

Baltic School District No. 49-1

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

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

Baltic School District No. 49-1

School District Officials

June 30, 2022

Board Members

Paul Liester ----- Board President

Pam Vollan-----Vice President

Darin Larson----- Member

Shirlene Allgier----- Member

Chris Wilde----- Member

Robert Sittig ----- Superintendent

Marsha Polzin-----Business Manager

Baltic School District No. 49-1

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

School Board
Baltic School District No. 49-1
Minnehaha County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baltic School District No. 49-1, Minnehaha County, South Dakota, as of June 30, 2022 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated April 20, 2023, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
April 20, 2023



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

School Board
Baltic School District No. 49-1
Minnehaha County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Baltic School District No. 49-1’s, South Dakota, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Baltic School District ’s major federal programs for the year ended June 30, 2022. Baltic School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Baltic School District No. 49-1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

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

Elk Point, South Dakota
April 20, 2023

Baltic School District No. 49-1
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2022

Schedule of Prior Audit Findings:

Finding Number 2021-001 - Internal Control Finding

There is a significant deficiency resulting from a lack of segregation of duties. This finding is still present and is being restated in Audit Finding Number 2022-001.

Finding Number 2021-002 - Compliance Finding

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balances for the Special Education Fund. This finding has since been corrected.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified on business-type activities, capital outlay, special education, bond redemption, and capital projects funds, and food service and other enterprise funds. Qualified on governmental activities and general governmental fund and aggregate remaining fund information for not implementing GASB 84.

Internal control over financial reporting:

Material weakness identified: Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: x Yes None reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes x None reported

Significant deficiencies identified not considered to be material weaknesses: Yes x None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in Yes x No

Identification of major program:

CFDA Number	Name of Federal Program
10.553 & 10.555	Child Nutrition Cluster
84.425D	ESSER II
84.425U	ESSER III

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

 \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Baltic School District No. 49-1
Schedule of Prior and Current Audit Findings and Questioned Costs
Year Ended June 30, 2022 (Continued)

Section II - Financial Statement Findings

Finding Number 2022-001 - Internal Control Finding

Significant Deficiency

There is a significant deficiency resulting from a lack of segregation of duties.

Condition, Cause and Effect: The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review, and record keeping of the tasks. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with management assertions.

Repeat Finding from Prior Years: Yes

Recommendation: We recommend that Baltic School District officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls, whenever, and wherever, possible and practical.

Views of Responsible Officials: Management agrees with the finding and recommendation. A corrective action plan has been prepared in response to this finding.

Section III - Federal Award Findings and Questioned Costs

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

Baltic School District No. 49-1

*Office of the Business Manager
Phone: (605) 529-5464*

*1 Bulldog Avenue PO Box 903
Baltic, SD 57003*

Corrective Action Plan (Unaudited)

Baltic School District No. 49-1 respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

ELO Prof. LLC
110 W Main
Elk Point, SD 57025

The Baltic School District's Board has considered the lack of segregation of duties for the revenues function. At this time, it is not cost effective for Baltic School District to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by Baltic School District to decrease the likelihood that financial data is adversely affected.

The Baltic School District's Board will continue to monitor the necessity to have segregation of duties and implement such a segregation as budget dollars and board authority allows.



Independent Auditor's Report

School Board
Baltic School District No. 49-1
Minnehaha County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baltic School District No. 49-1, Minnehaha County, South Dakota, as of June 30, 2022, and for the year then ended, and the related notes to the financial statements, which collectively comprise Baltic School District 's basic financial statements as listed in the table of contents.

In our opinion, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Baltic School District No. 49-1, South Dakota as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

The School District did not adopt Government Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses/expenditures of the governmental activities, the general governmental fund, and the aggregate remaining fund information is not reasonably determinable.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baltic School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2023 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
April 20, 2023

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

This section of Baltic School District 49-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, Baltic School District's Net Position in Government Activities increased by \$821,709 (11.79%).
- The general fund reported a \$98,720 current year decrease.

Overview of the Financial Statements

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

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

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

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

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

Figure A-1
Major Features of Estelline School's Government-Wide and Fund Financial Statements

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

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Government-Wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position – 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, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The School charges a fee to students to help cover the costs of providing hot lunch services to all students. The School also charges a fee to parents to provide preschool and driver's education to students. The proprietary funds operated by the school are the Food Service Operation, Preschool and Driver's Education.

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 Scholarship Trust).

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

The School has three kinds of funds:

- Governmental Funds – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The proprietary funds operated by the school are the Food Service Operation, Preschool and the Drivers Education.
- 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.

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Baltic School District 49-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	2021-2022
Current and Other Assets	\$ 3,620,485	\$ 26,781,581	\$ 79,779	\$ 145,156	\$ 3,700,264	\$ 26,926,737	627.70%
Capital Assets (Net of Depreciation)	6,886,733	7,145,555	11,467	4,682	6,898,200	7,150,237	3.65%
Total Assets	10,507,218	33,927,136	91,246	149,838	10,598,464	34,076,974	221.53%
OPEB Related Deferred Outflows	81,818	72,630	--	--	81,818	72,630	-11.23%
Pension Related Deferred Outflows	907,224	1,354,599	--	--	907,224	1,354,599	49.31%
Total Deferred Outflows or Resources	989,042	1,427,229	--	--	989,042	1,427,229	44.30%
Long-Term Liabilities Outstanding	2,066,047	23,779,223	--	--	2,066,047	23,779,223	1050.95%
Other Liabilities	537,566	686,325	31,812	30,035	569,378	716,360	25.81%
Total Liabilities	2,603,613	24,465,548	31,812	30,035	2,635,425	24,495,583	829.47%
Taxes Levied for Future Period	1,008,203	1,031,923	--	--	1,008,203	1,031,923	2.35%
OPEB Related Deferred Inflows	178,843	169,155	--	--	178,843	169,155	-5.42%
Pension Related Deferred Inflows	734,296	1,894,725	--	--	734,296	1,894,725	158.03%
Total Deferred Inflows of Resources	1,921,342	3,095,803	--	--	1,921,342	3,095,803	61.13%
Net Investment in Capital Assets	5,019,903	5,337,776	11,467	4,682	5,031,370	5,342,458	6.18%
Restricted	1,009,204	1,614,004	--	--	1,009,204	1,614,004	59.93%
Unrestricted	942,198	841,234	47,967	115,121	990,165	956,355	-3.41%
Total Net Position	6,971,305	7,793,014	59,434	119,803	7,030,739	7,912,817	12.55%
Beginning Net Position	6,096,614	6,971,305	73,221	59,434	6,169,835	7,030,739	13.95%
Increase (Decrease) in Net Position	\$ 874,691	\$ 821,709	\$ (13,787)	\$ 60,369	\$ 860,904	\$ 882,078	-2.46%
Percentage of Increase (Decrease) in Net Position	14.35%	11.79%	-18.83%	101.57%	13.95%	12.55%	

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 amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable, other post-employment benefits and bonds 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.

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Changes in Net Position

The Baltic School District’s total revenues (excluding transfers) in FY22 totaled \$7,017,800. More than 34% of the School’s revenue comes from property and other taxes, with approximately 42% coming from state aid. (See Table A-2).

Table A-2
Baltic School District 49-1
Sources of Revenues
Fiscal Year 2021-2022

Taxes	\$ 2,394,021	34.12%
State Sources	2,972,116	42.35%
Operating Grants & Contributions	902,611	12.86%
Charges For Services	437,874	6.24%
Other General Revenues	310,926	4.43%
Unrestricted Investment Earnings	252	0.00%
Total Revenue	\$ 7,017,800	100.00%

Total expenditures of all programs and services increased by approximately 5.9%. The Baltic School District expenses totaled \$6,135,723 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, and driver’s education. (See Table A-3).

Table A-3
Baltic School District 49-1
Statement of Expenditures
Fiscal Year 2021-2022

Instruction	\$ 3,016,766	49.17%
Support Services	1,971,899	32.14%
Interest - on Long-Term Debt	373,128	6.08%
Community Services	303	0.00%
Cocurricular Activities	288,282	4.70%
Food Service	376,849	6.14%
Drivers Education	108,496	1.77%
Total Expenditures	\$ 6,135,723	100.00%

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental and Business-Type Activities

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

Table A-4

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2021	2022	2021	2022	2021	2022	
Revenues							
Program Revenues							
Charge for Services	\$ 83,105	\$ 289,578	\$ 159,386	\$ 148,296	\$ 242,491	\$ 437,874	80.57%
Operating Grants/ Contributions	1,013,124	520,083	227,428	382,528	1,240,552	902,611	-27.24%
General Revenues							
Taxes	2,317,549	2,394,021	--	--	2,317,549	2,394,021	3.30%
Revenue State Sources	2,610,570	2,972,116	--	--	2,610,570	2,972,116	13.85%
Other							
Other general revenues	242,800	310,926	--	--	242,800	310,926	28.06%
Unrestricted Investment Earnings	3,365	252	--	--	3,365	252	-92.51%
	<u>6,270,513</u>	<u>6,486,976</u>	<u>386,814</u>	<u>530,824</u>	<u>6,657,327</u>	<u>7,017,800</u>	<u>5.41%</u>
Expenses							
Instruction	3,293,679	3,016,766	--	--	3,293,679	3,016,766	-8.41%
Support Services	1,782,669	1,971,899	--	--	1,782,669	1,971,899	10.61%
Community Services	--	303	--	--	--	303	100.00%
Non-programmed Charges	1,076	--	--	--	1,076	--	-100.00%
Interest on long-term debt	58,049	373,128	--	--	58,049	373,128	542.78%
Co-curricular Activities	251,274	288,282	--	--	251,274	288,282	14.73%
Food Service	--	--	314,436	376,849	314,436	376,849	19.85%
Other Enterprise	--	--	95,239	108,496	95,239	108,496	13.92%
	<u>5,386,747</u>	<u>5,650,378</u>	<u>409,675</u>	<u>485,345</u>	<u>5,796,422</u>	<u>6,135,723</u>	<u>5.85%</u>
Excess (Deficiency)							
Before Transfers	883,766	836,598	(22,861)	45,479	860,905	882,077	2.46%
Transfers	(9,075)	(14,889)	9,075	14,889	--	--	0.00%
Increase (Decrease) in Net Position	874,691	821,709	(13,786)	60,368	860,905	882,077	2.46%
Beginning Net Position	6,096,614	6,971,305	73,221	59,435	6,169,835	7,030,740	13.95%
Ending Net Position	<u>\$ 6,971,305</u>	<u>\$ 7,793,014</u>	<u>\$ 59,435</u>	<u>\$ 119,803</u>	<u>\$ 7,030,740</u>	<u>\$ 7,912,817</u>	<u>12.55%</u>

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Governmental Activities

Revenues for the School’s governmental activities increased approximately 3.5% while expenses for governmental activities increased by approximately 4.9%. Revenues had an increase mainly due to the increase in Taxes and Revenue from State Sources. Expenses mainly increased in Interest on long-term debt.

Business-Type Activities

Expenditures of the School’s business-type activities increased by 18.5% while revenues increased by 37.2%.

Financial Analysis of the School’s Funds

The General Fund had a decrease in fund balance of \$98,720 which was mostly caused by reduced federal aid and a slight increase in expenditures. The Capital Outlay fund balance increased by \$241,418. The Special Education Fund balance increased by \$108,367.

Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this District.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Capital Asset Administration

By the end of FY22, the School had invested \$7,150,238 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$252,039.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2021	2022	2021	2022		
Land	\$ 158,998	\$ 355,095	\$ --	\$ --	\$ 196,097	123.33%
Construction in progress	--	68,253	--	--	68,253	100.00%
Buildings & Improvements	6,231,860	6,180,447	--	--	(51,413)	-0.83%
Machinery & Equipment	480,983	532,345	11,467	4,683	44,578	9.05%
Library Books	14,891	9,415	--	--	(5,476)	-36.77%
Total Capital Assets	\$ 6,886,732	\$ 7,145,555	\$ 11,467	\$ 4,683	\$ 252,039	3.65%

Major capital outlay purchases in FY22 included new land for the school’s second addition, bike paths, new locker room lockers, 1 new bus, 1 new forklift, and 1 new skid loader.

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2022

Long-Term Debt

At year-end, the School had \$23,779,223 in general long-term obligations. This balance includes general obligation bonds, bonds payable, post-employment benefits payable and accrued compensated absences. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar</u>	<u>Total %</u>
	<u>2021</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>
General Obligation Bonds	\$ 1,740,000	\$ 21,490,000	\$ 19,750,000	1135.06%
Plus: Unamortized Premiums	--	1,971,760	1,971,760	100.00%
Energy Efficiency Loan	126,830	110,975	(15,855)	-12.50%
OPEB Payable	180,372	188,127	7,755	4.30%
Accrued Compensated Absences - Governmental Funds	18,845	18,361	(484)	-2.57%
Total Outstanding Debt	<u><u>\$ 2,066,047</u></u>	<u><u>\$ 23,779,223</u></u>	<u><u>\$ 21,713,176</u></u>	<u><u>1050.95%</u></u>

The school is liable for the accrued sick leave payable to the certified and classified employees.

Economic Factors and Next Year’s Budgets and Rates

The School’s current economic position has shown a slight increase compared to the prior year. The School did not experience any notable change to total property valuation from the prior year. The maximum tax levies are set by the State of South Dakota and these levies did not experience any notable change from the previous year. The district’s tax revenue increased from the prior year.

One of the primary sources of revenue for the School is based on a per student allocation received from the State of South Dakota. The district’s state aid revenue was up slightly from the prior year. The district’s federal grant-in-aid had a big impact on the district’s revenue increase from the prior year.

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Baltic School’s Business Office, 1 Bulldog Avenue, Baltic, SD 57003.

Baltic School District No. 49-1
Statement of Net Position – Government-Wide
June 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 24,397,058	\$ 119,294	\$ 24,516,352
Accounts receivable	310,050	15,487	325,537
Taxes receivable	1,048,134	--	1,048,134
Inventories	14,449	10,375	24,824
Other assets	32,555	--	32,555
Net pension asset	979,335	--	979,335
Capital assets:			
Land and construction in progress	423,348	--	423,348
Other capital assets, net of depreciation	6,722,207	4,682	6,726,889
Total Assets	33,927,136	149,838	34,076,974
Deferred Outflows of Resources:			
OPEB-related deferred outflows	72,630	--	72,630
Pension-related deferred outflows	1,354,599	--	1,354,599
Total Deferred Outflows of Resources	1,427,229	--	1,427,229
Liabilities:			
Unearned revenue	--	11,575	11,575
Other current liabilities	686,325	18,460	704,785
Long-term liabilities:			
Due within one year	448,199	--	448,199
Due in more than one year	23,331,024	--	23,331,024
Total Liabilities	24,465,548	30,035	24,495,583
Deferred Inflows of Resources:			
Taxes levied for future periods	1,031,923	--	1,031,923
Pension related deferred inflows	1,894,725	--	1,894,725
OBEP-related deferred inflows	169,155	--	169,155
Total Deferred Inflows of Resources	3,095,803	--	3,095,803
Net Position:			
Net investment in capital assets	5,337,776	4,682	5,342,458
Restricted for:			
Capital outlay	717,997	--	717,997
Special education	138,947	--	138,947
Debt service	285,296	--	285,296
Insurance purposes	32,555	--	32,555
SDRS pension purposes	439,209	--	439,209
Unrestricted	841,234	115,121	956,355
Total Net Position	\$ 7,793,014	\$ 119,803	\$ 7,912,817

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

Baltic School District No. 49-1
Statement of Activities – Government-Wide
June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities		
Governmental Activities:							
Instruction	\$ 3,016,766	\$ --	\$ 520,083	\$ (2,496,683)	\$ --	\$ (2,496,683)	
Support services	1,971,899	250,073	--	(1,721,826)	--	(1,721,826)	
Community services	303	--	--	(303)	--	(303)	
Interest on long-term debt	373,128	--	--	(373,128)	--	(373,128)	
Cocurricular activities	288,282	39,505	--	(248,777)	--	(248,777)	
Total Governmental Activities	5,650,378	289,578	520,083	(4,840,717)	--	(4,840,717)	
Business-Type Activities:							
Food service	376,849	69,179	382,528	--	74,858	74,858	
Other enterprise	108,496	79,117	--	--	(29,379)	(29,379)	
Total Business Type Activities	485,345	148,296	382,528	--	45,479	45,479	
Total Primary Government	\$ 6,135,723	\$ 437,874	\$ 902,611	(4,840,717)	45,479	(4,795,238)	
General Revenues:							
Taxes:							
				2,344,297	--	2,344,297	
				49,724	--	49,724	
Revenue from State Sources:							
				2,783,055	--	2,783,055	
				189,061	--	189,061	
				252	--	252	
				310,926	--	310,926	
				(14,889)	14,889	--	
				5,662,426	14,889	5,677,315	
				Change in Net Position	821,709	60,368	882,077
				Net Position - Beginning of Year	6,971,305	59,435	7,030,740
				Net Position - End of Year	\$ 7,793,014	\$ 119,803	\$ 7,912,817

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

Baltic School District No. 49-1
Balance Sheet – Governmental Funds
June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 1,382,800	\$ 742,889	\$ 177,152	\$ 282,089	\$ 21,812,128	\$ 24,397,058
Taxes receivable - current	351,582	296,715	184,893	198,733	--	1,031,923
Taxes receivable - delinquent	5,552	4,644	2,808	3,207	--	16,211
Due from other governments	263,070	--	46,980	--	--	310,050
Inventory	14,449	--	--	--	--	14,449
Deposits NPIP Reserve	32,555	--	--	--	--	32,555
Total Assets	<u>\$ 2,050,008</u>	<u>\$ 1,044,248</u>	<u>\$ 411,833</u>	<u>\$ 484,029</u>	<u>\$ 21,812,128</u>	<u>\$ 25,802,246</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 63,328	\$ 29,536	\$ 23,013	\$ --	\$ 47,172	\$ 163,049
Contracts payable	372,716	--	50,901	--	--	423,617
Payroll deductions and withholding and employer matching payable	85,580	--	14,079	--	--	99,659
Total Liabilities	<u>521,624</u>	<u>29,536</u>	<u>87,993</u>	<u>--</u>	<u>47,172</u>	<u>686,325</u>
Deferred Inflows of Resources:						
Taxes levied for future period	351,582	296,715	184,893	198,733	--	1,031,923
Delinquent taxes not available	5,552	4,644	2,808	3,207	--	16,211
Total Deferred Inflows of Resources	<u>357,134</u>	<u>301,359</u>	<u>187,701</u>	<u>201,940</u>	<u>--</u>	<u>1,048,134</u>
Fund Balances:						
Nonspendable	47,004	--	--	--	--	47,004
Restricted:						
For capital outlay	--	713,353	--	--	21,764,956	22,478,309
For special education	--	--	136,139	--	--	136,139
For debt service	--	--	--	282,089	--	282,089
For student activities	89,561	--	--	--	--	89,561
Unassigned	1,034,685	--	--	--	--	1,034,685
Total Fund Balances	<u>1,171,250</u>	<u>713,353</u>	<u>136,139</u>	<u>282,089</u>	<u>21,764,956</u>	<u>24,067,787</u>
Total Liabilities and Fund Balances	<u>\$ 2,050,008</u>	<u>\$ 1,044,248</u>	<u>\$ 411,833</u>	<u>\$ 484,029</u>	<u>\$ 21,812,128</u>	<u>\$ 25,802,246</u>

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

Baltic School District No. 49-1

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

Total Fund Balances - Governmental Funds \$ 24,067,787

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 7,145,555

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

Promissory Notes	(110,975)	
GO Bonds	(23,461,760)	
OPEB Payable	(188,127)	
Accrued Leave	<u>(18,361)</u>	(23,779,223)

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

Delinquent Property Taxes Receivable 16,211

Proportionate Share of Net Pension Asset 979,335

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (2,063,880)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,427,229

Net Position - Governmental Activities \$ 7,793,014

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

Baltic School District No. 49-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2022

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 786,019	\$ 669,626	\$ 415,142	\$ 446,396	\$ --	\$ 2,317,183
Prior years' ad valorem taxes	8,900	4,896	2,942	3,593	--	20,331
Utility taxes	49,724	--	--	--	--	49,724
Penalties and interest on taxes	2,173	888	545	699	--	4,305
Earnings on Investments and Deposits	252	--	--	--	--	252
Cocurricular Activities:						
Admissions	22,434	--	--	--	--	22,434
Rentals	385	--	--	--	--	385
Other student activity	16,686	--	--	--	--	16,686
Other Revenue from Local Sources:						
Rentals	700	--	--	--	--	700
Contributions and donations	11,103	243,993	--	--	--	255,096
Charges for services	4,805	--	8,239	--	--	13,044
Other	27,645	--	--	--	--	27,645
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	14,441	--	--	--	--	14,441
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	2,783,055	--	--	--	--	2,783,055
Restricted grants-in-aid	4,195	--	183,526	--	--	187,721
Other state revenue	1,340	--	--	--	--	1,340
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received from federal government through the state	378,701	--	112,886	--	--	491,587
Other federal revenue	28,496	--	--	--	--	28,496
Total Revenues	\$ 4,141,054	\$ 919,403	\$ 723,280	\$ 450,688	\$ --	\$ 6,234,425

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

Baltic School District No. 49-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2022 (Continued)

<u>Expenditures</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
Instructional Services:						
Regular Programs:						
Elementary	\$ 1,021,807	\$ 66,474	\$ --	\$ --	\$ --	\$ 1,088,281
Middle/junior high	457,301	20,874	--	--	--	478,175
High school	726,499	47,853	--	--	--	774,352
Programs for special education	--	--	413,322	--	--	413,322
Educationally deprived	50,858	--	--	--	--	50,858
Other	102,121	--	--	--	--	102,121
Support Services:						
Students:						
Guidance	152,732	--	25,253	--	--	177,985
Health	8,586	--	--	--	--	8,586
Speech pathology	--	--	60,260	--	--	60,260
Student therapy services	--	--	63,833	--	--	63,833
Instructional Staff:						
Improvement of instruction	73,809	--	--	--	--	73,809
Educational media	130,656	1,987	--	--	--	132,643
General Administration:						
Board of education	54,471	--	--	--	--	54,471
Executive administration	165,570	--	--	--	--	165,570
School Administration:						
Office of the principal	262,458	--	--	--	--	262,458
Other	433	--	--	--	--	433
Business:						
Fiscal services	109,760	7,250	--	--	--	117,010
Facilities acquisition and construction	--	--	--	--	22,172	22,172
Operation and maintenance of plant	460,975	18,284	--	--	--	479,259
Student transportation	155,078	--	--	--	--	155,078
Special Education:						
Administrative costs	--	--	51,511	--	--	51,511
Transportation costs	--	--	734	--	--	734

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

Baltic School District No. 49-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2022 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Central:						
Staff	303	--	--	--	--	\$ 303
Debt Services:	--	--	--	454,351	334,632	788,983
Cocurricular Activities:						
Male activities	42,456	--	--	--	--	42,456
Female activities	34,689	--	--	--	--	34,689
Transportation	8,065	--	--	--	--	8,065
Combined activities	111,909	22,058	--	--	--	133,967
Capital Outlay	94,349	493,205	--	--	--	587,554
Total Expenditures	<u>4,224,885</u>	<u>677,985</u>	<u>614,913</u>	<u>454,351</u>	<u>356,804</u>	<u>6,328,938</u>
Excess of Revenue Over (Under) Expenditures	(83,831)	241,418	108,367	(3,663)	(356,804)	(94,513)
Other Financing Sources (Uses):						
Transfer out	(14,889)	--	--	--	--	(14,889)
General Long-Term Debt Issued	--	--	--	--	22,121,760	22,121,760
Total Other Financing Sources (Uses)	<u>(14,889)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,121,760</u>	<u>22,106,871</u>
Net Change in Fund Balances	(98,720)	241,418	108,367	(3,663)	21,764,956	22,012,358
Fund Balance, Beginning of Year	<u>1,269,970</u>	<u>471,935</u>	<u>27,772</u>	<u>285,752</u>	<u>--</u>	<u>2,055,429</u>
Fund Balance, End of Year	<u><u>\$ 1,171,250</u></u>	<u><u>\$ 713,353</u></u>	<u><u>\$ 136,139</u></u>	<u><u>\$ 282,089</u></u>	<u><u>\$ 21,764,956</u></u>	<u><u>\$ 24,067,787</u></u>

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

Baltic School District No. 49-1

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

Net Change in Fund Balances - Total Governmental Funds \$ 22,012,358

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 587,554

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (328,731)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

GO Bond	400,000	
Promissory Note	<u>15,855</u>	415,855

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 2,478

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (22,121,760)

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 484

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 260,726

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. (7,255)

Change in net position of governmental activities \$ 821,709

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

Baltic School District No. 49-1
Statement of Net Position – Proprietary Funds
June 30, 2022

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 112,823	\$ 6,471	\$ 119,294
Accounts receivable, net	4,296	11,097	15,393
Due from other government	94	--	94
Inventory of donated food	10,375	--	10,375
Total Current Assets	<u>127,588</u>	<u>17,568</u>	<u>145,156</u>
Noncurrent Assets:			
Machinery and equipment - local funds	21,094	62,344	83,438
Less accumulated depreciation	<u>(18,347)</u>	<u>(60,409)</u>	<u>(78,756)</u>
Total Noncurrent Assets	<u>2,747</u>	<u>1,935</u>	<u>4,682</u>
Total Assets	<u>\$ 130,335</u>	<u>\$ 19,503</u>	<u>\$ 149,838</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 1,438	\$ --	\$ 1,438
Contracts payable	3,418	10,072	13,490
Accrued payroll expenses	1,085	2,447	3,532
Unearned revenue	<u>11,575</u>	<u>--</u>	<u>11,575</u>
Total Current Liabilities	<u>17,516</u>	<u>12,519</u>	<u>30,035</u>
Net Position:			
Net investment in capital assets	2,747	1,935	4,682
Unrestricted net position	<u>110,072</u>	<u>5,049</u>	<u>115,121</u>
Total Net Position	<u>\$ 112,819</u>	<u>\$ 6,984</u>	<u>\$ 119,803</u>

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

Baltic School District No. 49-1

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

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 63,466	\$ 63,466
Driver's Education Fees	--	11,396	11,396
Fitness center	--	4,255	4,255
Food Sales:			
Student	7,770	--	7,770
Adult	2,447	--	2,447
A la carte	58,962	--	58,962
Total Operating Revenue	69,179	79,117	148,296
Operating Expenses:			
Food Service:			
Salaries	25,883	80,538	106,421
Employee benefits	8,218	20,599	28,817
Purchased services	330,726	--	330,726
Supplies	549	1,125	1,674
Cost of sales - donated	8,141	--	8,141
Other	2,782	--	2,782
Depreciation	550	6,234	6,784
Total Operating Expenses	376,849	108,496	485,345
Operating Income(Loss)	(307,670)	(29,379)	(337,049)
Nonoperating Revenues/Expenses:			
State grants	872	--	872
Federal grants	365,230	--	365,230
Donated food	16,426	--	16,426
Total Nonoperating Revenue/ (Expenses)	382,528	--	382,528
Income (Loss) Before Contributions and Transfers	74,858	(29,379)	45,479
Transfer	--	14,889	14,889
Change in Net Position	74,858	(14,490)	60,368
Net Position - Beginning of Year	37,961	21,474	59,435
Net Position - End of Year	\$ 112,819	\$ 6,984	\$ 119,803

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

Baltic School District No. 49-1
Statement of Cash Flows – Proprietary Funds
June 30, 2022

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 61,804	\$ 68,020	\$ 129,824
Cash payments to suppliers	(332,619)	(1,140)	(333,759)
Cash payments to employees	(29,598)	(101,465)	(131,063)
Net Cash (Used) by Operating Activities	<u>(300,413)</u>	<u>(34,585)</u>	<u>(334,998)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	14,889	14,889
Cash reimbursements - state	872	--	872
Cash reimbursements - federal	365,136	--	365,136
Net Cash Provided by Noncapital Financing Activities	<u>366,008</u>	<u>14,889</u>	<u>380,897</u>
Net Change in Cash and Cash Equivalents	65,595	(19,696)	45,899
Cash and Cash Equivalents, Beginning of Year	47,228	26,167	73,395
Cash and Cash Equivalents, End of Year	<u>\$ 112,823</u>	<u>\$ 6,471</u>	<u>\$ 119,294</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (307,670)	\$ (29,379)	\$ (337,049)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	550	6,234	6,784
Value of commodities used	8,141	--	8,141
Change in Assets and Liabilities:			
Accounts receivable	--	(11,097)	(11,097)
Deferred revenue	(7,375)	--	(7,375)
Contracts payable	3,418	(288)	3,130
Accrued payroll expenses	1,085	(40)	1,045
Accounts payable	1,438	(15)	1,423
Net cash (used) by operating activities:	<u>\$ (300,413)</u>	<u>\$ (34,585)</u>	<u>\$ (334,998)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 16,426</u>	<u>\$ --</u>	<u>\$ 16,426</u>

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

Baltic School District No. 49-1
Statement of Net Position – Fiduciary Funds
June 30, 2022

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 15,477	\$ 218,211
Accounts receivable	--	744
	<u>15,477</u>	<u>218,955</u>
Total Assets	<u>\$ 15,477</u>	<u>\$ 218,955</u>
Liabilities:		
Amounts held for others	\$ --	\$ 218,955
Total Liabilities	<u>--</u>	<u>\$ 218,955</u>
Net Position:		
Scholarships	<u>15,477</u>	
Total Net Position	<u>\$ 15,477</u>	

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

Baltic School District No. 49-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2022

	Private-Purpose Trust Funds
Additions:	
Contributions and donations	\$ --
Total Additions	--
Deductions:	
Trust deductions for scholarships awarded	2,100
Total Deductions	2,100
Change in Net Position	(2,100)
Net Position - Beginning	17,577
Net Position - Ending	\$ 15,477

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Baltic School District No. 49-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund is the only capital projects fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

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

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

Other Enterprise Fund – A fund used to record financial transactions related to fees charged for preschool, drivers’ education and fitness center functions. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

Custodial Fund Types – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The district maintains custodial funds for the following purposes: Individual Class Funds, Student Council Funds and various Student Club Activity Funds.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Baltic School District 49-1 is 60 days. The revenues that were accrued at June 30, 2022 are due from other governments for grants.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

d. Capital Assets:

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

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

Government-Wide Financial Statements:

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

The total June 30, 2022 balance of capital assets for governmental activities includes approximately less than 2% for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type are all valued at the original cost. These estimated original costs were established by replacement costs estimated at the time fixed asset records were established.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	\$ 100	--	--
Buildings	25,000	Straight-line	50 years
Improvements	25,000	Straight-line	10-50 years
Equipment (governmental)	5,000	Straight-line	2-20 years
Equipment (proprietary funds)	1,000	Straight-line	12 years

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of bonds payable, other post-employment benefits payable, energy efficiency loan payable, and compensated absences.

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

h. Program Revenues:

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies: (Continued)

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

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

o. Pensions:

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

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

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

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

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

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

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 investments to the fund making the investment.

3. Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

4. Inventory:

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

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. Property Taxes:

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

6. Changes in Capital Assets:

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

	6/30/2021	Increases	Decreases	6/30/2022
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 158,998	\$ 196,097	\$ --	\$ 355,095
Construction in progress	--	68,253	--	68,253
Total capital assets not being depreciated/amortized	158,998	264,350	--	423,348
Capital assets being depreciated/amortized:				
Buildings & Improvements	10,784,262	176,746	--	10,961,008
Machinery & Equipment	1,047,173	142,130	--	1,189,303
Library Books	192,758	4,328	999	196,087
Total capital assets being depreciated/amortized	12,024,193	323,204	999	12,346,398
Less accumulated depreciation/amortization for:				
Buildings & Improvements	4,552,402	228,159	--	4,780,561
Machinery & Equipment	566,190	90,768	--	656,958
Library Books	177,867	9,804	999	186,672
Total accumulated depreciation/amortization	5,296,459	328,731	999	5,624,191
Total capital assets being depreciated/amortized, net	6,727,734	(5,527)	--	6,722,207
Net Capital Assets	\$ 6,886,732	\$ 258,823	\$ --	\$ 7,145,555

Depreciation expense was charged to functions as follows:

Instruction	\$ 109,656
Support services	149,970
Co-curricular activities	69,105
Total Depreciation/Amortization Expense	\$ 328,731

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

6. Changes in Capital Assets: (Continued)

	Balance 6/30/21	Increases	Decreases	Balance 6/30/2022
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 83,438	\$ --	\$ --	\$ 83,438
Less accumulated depreciation for:				
Less: Accumulated Depreciation	71,971	6,784	--	78,755
Total capital assets being depreciated, net	\$ 11,467	\$ (6,784)	\$ --	\$ 4,683

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 550
Other Enterprise	6,234
Total Depreciation Expense	\$ 6,784

Construction Work in Progress at June 30, 2022 is composed of the following:

Project Name	Project Authorization	Through 6/30/2022	Committed
Bus Barn	\$ 38,253	\$ 38,253	\$ --
School Addition	29,200,000	30,000	29,170,000
	\$ 29,238,253	\$ 68,253	\$ 29,170,000

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

7. Long-Term Liabilities: (Continued)

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

Baltic School District No 49-1 Government Obligation Bonds	During May 2019, the School District entered into an agreement for government obligation bonds in the amount of \$2,500,000. There is a varying interest rate of 2 to 4% assessed on these bonds. Final payment is December 2024. The Bond Redemption Fund makes payment on this debt.	\$ 1,340,000
Baltic School District No 49-1 Government Obligation Bonds	During December 2022, the School District entered into an agreement for government obligation bonds in the amount of \$20,150,000, with a premium of \$1,971,760. There is a varying interest rate of 4.5 to 5.5% assessed on these bonds. Final payment is December 2024. The Bond Redemption Fund makes payment on this debt.	\$ 22,121,760
Baltic School District No 49-1 Energy Efficiency and Conservation Block Grant Loan	During June 2019, the School District entered into an agreement for a loan in the amount of \$158,540. There is no interest assessed on this note. Final payment is July 2029. The Capital Outlay Fund makes payment on this debt.	\$ 110,975

The annual requirements to amortize the General Obligation Bonds, Energy Efficiency Loan, and compensated absences outstanding at June 30, 2022, are as follows:

Year Ending	GO Bonds		Energy Efficiency Loan		Compensated Absences		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 425,000	\$ 35,900	\$ 15,855	\$ --	\$ 7,344	\$ --	\$ 448,199	\$ 35,900
2024	455,000	1,550,366	15,855	--	11,017	--	481,872	1,550,366
2025	460,000	1,053,163	15,855	--	--	--	475,855	1,053,163
2026	--	1,048,563	15,855	--	--	--	15,855	1,048,563
2027	--	1,048,563	15,855	--	--	--	15,855	1,048,563
2028-2032	--	5,242,813	31,700	--	--	--	31,700	5,242,813
2033-2037	1,372,940	5,185,325	--	--	--	--	1,372,940	5,185,325
2038-2042	3,432,940	4,804,025	--	--	--	--	3,432,940	4,804,025
2043-2047	6,382,940	3,843,313	--	--	--	--	6,382,940	3,843,313
2048-2052	10,932,940	1,841,388	--	--	--	--	10,932,940	1,841,388
Totals	<u>\$ 23,461,760</u>	<u>\$ 25,653,419</u>	<u>\$ 110,975</u>	<u>\$ --</u>	<u>\$ 18,361</u>	<u>\$ --</u>	<u>\$ 23,591,096</u>	<u>\$ 25,653,419</u>

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

8. Restricted Net Position:

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

<u>Major Purpose:</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	Law	\$ 717,997
Special Education	Law	138,947
Health Insurance Purposes	Law	32,555
Debt Service Purposes	Debt Covenant	285,296
SDRS Pension Purposes	Law	439,209
Total		<u>\$ 1,614,004</u>

9. Interfund Transfers:

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

Transfer from the General Fund to the Other Enterprise Fund for Expenses.	\$ 14,889
--	-----------

10. Pension Plan:

Plan Information:

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

Benefits Provided:

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

10. Pension Plan: (Continued)

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

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

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

10. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2022, 2021 and 2020, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 184,773
2021	\$ 174,119
2020	\$ 168,387

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

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

Proportionate share of pension benefits	\$ 17,732,176
Less proportionate share of net pension restricted for pension benefits	18,711,511
Proportionate share of net pension (asset)	<u>\$ (979,335)</u>

At June 30, 2022, the School District reported an (asset) of (\$979,335) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2021 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was 0.12787900%, which is an increase of 0.0000048% from its proportion measured as of June 30, 2020.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

10. Pension Plan: (Continued)

For the year ended June 30, 2022, the School District recognized a reduction of pension expense of \$260,726. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 35,161	\$ 2,568
Changes in assumption	1,126,225	490,436
Net difference between projected and actual earnings on pension plan investments	--	1,398,999
Changes in proportion and difference between district contributions and proportionate share of contributions	8,440	2,722
District contributions subsequent to the measurement date	184,773	--
Total	\$ 1,354,599	\$ 1,894,725

\$184,773 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2023	\$ (174,984)
2024	(121,632)
2025	(34,716)
2026	(393,567)
Total	\$ (724,899)

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

10. Pension Plan: (Continued)

Actuarial Assumptions:

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

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

10. Pension Plan: (Continued)

Discount Rate:

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	\$ 1,585,786	\$ (979,335)	\$ (3,061,615)

Pension Plan Fiduciary Net Position:

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

11. Postemployment Medical Plan:

Plan Description: Baltic School District has a pooled defined benefit medical plan administered by either DakotaCare or Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. The liability exists because of an implicitly subsidy of costs of the benefits to retirees of the district. The Sandford Health Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Baltic School District, PO Box 309, Baltic, SD 57003 or by calling 605-529-5464.

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

11. Postemployment Medical Plan: (Continued)

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

Retirees currently receiving benefit payments	0
Active employees	53
	53
	53

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2020 Actuarial Report. See Note 10 – Pension Note.)

Changes in the Total OPEB Liability:	
Beginning of Year Balances	\$ 180,372
Service Cost	18,604
Interest	4,380
Effect on assumptions, changes or inputs	(13,709)
Benefit payments	(1,520)
End of Year Balances	\$ 188,127

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point higher than the current rate of 3.50%:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 159,817	\$ 188,127	\$ 223,390

For the year ended June 30, 2022, the School District recognized OPEB expenses of \$8,775. At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 18,710	\$ (156,422)
Differences between expected and actual experience	53,920	(12,733)
Total	\$ 72,630	\$ (169,155)

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

11. Postemployment Medical Plan: (Continued)

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

<u>Year Ended</u> <u>June 30,</u>		
2023	\$	(14,209)
2024		(14,209)
2025		(14,209)
2026		(13,665)
2027		(12,047)
Thereafter		<u>(28,186)</u>
Total	\$	<u><u>(96,525)</u></u>

12. Joint Ventures:

The School District participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

<u>District</u>	<u>Percentage</u>
Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	5%
Colman-Egan School District No. 50-5	5%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	7%
Howard School District No. 48-3	8%
Madison Central School District No. 39-2	15%
Tri-Valley School District No. 49-6	15%

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

12. Joint Ventures: (Continued)

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

	<u>June 30, 2022</u>
Total Assets	\$ 186,011
Total Deferred Outflows	\$ 107,001
Total Liabilities	\$ 49,058
Total Deferred Inflows	\$ 148,162
Total Net Position	\$ 95,792

13. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a Joint Power Authority authorized by SDCL. To be eligible for membership, an applicant must be a governmental unit and a member of the pool. The objective of the pool is to formulate, develop, and administer on behalf of the member organizations, a program of health coverage through pooling risks, self-insurance and joint purchases of insurance.

The pool's contract with its members requires that the members meet an annual participation requirement of seventy five percent of total eligible employees as defined by the benefits plan or plans. A member may voluntarily termination participation in the plan funded through the pool effect as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The coverage offered is on the occurrence basis which provides for the payment of claims that occur during the period of coverage regardless of when the claim is reported.

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2022

13. Risk Management: (Continued)

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The school District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustee to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool as reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits:

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

During the year ended June 30, 2022, there were no claims for unemployment that were paid. There are no future expected claims at this time.

14. Significant Contingencies – Litigation:

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

15. Subsequent Events:

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

Required Supplementary Information

Baltic School District No. 49-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 770,833	\$ 770,833	\$ 786,019	\$ 15,186
Prior years' ad valorem taxes	10,000	10,000	8,900	(1,100)
Utility taxes	45,000	45,000	49,724	4,724
Penalties and interest on taxes	2,500	2,500	2,173	(327)
Earnings on Investments and Deposits	150	150	252	102
Cocurricular Activities:				
Admissions	20,000	20,000	22,434	2,434
Rentals	500	500	385	(115)
Other student activity income	2,500	2,500	16,686	14,186
Other Revenue from Local Sources:				
Rentals	200	200	700	500
Contributions and donations	--	--	11,103	11,103
Charges for services	2,000	2,000	4,805	2,805
Other	18,000	18,000	27,645	9,645
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	12,000	12,000	14,441	2,441
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,741,548	2,741,548	2,783,055	41,507
Restricted grants-in-aid	3,000	3,000	4,195	1,195
Other state revenues	1,000	1,000	1,340	340
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	440,917	440,917	378,701	(62,216)
Other federal revenue	--	--	28,496	28,496
Total Revenues	\$ 4,070,148	\$ 4,070,148	\$ 4,141,054	\$ 70,906

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

Baltic School District No. 49-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,021,976	\$ 1,021,976	\$ 1,021,807	\$ 169
Middle/junior high	463,170	463,170	457,301	5,869
High school	720,519	720,519	726,499	(5,980)
Special Programs:				
Educationally deprived	51,692	51,692	50,858	834
Other	109,201	109,201	102,121	7,080
Support Services:				
Students:				
Guidance	152,781	152,781	152,732	49
Health	8,882	8,882	8,586	296
Instructional Staff:				
Improvement of instruction	73,822	73,822	73,809	13
Educational media	132,356	132,356	130,656	1,700
General Administration:				
Board of education	57,217	57,217	54,471	2,746
Executive administration	185,691	185,691	165,570	20,121
School Administration:				
Office of the principal	263,225	263,225	262,458	767
Other	500	500	433	67
Business:				
Fiscal services	109,885	109,885	109,760	125
Operation and maintenance of plant	519,515	519,515	460,975	58,540
Student transportation	251,320	251,320	249,427	1,893
Central:				
Staff	500	500	303	197
Nonprogrammed Charges:				
Payments to State - unemployment	1,000	1,000	--	1,000
Cocurricular Activities:				
Male activities	49,571	49,571	42,456	7,115
Female activities	37,033	37,033	34,689	2,344
Transportation	9,560	9,560	8,065	1,495
Combined activities	124,915	124,915	111,909	13,006
Contingencies	50,000	50,000	--	50,000
Total Expenditures	<u>4,394,331</u>	<u>4,394,331</u>	<u>4,224,885</u>	<u>169,446</u>
Excess of Revenues Over Expenditures	<u>(324,183)</u>	<u>(324,183)</u>	<u>(83,831)</u>	<u>240,352</u>
Other Financing Sources:				
Operating transfers out	<u>(14,889)</u>	<u>(14,889)</u>	<u>(14,889)</u>	<u>--</u>
Total Other Financing Sources:	<u>(14,889)</u>	<u>(14,889)</u>	<u>(14,889)</u>	<u>--</u>
Net Change in Fund Balances	(339,072)	(339,072)	(98,720)	240,352
Fund Balance, Beginning of Year	<u>1,269,970</u>	<u>1,269,970</u>	<u>1,269,970</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 930,898</u>	<u>\$ 930,898</u>	<u>\$ 1,171,250</u>	<u>\$ 240,352</u>

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

Baltic School District No. 49-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 668,253	\$ 668,253	\$ 669,626	\$ 1,373
Prior years' ad valorem taxes	2,000	2,000	4,896	2,896
Penalties and interest on taxes	500	500	888	388
Other Revenue from Local Sources:				
Contributions and Donations	--	--	243,993	243,993
Total Revenues	<u>670,753</u>	<u>670,753</u>	<u>919,403</u>	<u>248,650</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	79,203	79,203	66,474	12,729
Middle/junior high	32,322	32,322	20,874	11,448
High school	48,364	48,364	47,853	511
Support Services:				
Instructional Staff:				
Educational media	6,495	6,495	6,315	180
Business:				
Fiscal services	7,310	7,310	7,250	60
Facilities acquisition and construction	286,000	286,000	284,653	1,347
Operation and maintenance of plant	256,951	256,951	222,508	34,443
Cocurricular Activities:				
Combined Activities	22,000	22,000	22,058	(58)
Total Expenditures	<u>738,645</u>	<u>738,645</u>	<u>677,985</u>	<u>60,660</u>
 Net Change in Fund Balances	 (67,892)	 (67,892)	 241,418	 309,310
Fund Balance, Beginning of Year	<u>471,935</u>	<u>471,935</u>	<u>471,935</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 404,043</u>	<u>\$ 404,043</u>	<u>\$ 713,353</u>	<u>\$ 309,310</u>

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

Baltic School District No. 49-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 356,588	\$ 356,588	\$ 415,142	\$ 58,554
Prior years' ad valorem taxes	3,000	3,000	2,942	(58)
Penalties and interest on taxes	500	500	545	45
Other Revenue from Local Sources:				
Charges for services	5,250	5,250	8,239	2,989
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	238,203	238,203	183,526	(54,677)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	107,642	107,642	112,886	5,244
Total Revenues	<u>711,183</u>	<u>711,183</u>	<u>723,280</u>	<u>12,097</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	481,998	481,998	413,322	68,676
Support Services:				
Students:				
Psychological services	28,000	28,000	25,253	2,747
Speech pathology	62,373	62,373	60,260	2,113
Student therapy services	75,750	75,750	63,833	11,917
Special Education:				
Administrative costs	53,433	53,433	51,511	1,922
Transportation costs	9,629	9,629	734	8,895
Total Expenditures	<u>711,183</u>	<u>711,183</u>	<u>614,913</u>	<u>96,270</u>
 Net Change in Fund Balance	 --	 --	 108,367	 108,367
Fund Balance, Beginning of Year	<u>27,772</u>	<u>27,772</u>	<u>27,772</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 27,772</u>	<u>\$ 27,772</u>	<u>\$ 136,139</u>	<u>\$ 108,367</u>

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

Baltic School District No. 49-1
Notes to the Required Supplementary Information
June 30, 2022

1. Budgets and Budgetary Accounting:

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

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

2. USGAPP/Budgetary Accounting Basis Differences:

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

Baltic School District No. 49-1
Schedule of Changes in Total OPEB Liability
For the Year Ended June 30, 2022

Changes in the Total OPEB Liability:	
Beginning of Year Balances	\$ 180,372
Service Cost	18,604
Interest	4,380
Effect on assumptions, changes or inputs	(13,709)
Benefit payments	(1,520)
End of Year Balances	<u>\$ 188,127</u>

Baltic School District No. 49-1

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1278790%	0.1278742%	0.1253782%	0.1299170%	0.1319212%	0.1194326%	0.1170171%	0.1162856%
District's proportionate share of net pension liability (asset)	\$ (979,334)	\$ (5,554)	\$ (13,287)	\$ (3,030)	\$ (11,972)	\$ 403,432	\$ (496,303)	\$ (837,790)
District's covered-employee payroll	\$ 2,901,980	\$ 2,807,713	\$ 2,704,180	\$ 2,662,258	\$ 2,675,532	\$ 2,271,007	\$ 2,136,214	\$ 2,033,148
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.49%	0.11%	0.45%	-17.76%	23.23%	41.21%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Baltic School District No. 49-1
Schedule of the School District Contributions South Dakota Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 184,773	\$ 174,119	\$ 168,387	\$ 162,251	\$ 159,736	\$ 160,532	\$ 136,261	\$ 128,173	\$ 121,989
Contributions in relation to the contractually-required contribution	<u>184,773</u>	<u>174,119</u>	<u>168,387</u>	<u>162,251</u>	<u>159,736</u>	<u>160,532</u>	<u>136,261</u>	<u>128,173</u>	<u>121,989</u>
Contribution deficiency (excess)	<u>\$ --</u>								
District's covered-employee payroll	\$ 3,079,549	\$ 2,901,980	\$ 2,807,713	\$ 2,704,180	\$ 2,662,258	\$ 2,675,532	\$ 2,271,007	\$ 2,136,214	\$ 2,033,148
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

Baltic School District No. 49-1

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

Actuarial Method Changes

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

Supplementary Information

Baltic School District No. 49-1
Schedule of Expenditures of Federal Awards
June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster: (Note 4)			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NSLP-49001-22	\$ 16,426
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NSLP-49001-22	55,376
National School Lunch Program (Note 3)	10.555	NSLP-49001-22	309,854
Total Child Nutrition Cluster			<u>381,656</u>
Total U.S. Department of Agriculture			<u>381,656</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-49001-22	50,858
Supporting Effective Instruction State Grant	84.367	TIIA-49001-22	34,052
Student Support and Academic Enrichment Program	84.424A	TIVA-49001-22	11,567
Cares ESSER funds (Note 4)	84.425D	ESF-49001-22	94,349
Cares ESSER funds ARP (Note 4)	84.425U	ESF-49001-22	<u>187,875</u>
Total ESSER Funds			282,224
Special Education Cluster:			
Special Education - Preschool Grants	84.173	619-49001-22	109,247
Special Education - Grants to States	84.027	619-49001-22	<u>3,639</u>
Total Special Education Cluster			<u>112,886</u>
Directly through the S.D. Department of Education:			
Rural Education	84.358	RE-49001-22	<u>28,496</u>
Total U.S. Department of Education			<u>520,083</u>
Grand Total			<u><u>\$ 901,739</u></u>

Baltic School District No. 49-1
Schedule of Expenditures of Federal Awards
June 30, 2022 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Baltic School District No. 49-1 under programs of the federal government for the year ended . The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Baltic School District No. 49-1, it is not intended to and does not present the financial position, changes in net position, or cash flows of Baltic School District No. 49-1.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal Reimbursement:

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

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.