750	252,348	233,598
Total Revenues	<u>993,022</u>	<u>993,022</u>	<u>1,238,999</u>	<u>245,977</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	51,802	51,802	42,515	9,287
Middle/junior high	7,750	7,750	4,089	3,661
High school	287,350	287,350	245,220	42,130
Support Services:				
Instructional Staff:				
Educational media	3,000	3,000	1,907	1,093
General Administration:				
Executive Administration	2,350	2,350	547	1,803
School Administration:				
Office of the Principal	1,750	1,750	1,122	628
Business:				
Fiscal services	6,000	6,000	3,785	2,215
Facilities Acquisition and Construction	32,000	32,000	31,600	400
Operation and maintenance of plant	232,000	232,000	255,802	(23,802)
Student transportation	88,900	88,900	88,900	--
Food Services	2,123	2,123	2,123	--
Debt Services	89,400	89,400	89,198	202
Cocurricular Activities:				
Male activities	70,000	70,000	50,433	19,567
Female activities	25,000	25,000	15,785	9,215
Combined activities	6,000	6,000	--	6,000
Total Expenditures	<u>905,425</u>	<u>905,425</u>	<u>833,026</u>	<u>72,399</u>
Excess of Revenue Over (Under) Expenditures	<u>87,597</u>	<u>87,597</u>	<u>405,973</u>	<u>318,376</u>
Other Financing Sources:				
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>--</u>
Net Change in Fund Balances	(262,403)	(262,403)	55,973	318,376
Fund Balance - Beginning of Year	<u>2,574,354</u>	<u>2,574,354</u>	<u>2,574,354</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 2,311,951</u>	<u>\$ 2,311,951</u>	<u>\$ 2,630,327</u>	<u>\$ 318,376</u>

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

Arlington School District No. 38-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget- Positive (Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 719,766	\$ 719,766	\$ 706,748	\$ (13,018)
Prior years' ad valorem taxes	--	--	1,487	1,487
Penalties and interest on taxes	--	--	694	694
Earnings on Investments and Deposits	700	700	1,167	467
Other Revenue from Local Sources:				
Charges for services	200	200	328	128
Total Revenues	<u>720,666</u>	<u>720,666</u>	<u>710,424</u>	<u>(10,242)</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	608,815	608,815	518,673	90,142
Support Services:				
Students:				
Guidance	900	900	--	900
Psychological	17,000	17,000	12,681	4,319
Speech pathology	29,000	29,000	23,025	5,975
Student therapy services	20,200	20,200	15,492	4,708
General Administration:				
Board of Education	1,318	1,318	982	336
Special Education:				
Transportation costs	5,948	5,948	--	5,948
Other	1,500	1,500	--	1,500
Total Expenditures	<u>684,681</u>	<u>684,681</u>	<u>570,853</u>	<u>113,828</u>
Net Change in Fund Balances	35,985	35,985	139,571	103,586
Fund Balance - Beginning of Year	<u>1,067,277</u>	<u>1,067,277</u>	<u>1,067,277</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,103,262</u>	<u>\$ 1,103,262</u>	<u>\$ 1,206,848</u>	<u>\$ 103,586</u>

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

Arlington School District No. 38-1
Notes to the Required Supplementary Information
June 30, 2022

1. Basis of Presentation:

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

2. Budgets and Budgetary Accounting:

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

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

Arlington School District No. 38-1

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0956310%	0.0843796%	0.1423529%	0.0853021%	0.0863572%	0.0870790%	0.0862921%	0.0879398%
District's proportionate share of net pension liability (asset)	\$ (732,370)	\$ (3,665)	\$ (15,086)	\$ (1,989)	\$ (7,837)	\$ 294,144	\$ (365,989)	\$ (633,570)
District's covered-employee payroll	\$ 2,163,312	\$ 1,846,079	\$ 1,853,503	\$ 1,799,338	\$ 1,754,608	\$ 1,650,943	\$ 1,572,999	\$ 1,533,279
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.85%	0.20%	0.81%	0.11%	0.45%	17.82%	23.27%	41.32%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Arlington School District No. 38-1

Schedule of the School District Contributions South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 121,259	\$ 129,799	\$ 110,765	\$ 111,210	\$ 107,960	\$ 105,276	\$ 99,348	\$ 94,527	\$ 92,270
Contributions in relation to the contractually required contribution	(121,259)	(129,799)	(110,765)	(111,210)	(107,960)	(105,276)	(99,348)	(94,527)	(92,270)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,020,985	\$ 2,163,312	\$ 1,846,079	\$ 1,853,503	\$ 1,799,338	\$ 1,754,608	\$ 1,650,943	\$ 1,572,999	\$ 1,533,279
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Arlington School District No. 38-1

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

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

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

Actuarial Method Changes

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