

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1

GAYVILLE, SOUTH DAKOTA

FINANCIAL REPORT

FOR THE ONE YEAR ENDING JUNE 30, 2023

WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
GAYVILLE, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING JUNE 30, 2023

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

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School Board  
Gayville-Volin School District No. 63-1  
Gayville, South Dakota

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinions:

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gayville-Volin School District No. 63-1 (School District), Gayville, South Dakota as of June 30, 2023, and for the year ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Gayville-Volin School District No. 63-1 as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions:

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

### Management's Responsibilities 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 control 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 Responsibility for the Audit of the Financial Statements:

My 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 my opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (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 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*, I:

- > 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

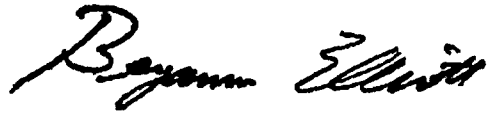
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (page 4 to 13), the Budgetary Comparison Schedules (page 43 to 46), and the School District's Pension Schedules (page 47 to 48) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated April 8, 2024 (page 50) on my consideration of the School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my 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.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

April 8, 2024

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large, prominent initial "B".

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Gayville-Volin School District 63-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2023. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

During the year, the Gayville-Volin School District generated revenue of \$3,854,991 from taxes and other revenue sources of the governmental fund activities and had a total expense of \$3,485,629 of the governmental fund activities resulting in a net increase of \$369,362. There was a total of \$285,565 of revenue generated in the business-type funds along with \$325,279 of expense of the business-type fund activities. There was a net decrease of \$38,915 between the Food Service fund and the Enterprise fund resulting in a total net position of \$251,102.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Figure A-1

Required Components of  
Gayville-Volin School's Annual Financial Report

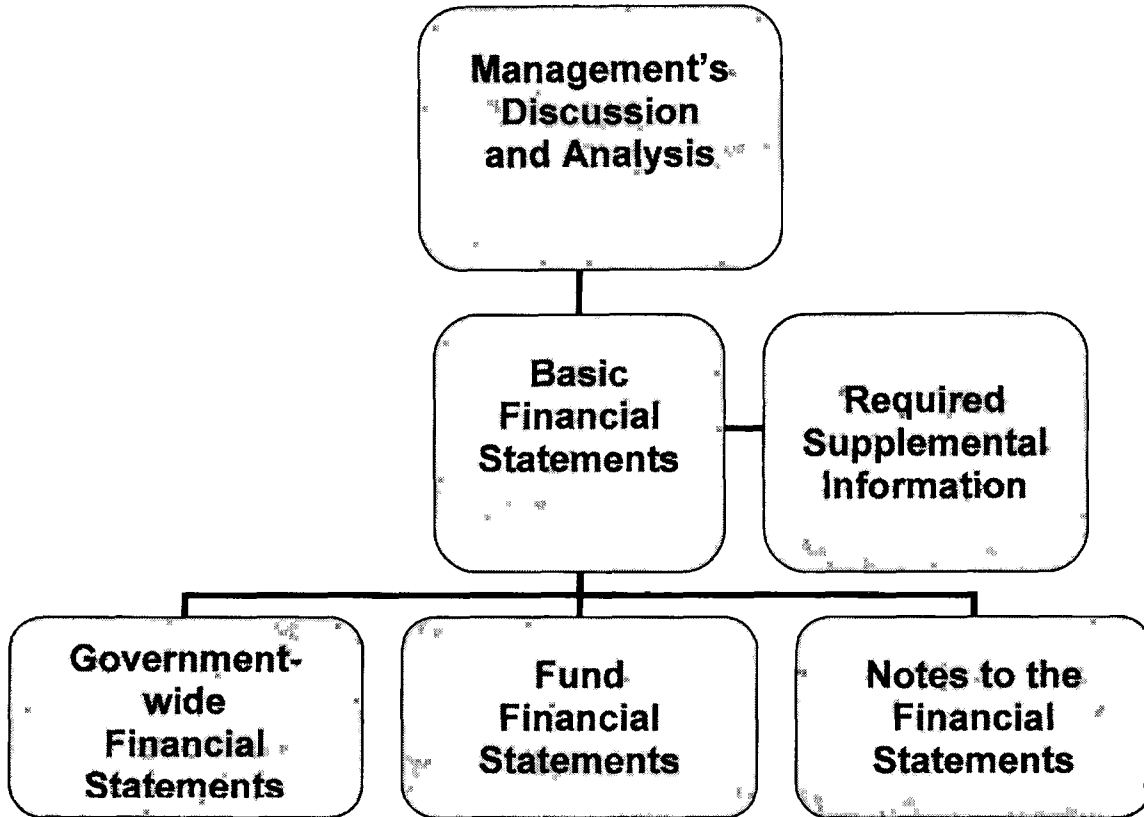


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

Major Features of Gayville-Volin School's Government-wide and Fund Financial Statements

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
	Entire School government (except for fiduciary funds).	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs.	Activities the School operates similar to private businesses, the food service operation.	Activities of the School that are not proprietary or fiduciary, such as the school's pension plan.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position  *Statement of Cash Flows	*Statement of Net Position  *Statement of Changes in Net Position

Accounting Basis for Measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Time of Measurement	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

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

The two government-wide statements report the Gayville-Volin School's Net Position and how they have changed. Net Position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

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

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, drama, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The school also charges a fee to the students to help cover some of the cost of the driving portion of Driver's Ed and tuition is charged at the Raider Academy Childcare Center.



## **Fund Financial Statements**

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

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

The Gayville-Volin School has three kinds of funds:

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

# FINANCIAL ANALYSIS OF THE GAYVILLE-VOLIN SCHOOL DISTRICT AS A WHOLE

## Net Position

The Gayville-Volin School's combined Net Position increased, as follows:

TABLE A-1  
GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
STATEMENT OF NET POSITION

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023
Current and Other Assets	4,666,316	4,053,070	186,743	112,193	4,853,059	4,165,263
Capital Assets	<u>5,803,194</u>	<u>6,027,101</u>	<u>144,031</u>	<u>135,573</u>	<u>5,947,225</u>	<u>6,162,674</u>
<b>Total Assets</b>	<u>10,469,510</u>	<u>10,080,171</u>	<u>330,774</u>	<u>247,766</u>	<u>10,800,284</u>	<u>10,327,937</u>
OPEB Related Deferred Outflows						
Pension Related Deferred Outflows	<u>775,873</u>	<u>708,467</u>	<u>59,214</u>	<u>54,812</u>	<u>835,087</u>	<u>763,279</u>
<b>Total Deferred Outflows of Resources</b>	<u>775,873</u>	<u>708,467</u>	<u>59,214</u>	<u>54,812</u>	<u>835,087</u>	<u>763,279</u>
Long-Term Debt Outstanding	2,139,841	2,012,865			2,139,841	2,012,865
Other Liabilities	<u>531,911</u>	<u>487,139</u>	<u>17,276</u>	<u>18,667</u>	<u>548,187</u>	<u>505,806</u>
<b>Total Liabilities</b>	<u>2,670,752</u>	<u>2,500,004</u>	<u>17,276</u>	<u>18,667</u>	<u>2,688,028</u>	<u>2,518,671</u>
Pension Related Deferred Inflows	1,083,660	424,151	82,695	32,809	1,166,355	456,960
OPEB Related Deferred Inflows	-	-			-	-
Taxes Levied for a Future Period	<u>512,346</u>	<u>517,295</u>			<u>512,346</u>	<u>517,295</u>
<b>Total Deferred Inflows of Resources</b>	<u>1,596,006</u>	<u>941,446</u>	<u>82,695</u>	<u>32,809</u>	<u>1,678,701</u>	<u>974,255</u>
Net Position:						
Net Investment in Capital Assets	3,456,832	3,818,817	144,031	135,573	3,600,863	3,954,390
Restricted	2,798,602	2,767,717	19,323	22,567	2,817,925	2,790,284
Unrestricted	<u>723,191</u>	<u>760,654</u>	<u>126,663</u>	<u>92,962</u>	<u>849,854</u>	<u>853,616</u>
<b>Total Net Position</b>	<u>6,978,625</u>	<u>7,347,188</u>	<u>290,017</u>	<u>251,102</u>	<u>7,268,642</u>	<u>7,598,290</u>
Increase (Decrease) in Net Position	707,964	368,563	69,500	(38,915)	777,464	329,648
Beginning Net Position	<u>6,270,661</u>	<u>6,978,625</u>	<u>220,517</u>	<u>290,017</u>	<u>6,491,178</u>	<u>7,268,642</u>
Ending Net Position	<u>6,978,625</u>	<u>7,347,188</u>	<u>290,017</u>	<u>251,102</u>	<u>7,268,642</u>	<u>7,598,290</u>
Percentage of Increase (Decrease) in Net Position						
Net Position	11.29%	5.28%	31.52%	-13.42%	11.98%	4.54%

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, early retirement benefits payable and capital outlay certificates payable have been reported in this manner on the Statement of Net Position. The difference between the school’s assets and liabilities is its Net Position.

## Changes in Net Position

This section will show the financial comparison of revenues and expenses and provide explanations for significant differences.

TABLE A-2  
GAYVILLE-VOLIN SCHOOL DISTRICT 63-1  
Changes in Net Position

	Total Governmental Activities		Total Business-Type Activities		Total	
	<u>FY2022</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2023</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	35,279.00	32,127.00	79,641.00	128,144.00	114,920.00	160,271.00
Operating Grants and Contributions	573,864.00	231,157.00	273,749.00	154,395.00	847,613.00	385,552.00
Capital Grants		93,103.00		1,549.00		94,652.00
<b>General Revenues</b>						
Taxes	1,250,337.00	1,241,879.00			1,250,337.00	1,241,879.00
Revenue State Sources	1,950,038.00	2,076,169.00			1,950,038.00	2,076,169.00
Other General Revenue	140,356.00	98,476.00	-	-	140,356.00	98,476.00
Sale of Surplus Property		32,000.00				32,000.00
Lease Proceeds		78,428.00				78,428.00
Unrestricted Investment Earnings	<u>23,248.00</u>	<u>50,080.00</u>	<u>131.00</u>	<u>1,477.00</u>	<u>23,379.00</u>	<u>51,557.00</u>
Total Revenues	<u>3,973,122.00</u>	<u>3,854,991.00</u>	<u>353,521.00</u>	<u>285,565.00</u>	<u>4,326,643.00</u>	<u>4,140,556.00</u>
<b>Expenses</b>						
Instruction	1,824,241.00	1,873,549.00			1,824,241.00	1,873,549.00
Support Services	1,198,216.00	1,332,870.00			1,198,216.00	1,332,870.00
Debt Services	33,965.00	50,090.00			33,965.00	50,090.00
Cocurricular Activities	205,679.00	229,120.00			205,679.00	229,120.00
Food Service			202,886.00	232,498.00	202,886.00	232,498.00
Enterprise			<u>84,192.00</u>	<u>92,781.00</u>	<u>84,192.00</u>	<u>92,781.00</u>
Total Expenses	3,262,101.00	3,485,629.00	287,078.00	325,279.00	3,549,179.00	3,810,908.00

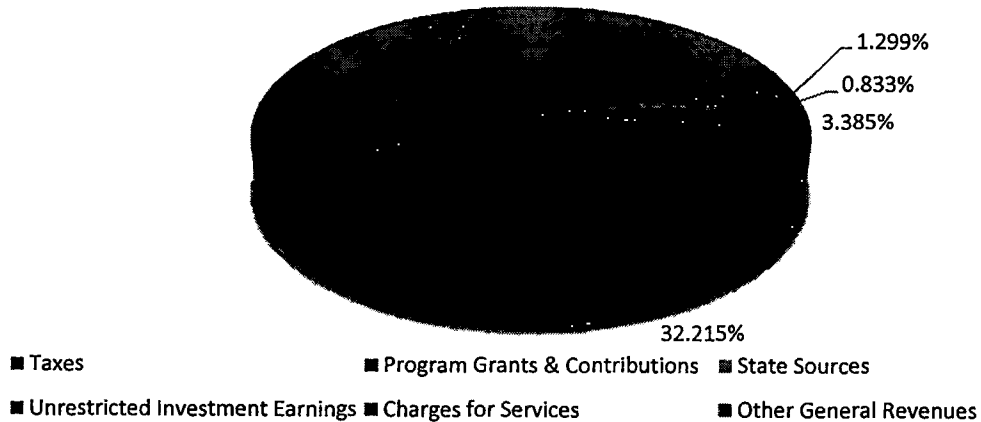
**Excess (Deficiency) Before**

Special Items and Transfers	711,021.00	369,362.00	66,443.00	(39,714.00)	777,464.00	329,648.00
Transfers	(3,057.00)	(799.00)	3,057.00	799.00	-	-
Increase (Decrease) in Net Position	<u>707,964.00</u>	<u>368,563.00</u>	<u>69,500.00</u>	<u>(38,915.00)</u>	<u>777,464.00</u>	<u>329,648.00</u>
Net Position - ENDING	<u>6,978,625.00</u>	<u>7,347,188.00</u>	<u>290,017.00</u>	<u>251,102.00</u>	<u>7,268,642.00</u>	<u>7,598,290.00</u>

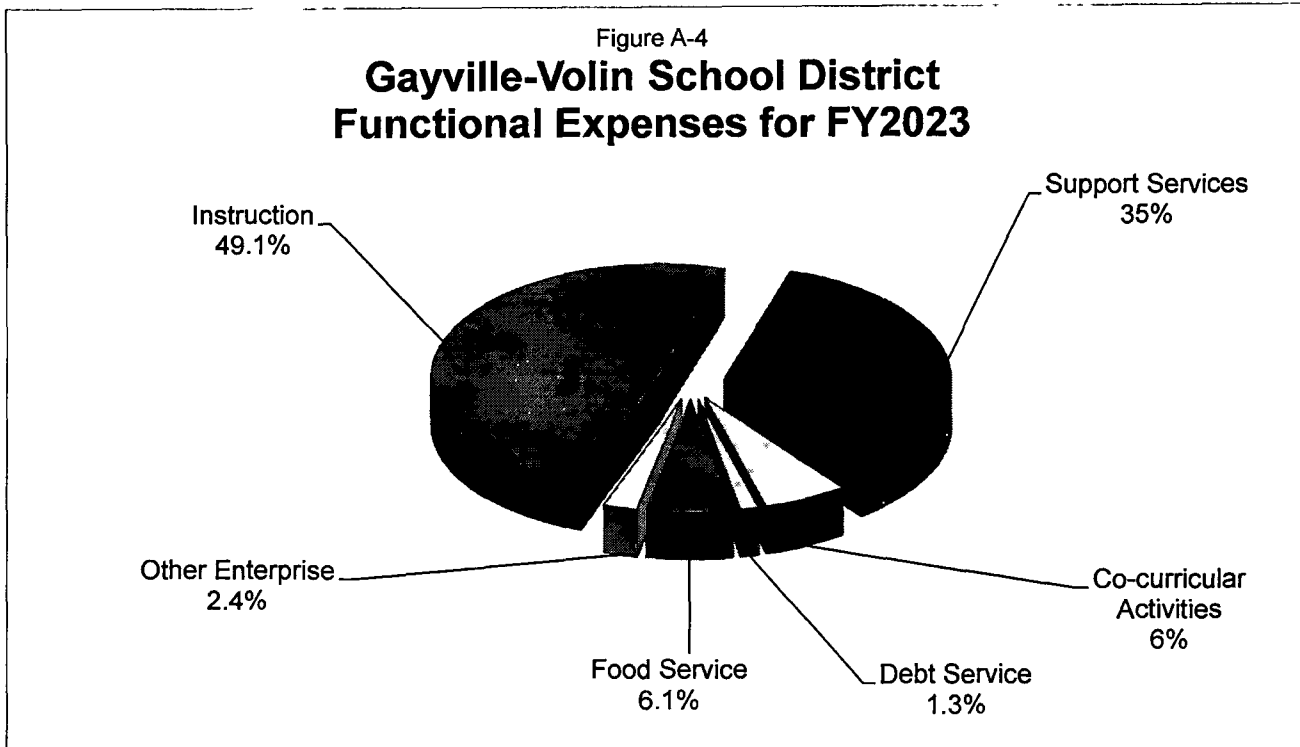
**GOVERNMENTAL ACTIVITIES**

The Gayville-Volin School's total revenues (excluding special items) totaled \$4,108,556. (See Table A-2.) Approximately 32% of the School's revenue comes from property and other taxes, with another 54% of the School's revenue coming from State Aid. (See Figure A-3)

**Figure A-3  
Gayville-Volin School District  
Sources of Revenues for FY 2023**



The Gayville-Volin School's total expenses were \$3,810,908. (See Table A-2) Here is the breakdown of the expenses. The Gayville-Volin School's expenses cover a range of services, encompassing instruction at 49.1% and support services at 35%. Food Service, Enterprise, Co-curricular and Debt Service make up the other 15.9%. (See Figure a-4)



**BUSINESS-TYPE ACTIVITIES**

The School District provides food service including breakfast and lunch in both the Elementary School and the Junior/Senior High Schools. The School district also has an Enterprise Fund.

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

The General Fund had an increase of \$37,047 in its fund balance for fiscal year 2023. The ending fund balance for General Fund was \$754,531. The Capital Outlay Fund Balance decreased by \$90,242 with an ending fund balance of \$1,976,041. The Special Education Fund increased by \$11,632 with an ending fund balance of \$144,289.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Gayville-Volin School Board revised the School budget. These amendments could fall into one of the following categories:

- Contingency transfers approved for unanticipated, yet necessary expenses to provide for items necessary for the education program of this district.
- Grants that became available or changed in amount.

**CAPITAL ASSET ADMINISTRATION**

By the end of fiscal year 2023, the School's Governmental Capital Assets increased \$523,408 due to building a crows' nest, installing tin on outbuilding roofs, purchasing 2 busses, improvements to softball field and completion of baseball field. The Business Type Assets increased by \$2,717 – food service equipment. (See Table A-3)

Table A-3  
GAYVILLE-VOLIN SCHOOL DISTRICT 63-1 - CAPITAL ASSETS

	Governmental Activities			Business-Type Activities		
	FY2022	FY2023	Increase/ (Decrease)	FY2022	FY2023	Increase/ (Decrease)
Land	58,118	58,118	-	9,000	9,000	-
Construction Work in Progress	64,491	40,619	(23,872)	-	-	-
Buildings	7,163,094	7,225,830	62,736	97,196	97,196	-
Improvements other than Building	729,654	1,006,097	276,443			
Machinery and Equipment	1,127,628	1,257,230	129,602	135,867	138,584	2,717
Library Books	67,401	67,472	71	-	-	-
Copier/Printer Lease	130,055	208,483	78,428			
Total Capital Assets	<u>9,340,441</u>	<u>9,863,849</u>	<u>523,408</u>	<u>242,063</u>	<u>244,780</u>	<u>2,717</u>
Accumulated Depreciation	<u>(3,537,247)</u>	<u>(3,836,748)</u>	<u>(299,501)</u>	<u>(98,032)</u>	<u>(109,207)</u>	<u>(11,175)</u>
Net Capital Assets	<u>5,803,194</u>	<u>6,027,101</u>	<u>223,907</u>	<u>144,031</u>	<u>135,573</u>	<u>(8,458)</u>

**LONG-TERM DEBT**

At year-end the Gayville-Volin School had \$87,500 in Capital Outlay Certificates, \$2,050,000 in General Obligation Bonds, and \$381,171 in other long-term obligations. This is a decrease of 6.39% as shown on Table A-4 below

Table A-4  
GAYVILLE-VOLIN SCHOOL DISTRICT 63-1  
Outstanding Debt and Obligations

	Governmental Activities		Total % Change	Business-Type Activities		Total % Change
	FY2022	FY2023		FY 2022	FY 2023	
	Capital Outlay Certificates	116,666.00	87,500.00	-25.00%		
Lease	29,696.00	70,784.00	138.36%			
Compensated Absences	6,750.00	6,000.00	-11.11%			

General Obligation Refunding Bonds	2,200,000.00	2,050,000.00	-6.82%			
Other Obligations	<u>317,640.00</u>	<u>285,720.00</u>	-10.05%	<u>17,276.00</u>	<u>18,667.00</u>	8.05%
<b>Total Long-Term Liabilities</b>	<b><u>2,670,752.00</u></b>	<b><u>2,500,004.00</u></b>		<b><u>17,276.00</u></b>	<b><u>18,667.00</u></b>	
<b>Net Increase (Decrease)</b>			<b>-6.39%</b>			

The Gayville-Volin School is liable for the accrued vacation leave payable to the 12-month employees (the business manager, and full-time custodians).

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

One of the primary sources of revenue to the School is calculated on our number of students based on the state aid fall enrollment count divided by the target student/certified staff FTE ratio. That number, plus our overhead costs is our need for the 2023-24 school year. That will be provided to the school in taxes and state aid. We will base our next year's budgets on the tax valuation and state aid.

### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and students' families with a general overview of the Gayville-Volin School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Alice Hight, Business Manager, Gayville-Volin School District 63-1, 100 Kingsbury Street, PO Box 158, Gayville, South Dakota 57031.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2023

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	1,056,893	38,394	1,095,287
Certificates of deposit	2,300,599	50,970	2,351,569
Advanced to trust & agency imprest	8,000		8,000
<b>Receivables:</b>			
Property taxes - current	517,295		517,295
Property taxes - delinquent	38,058		38,058
Due from other governments	107,599	3,213	110,812
Accounts	11,234	2,043	13,277
Inventory	6,099	17,009	23,108
<b>Total current assets</b>	<b>4,045,777</b>	<b>111,629</b>	<b>4,157,406</b>
<b>Capital assets:</b>			
Land	58,118	9,000	67,118
Buildings	7,225,831	97,196	7,323,027
Improvements	1,006,097		1,006,097
Equipment	1,257,230	138,584	1,395,814
Library books	67,471		67,471
Intangible copier/printer lease	208,483		208,483
Construction-in-progress	40,619		40,619
Accumulated depreciation/amortization	-3,836,748	-109,207	-3,945,955
<b>Total capital assets</b>	<b>6,027,101</b>	<b>135,573</b>	<b>6,162,674</b>
<b>Other assets:</b>			
Net pension assets	7,293	564	7,857
<b>Total assets</b>	<b>10,080,171</b>	<b>247,766</b>	<b>10,327,937</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension related deferred outflows	708,467	54,812	763,279
<b>Total deferred outflow of resources</b>	<b>708,467</b>	<b>54,812</b>	<b>763,279</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	51,326	2,008	53,334
Contracts payable	183,835	2,994	186,829
Payroll deductions payable	50,559	313	50,872
Revenue received in advance		13,352	13,352
<b>Noncurrent liabilities due in one year:</b>			
2013 Capital Outlay certificates	29,167		29,167
2021 GO Refunding bonds	150,000		150,000
Copier/printer leases	16,252		16,252
Accrued leave	6,000		6,000
<b>Total current liabilities</b>	<b>487,139</b>	<b>18,667</b>	<b>505,806</b>
<b>Noncurrent liabilities:</b>			
2013 Capital Outlay certificates	58,333		58,333
2021 GO Refunding bonds	1,900,000		1,900,000
Copier/printer leases	54,532		54,532
<b>Total noncurrent liabilities</b>	<b>2,012,865</b>	<b>0</b>	<b>2,012,865</b>
<b>Total liabilities</b>	<b>2,500,004</b>	<b>18,667</b>	<b>2,518,671</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a future period	517,295		517,295
Pension related deferred inflows	424,151	32,809	456,960
<b>Total deferred inflow of resources</b>	<b>941,446</b>	<b>32,809</b>	<b>974,255</b>
<b>NET POSITION</b>			
Net invested in capital assets	3,818,817	135,573	3,954,390
<b>Restricted for:</b>			
Capital outlay	1,988,294		1,988,294
Special education	150,867		150,867
Debt service	336,947		336,947
SDRS pension purposes	291,609	22,567	314,176
Unrestricted	760,654	92,962	853,616
<b>Total net position</b>	<b>7,347,188</b>	<b>251,102</b>	<b>7,598,290</b>

See accompanying notes.



GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDING JUNE 30, 2023

Functions/Programs:	Program Revenues				Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Primary government:</b>							
<i>Governmental activities:</i>							
Instruction	1,873,549		109,951	20,048	-1,743,550		-1,743,550
Support services	1,332,870	9,096	121,206	73,055	-1,129,513		-1,129,513
Cocurricular activities	229,120	23,031			-206,089		-206,089
Interest and fees on debt (all)	50,090				-50,090		-50,090
<b>Total governmental activities</b>	<b>3,485,629</b>	<b>32,127</b>	<b>231,157</b>	<b>93,103</b>	<b>-3,129,242</b>	<b>0</b>	<b>-3,129,242</b>
<i>Business-type activities:</i>							
Food service	232,498	62,815	137,721	1,549		-30,413	-30,413
Child care	92,781	65,329	16,674			-10,778	-10,778
<b>Total primary government</b>	<b>3,810,908</b>	<b>160,271</b>	<b>385,552</b>	<b>94,652</b>	<b>-3,129,242</b>	<b>-41,191</b>	<b>-3,170,433</b>
<b>General revenue:</b>							
Property taxes					1,205,040		1,205,040
Gross receipts tax					36,839		36,839
<b>Revenue from state sources:</b>							
State aid					2,033,650		2,033,650
Other					42,519		42,519
Revenue from counties					16,714		16,714
Interest earnings					50,080	1,477	51,557
Fines					0		0
Donations					69,006		69,006
Other general revenues					6,080		6,080
Compensation for damaged property					6,676		6,676
Sale of surplus property					32,000		32,000
Transfers					-799	799	0
<b>Total general revenue and transfers</b>					<b>3,497,805</b>	<b>2,276</b>	<b>3,500,081</b>
<b>Change in net position</b>					<b>368,563</b>	<b>-38,915</b>	<b>329,648</b>
<b>Net position, July 1, 2022</b>					<b>6,978,625</b>	<b>290,017</b>	<b>7,268,642</b>
<b>Net position, June 30, 2023</b>					<b>7,347,188</b>	<b>251,102</b>	<b>7,598,290</b>

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	426,511	376,716	131,647	122,019	1,056,893
Certificates of deposit	444,398	1,571,922	76,455	207,824	2,300,599
Advanced to T&A imprest	8,000				8,000
Receivables:					
Property taxes - current	133,565	194,106	103,874	85,750	517,295
Property taxes - delinquent	12,123	12,253	6,578	7,104	38,058
Due from other governments	69,677	37,053	869		107,599
Accounts	8,388	2,846			11,234
Inventory of supplies	6,099				6,099
<b>Total assets</b>	<b>1,108,761</b>	<b>2,194,896</b>	<b>319,423</b>	<b>422,697</b>	<b>4,045,777</b>
<b>LIABILITIES</b>					
Accounts payable	23,863	12,496	14,967		51,326
Contracts payable	144,078		39,757		183,835
Payroll deductions payable	40,601		9,958		50,559
<b>Total liabilities</b>	<b>208,542</b>	<b>12,496</b>	<b>64,682</b>	<b>0</b>	<b>285,720</b>
<b>DEFERRED INFLOW OF RESOURCES</b>					
Taxes levied for a future period	133,565	194,106	103,874	85,750	517,295
Unavailable revenue:					
Property taxes - delinquent	12,123	12,253	6,578	7,104	38,058
<b>Total deferred inflow of resources</b>	<b>145,688</b>	<b>206,359</b>	<b>110,452</b>	<b>92,854</b>	<b>555,353</b>
<b>FUND BALANCE</b>					
Nonspendable	14,099				14,099
Restricted		1,976,041	144,289	329,843	2,450,173
Committed					0
Assigned					0
Unassigned	740,432				740,432
<b>Total fund balance</b>	<b>754,531</b>	<b>1,976,041</b>	<b>144,289</b>	<b>329,843</b>	<b>3,204,704</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>1,108,761</b>	<b>2,194,896</b>	<b>319,423</b>	<b>422,697</b>	<b>4,045,777</b>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 3,204,704

Amounts reported in the government-wide statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Therefore:  
Add the cost of capital assets 9,863,849  
Subtract the associated accumulated depreciation -3,836,748

These pension related amounts are not an available financial resource and therefore are not reported in the funds:  
Net pension assets 7,293  
Deferred outflow of resources 708,467  
Deferred inflow of resources -424,151

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities  
2013 Capital Outlay Certificates (QZAB bonds) -87,500  
2018 Copier/printer lease -70,784  
2021 General Obligation Refunding Bonds -2,050,000  
Accrued leave -6,000

Assets such as taxes receivable (delinquent) are not available to pay of current period expenditures and therefore are deferred in the funds. 38,058

Total net position on government-wide statement of net position 7,347,188

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Total Governmental Funds
<b>Revenue:</b>					
<b>Revenue from local sources:</b>					
<b>Taxes:</b>					
Ad valorem taxes	304,212	448,553	244,052	201,865	1,198,682
Prior year ad valorem taxes	2,202	1,572	897	751	5,422
Gross receipts	36,839				36,839
Penalties and interest	841	513	286	249	1,889
Interest earned	11,143	33,083	2,398	3,456	50,080
<b>Cocurricular activities:</b>					
Admissions	23,032				23,032
<b>Other revenue from local sources:</b>					
Donations	2,300	66,706			69,006
Medicaid	5,825		3,271		9,096
Other	6,010	20	50		6,080
<b>Total revenue from local sources</b>	<b>392,404</b>	<b>550,447</b>	<b>250,954</b>	<b>206,321</b>	<b>1,400,126</b>
<b>Revenue from intermediate sources:</b>					
<b>County sources:</b>					
State fines apportionment	16,714				16,714
<b>Revenue from state sources:</b>					
Unrestricted grants-in-aid	1,766,423				1,766,423
Restricted grants-in-aid	1,500		309,746		311,246
<b>Revenue from federal sources:</b>					
Restricted grants-in-aid	222,570	93,103	7,087		322,760
<b>Total revenues</b>	<b>2,399,611</b>	<b>643,550</b>	<b>567,787</b>	<b>206,321</b>	<b>3,817,269</b>
<b>Expenditures:</b>					
<b>Instruction:</b>					
<b>Regular programs:</b>					
Elementary school	386,978	44,464			431,442
Middle school	190,262	11,903			202,165
High school	451,847	27,754			479,601
Preschool services	26,507				26,507
<b>Special programs:</b>					
Educ. deprived (Title I)	93,184				93,184
Programs for special educ.			429,846		429,846
<b>Total instruction</b>	<b>1,148,778</b>	<b>84,121</b>	<b>429,846</b>	<b>0</b>	<b>1,662,745</b>
<b>Support services:</b>					
<b>Pupils:</b>					
Guidance	130,584				130,584
Health	550				550
Special education			114,932		114,932
<b>Instruction:</b>					
Staff training	9,753				9,753
Educational media	801	500			1,301
Technology in school	18,488				18,488
<b>General administration:</b>					
Board of Education	27,233				27,233
Executive administration	213,161				213,161
<b>School administration:</b>					
Office of principal	186,513	534			187,047
Special education			11,377		11,377
<b>Business:</b>					
Fiscal services	91,770				91,770
Building acquisition					0
Other facility acquisition					0
Operations and maintenance	327,415	23,404			350,819
Pupil transportation	118,028				118,028
Purchased food	9,164				9,164
Criminal background check	348				348
Nonprogram charges		3,110			3,110
<b>Total support services</b>	<b>1,133,808</b>	<b>27,548</b>	<b>126,309</b>	<b>0</b>	<b>1,287,665</b>

(continued)

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2023 (continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Total Governmental Funds
Debt service:					
Principal		66,506		150,000	216,506
Interest and fees		3,640		46,450	50,090
Total debt service	0	70,146	0	196,450	266,596
Cocurricular activities:					
Male activities	36,697	7,430			44,127
Female activities	42,767	8,919			51,686
Transportation	1,867				1,867
Combined activities	77,286	7,433			84,719
Total cocurricular services	158,617	23,782	0	0	182,399
Capital outlay:		565,861			565,861
Total expenditures	2,441,203	771,458	556,155	196,450	3,965,266
Excess of revenues over (under) expenditures	-41,592	-127,908	11,632	9,871	-147,997
Other financing sources (uses):					
Transfer in	78,639				78,639
Transfer (out)		-79,438			-79,438
Compensation for damaged property		6,676			6,676
Sale of surplus property		32,000			32,000
FY23 copier lease proceeds		78,428			78,428
Net change in fund balance	37,047	-90,242	11,632	9,871	-31,692
Fund balance:					
July 1, 2022	717,484	2,066,283	132,657	319,972	3,236,396
June 30, 2023	754,531	1,976,041	144,289	329,843	3,204,704

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) -31,692

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of capital asset additions	487,429
Add the cost of capital lease addition	78,428
Subtract depreciation taken on all capital assets	-297,564
Subtract amortization taken on capital lease	-39,711
Subtract loss on disposition of capital assets	-4,675

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes	-39,012
Add current year delinquent taxes	38,058

Expenses and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds 38,474

Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change in "acrued leave" through expenditures. Therefore add the decrease in accrued leave 750

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add current year principal payments on:	
2013 Capital Outlay Certificates	29,166
2021 General Obligation Bonds	150,000
2018 copier/printer lease	27,354
2022 copier/printer lease	9,986
Subtract current year proceeds:	
2022 copier/printer lease proceeds	-78,428

Change in net position on government-wide statement of activities 368,563

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
 AS OF JUNE 30, 2023

	Food Service Fund	Day Care Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash	19,691	18,703	38,394
Certificates of deposit	30,582	20,388	50,970
Due from other governments	2,962	251	3,213
Accounts receivable	1,226	817	2,043
Inventory - supplies	2,255		2,255
Inventory - purchased goods	6,331		6,331
Inventory - commodities (donated)	8,423		8,423
Capital assets:			
Land		9,000	9,000
Building		97,196	97,196
Equipment	138,584		138,584
Accumulated depreciation	-78,104	-31,103	-109,207
Other assets: Net pension assets	350	214	564
<b>Total assets</b>	<u>132,300</u>	<u>115,466</u>	<u>247,766</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension related deferred outflows	34,047	20,765	54,812
<b>Total deferred outflow of resources</b>	<u>34,047</u>	<u>20,765</u>	<u>54,812</u>
LIABILITIES			
Accounts payable	509	1,499	2,008
Contracts payable		2,994	2,994
Payroll deductions payable		313	313
Revenue received in advance	13,352		13,352
<b>Total liabilities</b>	<u>13,861</u>	<u>4,806</u>	<u>18,667</u>
DEFERRED INFLOW OF RESOURCES:			
Pension related deferred inflows	20,380	12,429	32,809
<b>Total deferred inflow of resources</b>	<u>20,380</u>	<u>12,429</u>	<u>32,809</u>
NET POSITION			
Net invested in capital assets	60,480	75,093	135,573
Restricted - SDRS pension purposes	14,017	8,550	22,567
Unrestricted	57,609	35,353	92,962
<b>Total net position</b>	<u>132,106</u>	<u>118,996</u>	<u>251,102</u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN NET POSITION - ENTERPRISE FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2023

	Food Service Fund	Day Care Fund	Total Enterprise Funds
Operating revenue:			
Sales to pupils	49,178	65,329	114,507
Sales to adults	3,220		3,220
Other revenue	10,417		10,417
<b>Total operating revenue</b>	<u>62,815</u>	<u>65,329</u>	<u>128,144</u>
Operating expense:			
Salaries	89,902	69,415	159,317
Employee benefits	22,757	9,377	32,134
Purchased services	4,197	3,920	8,117
Supplies	17,384	8,715	26,099
Cost of sales:			
Purchased food	72,941		72,941
Donated food (commodities)	18,440		18,440
Depreciation	9,531	1,944	11,475
Pension related expense reduction	-2,654	-590	-3,244
<b>Total operating expenses</b>	<u>232,498</u>	<u>92,781</u>	<u>325,279</u>
<b>Operating income (loss)</b>	<u>-169,683</u>	<u>-27,452</u>	<u>-197,135</u>
Nonoperating revenue (expense):			
Loss on disposal of capital asset			0
Interest earned	812	665	1,477
State source: Cash reimbursement	385		385
Federal source:			
Cash reimbursement	119,119	16,674	135,793
Donated food	19,766		19,766
Transfer in	799		799
<b>Total nonoperating revenue (expense)</b>	<u>140,881</u>	<u>17,339</u>	<u>158,220</u>
<b>Change in net position</b>	<u>-28,802</u>	<u>-10,113</u>	<u>-38,915</u>
<b>Net position, July 1, 2022</b>	<u>160,908</u>	<u>129,109</u>	<u>290,017</u>
<b>Net position, June 30, 2023</b>	<u>132,106</u>	<u>118,996</u>	<u>251,102</u>

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2023

	Food Service Fund	Child Care Fund	Total Enterprise Funds
	-----	-----	-----
Cash flows from:			
Operating activities:			
Receipts from customers	62,053	65,329	127,382
Cash paid for employees	-112,659	-78,432	-191,091
Payments to suppliers	-98,133	-11,622	-109,755
Net cash provided (used) by operating activities	----- -148,739	----- -24,725	----- -173,464
Noncapital financing activities:			
Grant cash reimbursements, state	385		385
Grant cash reimbursements, federal	116,157	15,935	132,092
Transfer in	799		799
Capital financing activities:			
Cash purchase of equipment	-3,017	0	-3,017
Investing activities:			
Interest received	812	665	1,477
Purchase certificates of deposit	-30,582	-20,388	-50,970
Net increase (decrease) in cash and cash equivalents	----- -64,185	----- -28,513	----- -92,698
Cash and cash equivalents:			
July 1, 2022	83,876	47,216	131,092
June 30, 2023	----- 19,691	----- 18,703	----- 38,394
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	-169,683	-27,452	-197,135
Donated commodities used	18,440		18,440
Depreciation	9,531	1,944	11,475
Pension related exp. reduction	-2,654	-590	-3,244
Change in operating accounts:			
Accounts receivable	-1,208		-1,208
Inventory - supplies	-951		-951
Inventory - purchased	-2,232		-2,232
Accounts payable	-428	1,013	585
Contracts payable		361	361
Benefits payable		-1	-1
Unearned revenue	446		446
Net cash provided (used) by operating activities	----- -148,739	----- -24,725	----- -173,464
Noncash investing, capital and financing activities:			
Donated commodities received	19,766		19,766

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2023

	Custodial Funds
	-----
Assets:	
Cash	51,900
Certificate of deposit	8,415
Due from student activities	6,957
	-----
Total assets	<u>67,272</u>
Liabilities:	
Due to general fund - advance	8,000
	-----
Total liabilities	<u>8,000</u>
Net Position:	
Restricted for student activities	59,272
	-----
Total net position	<u>59,272</u>
See accompanying notes.	

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDING JUNE 30, 2023

	Custodial Funds
	-----
Additions:	
Collections for student activities	108,131
General fund reimbursements	111,213
Interest earnings	101
	-----
Total additions	219,445
Deductions:	
Payments for student activities	107,226
General fund uses	111,213
	-----
Total deductions	218,439
Change in net position	1,006
Net position:	
July 1, 2022	58,266
	-----
June 30, 2023	<u>59,272</u>
See accompanying notes.	

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Gayville-Volin School District's (School District) Board of Education.

The School District's officials at June 30, 2023 are:

Board Members:

John Freeburg, President  
Stacy Barta  
Eric Dimmer  
Tyler Hoxeng  
Kathy Jorgensen

Superintendent:

Jason Selchert

Business Manager

Alice Hight

Attorney:

Churchill, Manolis, Freeman, Kludt & Burns

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Gayville-Volin School District does not have any component units. Also, the School District does not participate with other school districts in any cooperative service units.



b. Basis of Presentation:

*Government-wide Financial Statements:*

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients for goods and services offered by the program 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 and interest, are presented as general revenues.

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:

## Governmental Funds

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

*Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:*

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 and is a major fund.

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

*Debt Service Fund Types - 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 cost.*

Debt Service fund - A fund established by SDCL 13-16-13 to account for the payment of principal, interest and related costs of a 2021 general obligation refunding bond. This fund is financed by property taxes and is a major fund. See also page 42.

## Enterprise Funds

*Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise fund:*

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

Child care fund - a fund used to record financial transactions related to the School's child care activity and driver's education. This fund is financed by user charges, fund raising activities, and grants. This fund is a major fund.

## Fiduciary Funds

Fiduciary funds consist of the following sub-category of fiduciary funds. Fiduciary funds are never considered to be major funds.

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

### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

### *Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

## Basis of Accounting

### *Government-wide Financial Statements:*

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

### *Fund Financial Statements:*

In the 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 School District's availability period accruing and recording revenues is 60 days. The revenues which are accrued at June 30, 2023 are grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

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. However, the Gayville-Volin School District budgets for, and makes payment of, debt obligations due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. 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:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the School District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

g. Inventory:

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

Governmental activities and governmental fund inventories, if any, consists of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items, if any, are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements 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. Nonspendable fund balance related to inventory are reported net of related liabilities (accounts payable).

h. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2023 balance of capital assets for governmental activities include approximately 2% for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation and amortization of all exhaustible capital assets are recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation/amortization is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See page 41.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Life in Years
Land	all	N/A	N/A
Buildings/structures	20,000	Straight-line	33-50
Improvements	10,000	Straight-line	10-50
Equipment and intangible leases	5,000	Straight-line	2-20
Equipment - food service	500	Straight-line	12

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

In the fund financial statements, governmental funds account for capital asset purchases as expenditures of the appropriate governmental fund. Enterprise funds account for capital asset purchases on the accrual basis of accounting, the same as in the government-wide statements.

i. Long-term Liabilities:

*Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of a general obligation bond, capital outlay certificates, equipment lease and compensated absences.

*Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

j. Program Revenues and General 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

k. Deferred Inflows and Deferred Outflows of Resources

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

In the government-wide financial statements, the only deferred outflow of resources reported is a deferred amount arising from the School District's pension plan for qualified retirees as discussed in Note 13.

In the fund financial statement there are no deferred outflows of resources reported in the governmental funds. There is deferred outflows of resources reported in the enterprise funds arising from School District's pension plan for qualified retirees as discussed in Note 13.

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

In the government-wide financial statements, the only deferred inflow of resources reported are deferred amounts arising from the School District's pension plan and property taxes that are levied for future periods.

In the funds financial statement, governmental funds report deferred inflows of resources for property taxes levied but not collected within the available period and property taxes levied in the available period that are intended to finance the next fiscal year. Enterprise funds report deferred outflows of resources arising from School District's pension plan for qualified retirees as discussed in Note 13.

1. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

m. Equity Classifications:

*Government-wide Statements:*

Equity is classified as net position and is displayed in three components:

1. Net invested 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 capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements.

Fiduciary fund equity is reported as "Net Position - Restricted".

n. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or Finance Officer.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The School District fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	Inventory of supplies		6,099
	General - Impress activity	Resolution	8,000
Restricted	Capital Outlay	Statute	1,976,041
	Special Education	Statute	144,289
	Debt Service	Statute	329,843
Committed	None		0
Assigned	None		0
Unassigned	General		740,432
			-----
			3,204,704

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

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

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source: (see page 17)
* Capital Outlay	Property taxes and grants
* Special Education	Property taxes and grants

o. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.



p. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

q. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated service lives
- \* SDRS Pension - actuarial assumptions

r. Pensions:

For the purpose of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense (expense reduction), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SRDS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

*Budget Overdrafts:*

The School District is prohibited by statute from spending in excess of appropriated amounts within a fund. In FY23 the Capital Outlay Fund went over its budget by \$102,128. In the future, the School District expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND 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 deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 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 FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, 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 the add-on type.

Actual bank balances at June 30, 2023 were as follows: Insured \$500,000, Collateralized \*\* \$3,097,599, for a total of \$3,597,599.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2023 was \$3,507,171 which equals \$3,446,856 on the government-wide statement of net position plus \$60,315 on the fiduciary funds statement.

Investments - In general, SDCL 4-5-6 permits school district 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 (c) in shares of an open-end, no-load mutual 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 safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Cash Equivalents - Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits. Also, because certificates of deposit are included in the equivalent of an internal cash management pool, which is available on demand to all School District funds, certificates of deposit (if any) are considered to be cash equivalent.

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2023 the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in CorTrust Bank.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the general fund, except for interest from certificates of deposit in the capital outlay fund and for interest earned by the bond redemption fund. U.S.GAAP, however, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund (ie: general fund) is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These transfers are not violations of the statutory restrictions on interfund transfers.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. DUE FROM OTHER GOVERNMENTS

At June 30, 2023 amounts due from other governments were:

	Governmental Activities	Business-Type Activities
Federal government:		
Title I	19,785	
Title II	316	
ESSER II	4,961	
ESSER II	10,000	
ESSER III	784	
ESSER III	27,053	
ESSER Learning Loss	296	
Rural School Grant	6,695	
Farm to School Grant		2,962
CACFP claims		251
State government:		
IDEA Part B 611	869	
County government:		
Gross receipts tax	36,840	
	-----	-----
	107,589	3,213

6. INVENTORY OF SUPPLIES AND SMALL TOOLS

*Government-wide Statements: (consumption method)*

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. Inventory at June 30, 2023 is \$6,099 for supplies in the general fund and \$17,009 for food and supplies in the food service fund.

*Fund Financial Statements: (consumption method)*

In the fund financial statements inventory of supplies and small tools (if any) are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated acquisition value at the date of receipt. Donated commodities are valued at estimated acquisition value based on the USDA price list at date of receipt. The cost valuation method is first-in first-out.

7. CHANGES IN CAPITAL ASSETS (schedule one)

A summary of changes in capital assets for the fiscal year ending June 30, 2023 is found on schedule one at the end of these footnotes. There is construction-in-progress at June 30, 2023. See page 41.

8. CHANGES IN LONG-TERM LIABILITIES (schedule two)

A summary of changes in long-term liabilities for the fiscal year ending June 30, 2023 is found on schedule two at the end of these footnotes. See page 42.

The School District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

9. LEASE

The School District is lessee in noncancellable leases for three (3) Toshiba copier/printer machines with a remaining capitalization amount of \$2,065 and three (3) Kyocera copier/printer machines with a remaining capitalization amount of \$63,489. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more. See page 42.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the term of the lease using a 5% imputed rate of interest. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the fixed term as stated in a lease contract.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate used to discount the expected lease payments to present value (5% was determined to be reasonable), (2) lease term (the noncancellable period of the lease was used), and (3) lease payments (the fixed lease payment used in the measurement of lease liability was used with a purchase option price of zero based on the School District's practice of leasing a new copier at the end of a copier lease).

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

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

10. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental	Business
Capital outlay	Statute	1,988,294	
Special education	Statute	150,867	
Debt service	Covenants	336,947	
SDRS pension purposes	GASB 68	291,609	22,567
		-----	-----
Total restricted net position		2,767,717	22,567

11. INTERFUND TRANSFERS

During the year ending June 30, 2023 a transfer of \$78,639 was made from the capital outlay fund to the general fund for operations. Also, the capital outlay fund transferred \$799 to the food service fund for operations.

## 12. REVENUE RECEIVED IN ADVANCE

The enterprise fund reports meal tickets of \$2,342 that have been purchased but not yet redeemed as revenue received in advance. Also, unspent federal supply chain grant receipts of \$11,010 is reported as revenue received in advance.

## 13. PENSION PLAN

### Plan Information:

See note 1r above for pension plan accounting policies.

### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

### Benefits Provided:

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

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

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent.

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

Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ending June 30, 2023, 2022, and 2021 were \$120,842, \$119,109, and \$107,339 respectively (employer's share) equal to the required contribution each year.

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

At June 30, 2022 SDRS is 100.1% funded and accordingly has 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 this measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of total pension liability	\$ 11,735,993
Less: Proportionate share of net position restricted for pension benefits	(11,743,850)
	-----
Proportionate share of net pension (asset)/liability	\$ (7,857)
	=====

At June 30, 2023 the School District reported a (asset)/liability of \$(7,857) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2022 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was .000831360 which is an increase of .00004303 over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized net pension (expense reduction) of \$41,718.

At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 149,562	\$ 510
Change in assumptions	499,359	437,621
Net difference between projected and actual earnings on pension plan investments	0	18,829
Changes in proportion and difference between School District contribution and proportionate share of contributions	(6,484)	
School District contributions subsequent to the measurement date	120,842	
	-----	-----
Totals	\$ 763,279 (120,842) (456,960) -----	\$ 456,960 =====
To be amortized over 4 years	\$ 185,477 =====	

The \$120,842 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in SDRS pension expense (reduction of expense) as follows:

Year Ending June 30, 2024	\$ 49,875
June 30, 2025	105,444
June 30, 2026	(120,245)
June 30, 2027	150,403
	-----
	\$ 185,477

Actuarial Assumptions:

The total pension (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	2.10%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010  
 Other Class A Members: Pub G-2010  
 Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:

Pub T-2010, 108% of rate above age 65

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

Public Safety Retirees: Pub S-2010, 102% of rates at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

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

Investments

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 (ie: 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 weighting 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0	0.4%
	-----	
	100.0%	
	=====	

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 will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).



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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$1,631,408	\$(7,857)	\$(1,347,569)

Pension Plan Fiduciary Net Position:

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

14. EMPLOYEE BENEFIT PLAN

The School District offers eligible employees a "Flexible Benefits Plan" (also known as a "cafeteria plan") under Internal Revenue Code Sec.125. The Plan allows eligible employees to use money provided by the School District through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan.

15. PROPERTY TAXES

Property taxes are levied on or before 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 revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 16 and 18.

## 16. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ending June 30, 2023 the Gayville-Volin School District managed its risks as follows:

### Health:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

### Liability and Property:

The District purchases liability and property insurance for risks related to torts, theft of 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.

### Worker's Compensation:

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

### Unemployment Benefits:

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. The School District made \$836 unemployment payments in FY23. The School District expects to make small unemployment payments of at least \$223 in FY24.

## 17. TAX ABATEMENTS

As of June 30, 2023 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

## 18. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

## 19. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The School District does not have any "Other Post Employment Benefits".

In FY24 the School District expects to finish softball field improvements for approximately \$48,500 and concession siding improvements and baseball field restrooms for approximately \$19,500.

The School District does not have any Subscription-Based Information Technology Arrangements to report.

In FY24 the School District increased its availability period for accruing governmental revenues from 60 days to 90 days to better match grant revenues with grant expenditures.

Student enrollments are:

FY10 - 247	FY13 - 273	FY16 - 287	FY19 - 293	FY22 - 275
FY11 - 258	FY14 - 276	FY17 - 304	FY20 - 290	FY23 - 262
FY12 - 271	FY15 - 274	FY18 - 279	FY21 - 279	FY24 - 257

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
 CHANGES IN CAPITAL ASSETS  
 FOR THE YEAR ENDING JUNE 30, 2023

	Beginning 6-30-22	Adjustments	Additions	(Deletions)	Ending 6-30-23	Accumulated Depreciation Amortization 6-30-22	Adjustments	(Additions)	Deletions	Accumulated Depreciation Amortization 6-30-23	Remaining Cost 6-30-23
<b>General capital assets:</b>											
<b>Not being depreciated:</b>											
Land	58,118				58,118	0					58,118
Construction-in-progre	64,491		40,619	-64,491	40,619	0				0	40,619
<b>Totals</b>	<b>122,609</b>	<b>0</b>	<b>40,619</b>	<b>-64,491</b>	<b>98,737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>98,737</b>
<b>Being depreciated/amortized:</b>											
Buildings	7,163,094		62,736		7,225,830	-2,496,560		-149,093		-2,645,653	4,580,177
Improvements	729,654	64,491	211,952		1,006,097	-300,052	1,285	-53,048		-351,815	654,282
Equipment	1,127,628		172,053	-42,451	1,257,230	-587,760		-92,883	36,490	-644,153	613,077
Library books	67,401		71		67,472	-49,657		-2,541		-52,198	15,274
Intangible copier/printer lease	130,055		78,428		208,483	-103,218		-39,711		-142,929	65,554
<b>Totals</b>	<b>9,217,832</b>	<b>64,491</b>	<b>525,240</b>	<b>-42,451</b>	<b>9,765,112</b>	<b>-3,537,247</b>	<b>1,285</b>	<b>-337,276</b>	<b>36,490</b>	<b>-3,836,748</b>	<b>5,928,364</b>
<b>Combined totals</b>	<b>9,340,441</b>	<b>64,491</b>	<b>565,859</b>	<b>-106,942</b>	<b>9,863,849</b>	<b>-3,537,247</b>	<b>1,285</b>	<b>-337,276</b>	<b>36,490</b>	<b>-3,836,748</b>	<b>6,027,101</b>

Governmental  
 depreciation/amortization  
 is allocated as follows:

Instruction	236,654
Support	53,932
Co-curricular	46,690
	<u>337,276</u>

Enterprise fund:

Food service fund:

Land - child care	9,000				9,000	0				0	9,000
Buildings - child care	97,196				97,196	-29,159		-1,944		-31,103	66,093
Equipment - food servi	135,867		3,017	-300	138,584	-68,873		-9,531	300	-78,104	60,480
<b>Totals</b>	<b>242,063</b>	<b>0</b>	<b>3,017</b>	<b>-300</b>	<b>244,780</b>	<b>-98,032</b>	<b>0</b>	<b>-11,475</b>	<b>300</b>	<b>-109,207</b>	<b>135,573</b>

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
 CHANGES IN LONG-TERM LIABILITIES  
 FOR THE ONE YEAR ENDING JUNE 30, 2023

	Beginning 6-30-22	Additions	(Deletions)	Governmental Ending 6-30-23	Principal Due in FY24
<b>GOVERNMENTAL - DIRECT BORROWING</b>					
2013 Capital Outlay Certificates:					
Qualified Zone Academy Bonds					
Original amount: \$350,000					
Maturing July 15, 2025					
Interest at zero					
Annual payments of \$29,166.67					
Collateral - Capital outlay tax					
levy in an amount not to exceed					
\$3.00 per \$1,000 of assessed					
valuation for the payment of					
principal portion of the Bonds					
Paid from Capital Outlay Fund	116,666		-29,166	87,500	29,167
2021 General Obligation Refunding Bonds:					
Original amount: \$2,200,000					
Maturing August 1, 2034					
Interest at 2.0% to 3.0%					
Total annual payments of					
Approximately \$194,000					
Collateral - General ad valorem taxes					
levied upon the taxable property in					
the school district without limit as					
to rate or amount. Further secured					
as to the payment of both principal					
interest by the pledge of future					
payments of appropriated State Aid.					
Paid from Debt Service Fund	2,200,000		-150,000	2,050,000	150,000
<b>GOVERNMENTAL - OTHER LIABILITIES</b>					
2018 Lease of copiers:					
Original amount: \$130,055					
Maturing August 2023					
Imputed interest at 5.0%					
Monthly payments of \$2,351.43					
Collateral - Copiers					
Paid from capital outlay fund	29,696		-27,354	2,342	2,342
2022 Lease of copiers:					
Original amount: \$78,428					
Maturing December 2028					
Imputed interest at 5.0%					
Monthly payments of \$1,417.99					
Collateral - Copiers					
Paid from capital outlay fund	0	78,428	-9,986	68,442	13,910
Accrued leave liability:					
Paid from General Fund	6,750	6,000	-6,750	6,000	6,000
	<u>2,353,112</u>	<u>84,428</u>	<u>-223,256</u>	<u>2,214,284</u>	<u>201,419</u>

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT  
 AT JUNE 30, 2022

	Total Payment	Principal	Interest	Balance
2013 Capital Outlay Certificates:				
Qualified Zone Academy Bonds				
FY24	29,167	29,167	0	58,333
FY25	29,166	29,166	0	29,167
FY26	29,167	29,167	0	0
Totals	<u>87,500</u>	<u>87,500</u>	<u>0</u>	
2021 General Obligation Refunding Bonds:				
FY24	192,850	150,000	42,850	1,900,000
FY25	194,800	155,000	39,800	1,745,000
FY26	191,700	155,000	36,700	1,590,000
FY27	193,550	160,000	33,550	1,430,000
FY28	194,475	165,000	29,475	1,265,000
FY29-FY33	968,800	885,000	83,800	380,000
FY34-FY35	387,700	380,000	7,700	0
Totals	<u>2,323,875</u>	<u>2,050,000</u>	<u>273,875</u>	
2018 Copier leases:				
FY24	<u>2,351</u>	<u>2,342</u>	<u>9</u>	0
2022 Lease of copiers:				
FY24	17,016	13,910	3,106	54,531
FY25	17,016	14,621	2,395	39,910
FY26	17,016	15,369	1,647	24,541
FY27	17,016	16,156	860	8,385
FY28	8,508	8,385	123	0
Totals	<u>76,572</u>	<u>68,441</u>	<u>8,131</u>	

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2023

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	293,900			293,900	300,436	6,536
Prior year ad valorem taxes:	4,000			4,000	2,202	-1,798
Gross receipts	33,000			33,000	36,839	3,839
Mobile home taxes	4,500			4,500	3,776	-724
Penalties and interest	1,500			1,500	841	-659
Interest earned	8,000			8,000	11,143	3,143
Cocurricular activities:						
Admissions	15,000			15,000	18,771	3,771
Other	5,800			5,800	4,261	-1,539
Other revenue from local sources:						
Donations	2,300			2,300	2,300	0
Medicaid	6,500			6,500	5,825	-675
Other	3,200			3,200	6,010	2,810
Intermediate sources:						
County apportionment	15,000			15,000	16,714	1,714
State sources:						
Unrestricted grants-in-aid	1,766,767			1,766,767	1,766,423	-344
Restricted grants-in-aid	2,000			2,000	1,500	-500
Federal sources:						
Restricted grants-in-aid	225,924		4,640	230,564	222,570	-7,994
<b>Total revenues</b>	<b>2,387,391</b>	<b>0</b>	<b>4,640</b>	<b>2,392,031</b>	<b>2,399,611</b>	<b>7,580</b>
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	389,777		3,200	392,977	386,978	5,999
Middle school	199,506			199,506	190,262	9,244
High school	465,128			465,128	451,847	13,281
Preschool Services	27,197			27,197	26,507	690
Special programs:						
Disadvantaged Children	91,543		3,540	95,083	93,184	1,899
Support services:						
Pupils:						
Guidance	130,711			130,711	130,584	127
Health	1,200			1,200	550	650
Instruction:						
Staff training	6,541		6,665	13,206	9,753	3,453
Educational media	2,165			2,165	801	1,364
Technology in school	22,011			22,011	18,488	3,523
General administration:						
Board of Education	41,889			41,889	27,233	14,656
Executive administration	213,477			213,477	213,161	316
School administration:						
Office of principals	183,437			183,437	186,513	-3,076
Other support services	3,629			3,629		3,629
Business:						
Fiscal services	90,563		360	90,923	91,770	-847
Operations and maintenance	320,544		10,000	330,544	327,415	3,129
Pupil transportation	119,675		6,000	125,675	118,028	7,647
Fruits and Vegetable grant	7,000		1,100	8,100	9,164	-1,064
Central: recruiting	200			200	348	-148
Cocurricular activities:						
Male activities	38,322			38,322	36,697	1,625
Female activities	39,044		9,000	48,044	42,767	5,277
Transportation	3,359			3,359	1,867	1,492
Combined activities	79,608		550	80,158	77,286	2,872
<b>Total expenditures</b>	<b>2,476,526</b>	<b>0</b>	<b>40,415</b>	<b>2,516,941</b>	<b>2,441,203</b>	<b>75,738</b>
Excess of rev over (under) exp	-89,135	0	-35,775	-124,910	-41,592	83,318
Other financial sources:						
Transfer in	0			0	78,639	78,639
Fund balance:						
July 1, 2022	717,484			717,484	717,484	0
June 30, 2023	628,349	0	-35,775	592,574	754,531	161,957

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2023

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	434,703		434,703	445,075	10,372
Prior year ad valorem taxes:	3,500		3,500	1,572	-1,928
Mobile home taxes	4,000		4,000	3,478	-522
Penalties and interest	500		500	513	13
Interest earned	12,000		12,000	33,083	21,083
Other revenue from local sources:					
Donations	6,000		6,000	66,706	60,706
Other			0	20	20
Other revenue from state sources:					
Restricted grants-in-aid			0		0
Other revenue from federal sources:					
Restricted grants-in-aid	60,238	34,300	94,538	93,103	-1,435
<b>Total revenue</b>	<b>520,941</b>	<b>34,300</b>	<b>555,241</b>	<b>643,550</b>	<b>88,309</b>
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	24,850	17,500	42,350	44,464	-2,114
Middle school	4,650	8,400	13,050	11,903	1,147
High school	17,600	11,400	29,000	33,011	-4,011
Special programs - spec educ			0		0
Support services:					
Pupils:					
Guidance			0		0
Instruction:					
Educational media	1,500		1,500	571	929
Technology in school			0		0
General education:					
Executive administration			0		0
School administration:					
Office of Principals	550		550	534	16
Business:					
Facilities acquisition			0		0
Building acquisition		70,000	70,000	168,286	-98,286
Other facility acquisition	138,000	17,000	155,000	150,830	4,170
Operations and maintenance	117,500		117,500	109,259	8,241
Pupil transportation	154,150		154,150	149,166	4,984
Food services	0	800	800		800
Daycare services			0		0
Nonprogram charges	0	2,650	2,650	3,110	-460
Debt service:	52,330		52,330	70,146	-17,816
Cocurricular activities:					
Male activities	6,700	4,500	11,200	10,628	572
Female activities	12,200		12,200	12,117	83
Transportation			0		0
Combined	3,300	3,750	7,050	7,433	-383
<b>Total expenditures</b>	<b>533,330</b>	<b>136,000</b>	<b>669,330</b>	<b>771,458</b>	<b>-102,128</b>
Excess of rev over (under) exp	-12,389	-101,700	-114,089	-127,908	-13,819
Other financial sources:					
Transfer in			0		0
Transfer (out)		-75,000	-75,000	-79,438	-4,438
Compensation for damaged prop	3,300		3,300	6,676	3,376
Sale of surplus property			0	32,000	32,000
FY23 copier lease proceeds			0	78,428	78,428
Fund balance:					
July 1, 2022	2,066,283		2,066,283	2,066,283	0
June 30, 2023	2,057,194	-176,700	1,880,494	1,976,041	95,547

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2023

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenues:					
Local Sources:					
Taxes:					
Ad valorem taxes	236,722		236,722	242,164	5,442
Prior year ad valorem taxes	2,000		2,000	897	-1,103
Mobile home taxes	2,000		2,000	1,888	-112
Penalties and interest	300		300	286	-14
Interest earned	200		200	2,398	2,198
Medicaid	3,500		3,500	3,271	-229
Other			0	50	50
State sources:					
Restricted grants-in-aid	310,159		310,159	309,746	-413
Federal sources:					
Restricted grants-in-aid	5,000		5,000	7,087	2,087
<b>Total revenues</b>	<b>559,881</b>	<b>0</b>	<b>559,881</b>	<b>567,787</b>	<b>7,906</b>
Expenditures:					
Instruction:					
Special programs:					
Special education	439,292	3,000	442,292	429,846	12,446
Support services:					
Pupils:					
Special education	108,032	5,000	113,032	114,932	-1,900
School administration:					
Special education	11,296	1,000	12,296	11,377	919
<b>Total expenditures</b>	<b>558,620</b>	<b>9,000</b>	<b>567,620</b>	<b>556,155</b>	<b>11,465</b>
<b>Excess of rev over (under) exp</b>	<b>1,261</b>	<b>-9,000</b>	<b>-7,739</b>	<b>11,632</b>	<b>19,371</b>
Other financing sources:					
None			0		0
Fund balance:					
July 1, 2022	132,657		132,657	132,657	0
June 30, 2023	133,918	-9,000	124,918	144,289	19,371

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

The School District follows 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 May of each year.
- c. The proposed budget is published for public review no later than July 15 of 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 number 1h below.
- 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.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See pages 43 to 45.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2023.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.



GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 FOR THE NINE YEARS ENDING JUNE 30, 2022

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
 SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for its 6-30 Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.0831360%	-7,857	1,985,150	(00.40%)	100.10%
June 30, 2021	0.0788330%	-603,726	1,788,983	(33.75%)	105.53%
June 30, 2020	0.0778568%	-3,381	1,708,717	(00.20%)	100.04%
June 30, 2019	0.0784729%	-8,316	1,668,500	(00.50%)	100.09%
June 30, 2018	0.0800814%	-1,868	1,664,817	(00.12%)	100.02%
June 30, 2017	0.0773134%	-7,016	1,570,850	(00.45%)	100.10%
June 30, 2016	0.0716053%	241,876	1,361,567	17.76%	96.89%
June 30, 2015	0.0696503%	-295,407	1,271,617	(23.23%)	104.10%
June 30, 2014	0.0711384%	-512,923	1,244,017	(41.23%)	107.30%

(1) The amounts presented for each fiscal year were determined as of the Plan Fiduciary's net pension (asset)/liability which is 6/30 of the School's previous fiscal year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
 FOR THE TEN YEARS ENDING JUNE 30, 2023

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its Fiscal Year End	Contributions as a Percentage of Covered Employee Payroll
June 30, 2023	120,842	120,842	0	2,014,033	6.00%
June 30, 2022	119,109	119,109	0	1,985,150	6.00%
June 30, 2021	107,339	107,339	0	1,788,983	6.00%
June 30, 2020	102,523	102,523	0	1,708,717	6.00%
June 30, 2019	100,110	100,110	0	1,668,500	6.00%
June 30, 2018	99,889	99,889	0	1,664,817	6.00%
June 30, 2017	94,251	94,251	0	1,570,850	6.00%
June 30, 2016	81,694	81,694	0	1,361,567	6.00%
June 30, 2015	76,297	76,297	0	1,271,617	6.00%
June 30, 2014	74,641	74,641	0	1,244,017	6.00%

Note: This schedule is intended to show information for ten years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY AND  
SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING JUNE 30, 2022

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Assumption Changes:

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

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

REQUIRED SUPPLEMENTARY INFORMATION - PENSION (continued)

AS of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 20, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes:

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

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*

Governing Board  
Gayville-Volin School District No. 63-1  
Gayville, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gayville-Volin School District (School District), Gayville, South Dakota, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated April 8, 2024, which was unmodified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist 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 Gayville-Volin 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.

My 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 my audit I did not identify any deficiency in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

I did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-01 and 2023-02 that I consider to be a significant deficiencies.

*Government Auditing Standards* require the auditor to perform limited procedures on the School District's responses to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The School District's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Gayville-Volin School District in a separate Letter of Comments dated April 8, 2024.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gayville-Volin School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-02 that I consider to be a significant deficiency.

*Government Auditing Standards* require the auditor to perform limited procedures on the School District's response to the compliance finding identified in my audit described in the accompanying schedule of findings and responses. The School District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving compliance that I reported to the governing body and management of the Gayville-Volin School District in a separate Letter of Comments dated April 8, 2024.

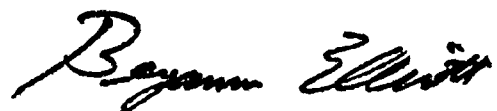
#### Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gayville-Volin School District's internal control over financial reporting 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.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

April 8, 2024



SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Federal Compliance Audit Findings:

The prior audit report was not subject to Single Audit requirements.

Prior Other Audit Findings:

FY22 Segregation of Duties - Repeated below as 2023-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2023-01: Lack of Proper Segregation of Duties  
(internal control, first reported in 2012)

*Criteria:*

The management of a school district is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

*Condition:*

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Gayville-Volin School District.

*Effect:*

Inadequate segregation of duties can lead to misappropriation of funds.

*Recommendation:*

I recommend the Gayville-Volin School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

*Management Response:*

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Gayville-Volin School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Gayville-Volin School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.

Finding 2023-02: Capital Outlay Fund Budget Overdraft  
(compliance and internal control)

*Criteria:*

SDCL 13-11-2 prohibits a school district from spending in excess of appropriated amounts at the fund level.

*Condition:*

School District expenditures in the capital outlay fund exceeded the fund's appropriation by \$102,128.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
JUNE 30, 2023  
SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

*Possible Effect:*

Expenditures in excess of a budget can lead to unnecessary expenditures and unnecessary taxation.

*Recommendation:*

I recommend the School District stay within its budget using contingency transfers and/or supplemental appropriations to adjust budget line items when necessary.

*Management Response:*

In the future, the School District expects to make contingency transfers or adopt sufficient supplemental appropriations to cover expenditures that will exceed their original appropriation.