

Baltic School District No. 49-1

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

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

Baltic School District No. 49-1

School District Officials

June 30, 2023

Board Members

Paul Liester ----- Board President

Pam Vollan-----Vice President

Darin Larson----- Member

Shirlene Allgier----- Member

Chris Wilde----- Member

Eric Bass -----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, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated April 4, 2024, 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 as item 2023-001 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. 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.

Handwritten signature in cursive script that reads "CIO of Elk Point School District".

Elk Point, South Dakota
April 4, 2024

Baltic School District No. 49-1
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2023

Schedule of Prior Audit Findings:

Finding Number 2022-001 – 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 2023-001

Schedule of Current Audit Findings:

Finding Number 2023-001 – Internal Control Finding

Significant deficiency

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

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

Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible, and practical.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2024, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Elk Point, South Dakota
April 4, 2024

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2023

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

Financial Highlights

- During the year, Baltic School District's Overall Net Position in Government Activities increased by \$352,179 (4.45%).
- The general fund reported a \$101,137 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, 2023

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

Figure A-1

Major Features of 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, 2023

Government-Wide Statements

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

The two government-wide statements report the School's net position and how they have changed. Net position – 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, 2023

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee 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, 2023

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
	2022	2023	2022	2023	2022	2023	2022-2023
Current and Other Assets	\$26,781,581	\$20,359,308	\$ 145,156	\$ 147,890	\$26,926,737	\$20,507,198	-23.84%
Capital Assets (Net of Depreciation)	7,145,555	14,268,629	4,682	3,489	7,150,237	14,272,118	99.60%
Total Assets	33,927,136	34,627,937	149,838	151,379	34,076,974	34,779,316	2.06%
OPEB Related Deferred Outflows	72,630	63,109	--	--	72,630	63,109	-13.11%
Pension Related Deferred Outflows	1,354,599	1,211,717	--	--	1,354,599	1,211,717	-10.55%
Total Deferred Outflows or Resources	1,427,229	1,274,826	--	--	1,427,229	1,274,826	-10.68%
Long-Term Liabilities Outstanding	23,779,223	23,325,241	--	--	23,779,223	23,325,241	-1.91%
Other Liabilities	686,325	2,215,011	30,035	50,165	716,360	2,265,176	216.21%
Total Liabilities	24,465,548	25,540,252	30,035	50,165	24,495,583	25,590,417	4.47%
Taxes Levied for Future Period	1,031,923	1,313,769	--	--	1,031,923	1,313,769	27.31%
OPEB Related Deferred Inflows	169,155	172,888	--	--	169,155	172,888	2.21%
Pension Related Deferred Inflows	1,894,725	712,072	--	--	1,894,725	712,072	-62.42%
Total Deferred Inflows of Resources	3,095,803	2,198,729	--	--	3,095,803	2,198,729	-28.98%
Net Investment in Capital Assets	5,337,776	5,334,900	4,682	3,489	5,342,458	5,338,389	-0.08%
Restricted	1,614,004	2,054,087	--	--	1,614,004	2,054,087	27.27%
Unrestricted	841,234	774,795	115,121	97,725	956,355	872,520	-8.77%
Total Net Position	7,793,014	8,163,782	119,803	101,214	7,912,817	8,264,996	4.45%
Beginning Net Position	6,971,305	7,793,014	59,435	119,803	7,030,740	7,912,817	12.55%
Increase (Decrease) in Net Position	\$ 821,709	\$ 370,768	\$ 60,368	\$ (18,589)	\$ 882,077	\$ 352,179	60.07%
Percentage of Increase (Decrease) in Net Position	11.79%	4.76%	101.57%	-15.52%	12.55%	4.45%	

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, 2023

Changes in Net Position

The Baltic School District 's total revenues (excluding transfers) in FY23 totaled \$7,401,262. More than 36% of the School's revenue comes from property and other taxes, with approximately 44% coming from state aid.

Table A-2
Baltic School District 49-1
Sources of Revenues
Fiscal Year 2022-2023

Taxes	\$ 2,712,555	36.66%
State Sources	3,257,424	44.01%
Operating Grants & Contributions	385,041	5.20%
Charges For Services	427,879	5.78%
Other General Revenues	229,646	3.10%
Unrestricted Investment Earnings	388,717	5.25%
Total Revenue	\$ 7,401,262	100.00%

The Baltic School District expenses totaled \$7,049,083. The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, community services, co-curricular activities, food services, and driver's education.

Table A-3
Baltic School District 49-1
Statement of Expenditures
Fiscal Year 2022-2023

Instruction	\$ 3,274,522	46.47%
Support Services	1,977,365	28.05%
Interest - on Long-Term Debt	1,029,280	14.60%
Community Services	303	0.00%
Cocurricular Activities	275,714	3.91%
Food Service	379,490	5.38%
Drivers Education	112,409	1.59%
Total Expenditures	\$ 7,049,083	100.00%

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental and Business-Type Activities

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

Table A-4

	Government Activities		Business-type Activities		Total		Total
	2022	2023	2022	2023	2022	2023	Percentage Change
Revenues							
Program Revenues							
Charge for Services	\$ 289,578	\$ 114,228	\$ 148,296	\$ 313,651	\$ 437,874	\$ 427,879	-2.28%
Operating Grants/ Contributions	520,083	266,422	382,528	118,619	902,611	385,041	-57.34%
General Revenues							
Taxes	2,394,021	2,712,555	--	--	2,394,021	2,712,555	13.31%
Revenue State Sources	2,972,116	3,257,424	--	--	2,972,116	3,257,424	9.60%
Other							
Other general revenues	310,926	229,646	--	--	310,926	229,646	-26.14%
Unrestricted Investment Earnings	252	385,696	--	3,021	252	388,717	154152.78%
	<u>6,486,976</u>	<u>6,965,971</u>	<u>530,824</u>	<u>435,291</u>	<u>7,017,800</u>	<u>7,401,262</u>	<u>5.46%</u>
Expenses							
Instruction	3,016,766	3,274,522	--	--	3,016,766	3,274,522	8.54%
Support Services	1,971,899	1,977,365	--	--	1,971,899	1,977,365	0.28%
Community Services	303	303	--	--	303	303	0.00%
Interest on long-term debt	373,128	1,029,280	--	--	373,128	1,029,280	175.85%
Co-curricular Activities	288,282	275,714	--	--	288,282	275,714	-4.36%
Food Service	--	--	376,849	379,490	376,849	379,490	0.70%
Other Enterprise	--	--	108,496	112,409	108,496	112,409	3.61%
	<u>5,650,378</u>	<u>6,557,184</u>	<u>485,345</u>	<u>491,899</u>	<u>6,135,723</u>	<u>7,049,083</u>	<u>14.89%</u>
Excess (Deficiency)							
Before Transfers	836,598	408,787	45,479	(56,608)	882,077	352,179	-60.07%
Transfers	<u>(14,889)</u>	<u>(38,019)</u>	<u>14,889</u>	<u>38,019</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	821,709	370,768	60,368	(18,589)	882,077	352,179	-60.07%
Beginning 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>
Ending Net Position	<u>\$ 7,793,014</u>	<u>\$ 8,163,782</u>	<u>\$ 119,803</u>	<u>\$ 101,214</u>	<u>\$ 7,912,817</u>	<u>\$ 8,264,996</u>	<u>4.45%</u>

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2023

Governmental Activities

Revenues for the School’s governmental activities increased approximately 7.4% while expenses for governmental activities increased by approximately 16.1%. 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 1.35% while revenues decreased by 18% due to a decrease in operating grants/contributions.

Financial Analysis of the School’s Funds

The General Fund had a decrease in fund balance of \$101,137 which was mostly caused by reduced federal aid and a slight increase in expenditures. The Capital Outlay fund balance increased by \$552,001 due to less capital outlay purchases this year. The Special Education Fund balance increased by \$45,306.

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 FY23, the School had invested \$14,272,118 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. This amount represents a net increase (including additions and deductions) of \$7,121,880.

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>		
Land	\$ 355,095	\$ 355,095	\$ --	\$ --	\$ --	0.00%
Construction in progress	68,253	7,352,700	--	--	7,284,447	10672.71%
Buildings & Improvements	6,180,447	6,046,132	--	--	(134,315)	-2.17%
Machinery & Equipment	532,345	510,244	4,683	3,489	(23,295)	-4.34%
Library Books	9,415	4,458	--	--	(4,957)	-52.65%
Total Capital Assets	\$ 7,145,555	\$ 14,268,629	\$ 4,683	\$ 3,489	\$ 7,121,880	99.60%

Major capital outlay purchases in FY23 included Alcon trailer, 2023 Ford Expedition, FOB system, Bus Barn, and Library books.

Baltic School District No. 49-1
Management Discussion and Analysis (MD&A)
June 30, 2023

Long-Term Debt

At year-end, the School had \$23,325,241 in general long-term obligations. This balance includes general obligation bonds, bonds payable, post-employment benefits payable and accrued compensated absences.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2022	2023		
General Obligation Bonds	\$ 21,490,000	\$ 21,065,000	\$ (425,000)	-1.98%
Plus: Unamortized Premiums	1,971,760	1,971,760	--	0.00%
Energy Efficiency Loan	110,975	95,120	(15,855)	-14.29%
OPEB Payable	188,127	177,444	(10,683)	-5.68%
Accrued Compensated Absences - Governmental Funds	18,361	15,917	(2,444)	-13.31%
Total Outstanding Debt	\$ 23,779,223	\$ 23,325,241	\$ (453,982)	-1.91%

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 decrease compared to the prior year, however the school is still in good economic standing. 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, 2023

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 3,018,411	\$ 136,219	\$ 3,154,630
Investments-certificates of deposit	15,768,239	--	15,768,239
Accounts receivable	202,238	4,296	206,534
Taxes receivable	1,335,312	--	1,335,312
Inventories	22,920	7,375	30,295
Net pension asset	12,188	--	12,188
Capital assets:			
Land and construction in progress	7,707,795	--	7,707,795
Other capital assets, net of depreciation	6,560,834	3,489	6,564,323
Total Assets	<u>34,627,937</u>	<u>151,379</u>	<u>34,779,316</u>
Deferred Outflows of Resources:			
OPEB-related deferred outflows	63,109	--	63,109
Pension-related deferred outflows	1,211,717	--	1,211,717
Total Deferred Outflows of Resources	<u>1,274,826</u>	<u>--</u>	<u>1,274,826</u>
Liabilities:			
Unearned revenue	--	32,030	32,030
Other current liabilities	2,215,011	18,135	2,233,146
Long-term liabilities:			
Due within one year	477,222	--	477,222
Due in more than one year	22,848,019	--	22,848,019
Total Liabilities	<u>25,540,252</u>	<u>50,165</u>	<u>25,590,417</u>
Deferred Inflows of Resources:			
Taxes levied for future periods	1,313,769	--	1,313,769
Pension related deferred inflows	712,072	--	712,072
OBEP-related deferred inflows	172,888	--	172,888
Total Deferred Inflows of Resources	<u>2,198,729</u>	<u>--</u>	<u>2,198,729</u>
Net Position:			
Net investment in capital assets	5,334,900	3,489	5,338,389
Restricted for:			
Capital outlay	1,271,323	--	1,271,323
Special education	185,105	--	185,105
Debt service	85,826	--	85,826
SDRS pension purposes	511,833	--	511,833
Unrestricted	774,795	97,725	872,520
Total Net Position	<u>\$ 8,163,782</u>	<u>\$ 101,214</u>	<u>\$ 8,264,996</u>

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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-Type Activities		
Governmental Activities:							
Instruction	\$ 3,274,522	\$ --	\$ 266,422	\$ (3,008,100)	\$ --	\$ (3,008,100)	
Support services	1,977,365	92,370	--	(1,884,995)	--	(1,884,995)	
Community services	303	--	--	(303)	--	(303)	
Interest on long-term debt	1,029,280	--	--	(1,029,280)	--	(1,029,280)	
Cocurricular activities	275,714	21,858	--	(253,856)	--	(253,856)	
Total Governmental Activities	6,557,184	114,228	266,422	(6,176,534)	--	(6,176,534)	
Business-Type Activities:							
Food service	379,490	243,976	118,619	--	(16,895)	(16,895)	
Other enterprise	112,409	69,675	--	--	(42,734)	(42,734)	
Total Business Type Activities	491,899	313,651	118,619	--	(59,629)	(59,629)	
Total Primary Government	\$ 7,049,083	\$ 427,879	\$ 385,041	(6,176,534)	(59,629)	(6,236,163)	
General Revenues:							
Taxes:							
Property taxes				2,662,072	--	2,662,072	
Utility Taxes				50,483	--	50,483	
Revenue from State Sources:							
State aid				3,257,424	--	3,257,424	
Unrestricted investment earnings				385,696	3,021	388,717	
Other general revenues				229,646	--	229,646	
Transfers				(38,019)	38,019	--	
Total General Revenues and Transfers				6,547,302	41,040	6,588,342	
				Change in Net Position	370,768	(18,589)	352,179
				Net Position - Beginning of Year	7,793,014	119,803	7,912,817
				Net Position - End of Year	\$ 8,163,782	\$ 101,214	\$ 8,264,996

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, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 1,401,332	\$ 1,269,683	\$ 238,862	\$ 82,334	\$ 26,200	\$ 3,018,411
Investments-certificates of deposit	--	--	--	--	15,768,239	15,768,239
Taxes receivable - current	402,715	330,934	203,985	376,135	--	1,313,769
Taxes receivable - delinquent	7,822	5,969	3,660	4,092	--	21,543
Due from other governments	144,557	--	57,681	--	--	202,238
Inventory	22,920	--	--	--	--	22,920
Total Assets	<u>\$ 1,979,346</u>	<u>\$ 1,606,586</u>	<u>\$ 504,188</u>	<u>\$ 462,561</u>	<u>\$ 15,794,439</u>	<u>\$ 20,347,120</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 23,521	\$ 4,329	\$ 40,843	\$ 600	\$ 1,596,288	\$ 1,665,581
Contracts payable	386,062	--	58,363	--	--	444,425
Payroll deductions and withholding and employer matching payable	89,113	--	15,892	--	--	105,005
Total Liabilities	<u>498,696</u>	<u>4,329</u>	<u>115,098</u>	<u>600</u>	<u>1,596,288</u>	<u>2,215,011</u>
Deferred Inflows of Resources:						
Taxes levied for future period	402,715	330,934	203,985	376,135	--	1,313,769
Delinquent taxes not available	7,822	5,969	3,660	4,092	--	21,543
Total Deferred Inflows of Resources	<u>410,537</u>	<u>336,903</u>	<u>207,645</u>	<u>380,227</u>	<u>--</u>	<u>1,335,312</u>
Fund Balances:						
Nonspendable - inventory	22,920	--	--	--	--	22,920
Restricted:						
For capital outlay	--	1,265,354	--	--	14,198,151	15,463,505
For special education	--	--	181,445	--	--	181,445
For debt service	--	--	--	81,734	--	81,734
For student activities	136,565	--	--	--	--	136,565
Unassigned	910,628	--	--	--	--	910,628
Total Fund Balances	<u>1,070,113</u>	<u>1,265,354</u>	<u>181,445</u>	<u>81,734</u>	<u>14,198,151</u>	<u>16,796,797</u>
Total Liabilities and Fund Balances	<u>\$ 1,979,346</u>	<u>\$ 1,606,586</u>	<u>\$ 504,188</u>	<u>\$ 462,561</u>	<u>\$ 15,794,439</u>	<u>\$ 20,347,120</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, 2023

Total Fund Balances - Governmental Funds \$ 16,796,797

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. 14,268,629

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

Promissory Notes	(95,120)	
GO Bonds	(23,036,760)	
OPEB Payable	(177,444)	
Accrued Leave	<u>(15,917)</u>	(23,325,241)

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 21,543

Proportionate Share of Net Pension Asset 12,188

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (884,960)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,274,826

Net Position - Governmental Activities \$ 8,163,782

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, 2023

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 827,205	\$ 709,759	\$ 439,471	\$ 669,527	\$ --	\$ 2,645,962
Prior years' ad valorem taxes	2,778	2,347	1,436	1,576	--	8,137
Utility taxes	50,483	--	--	--	--	50,483
Penalties and interest on taxes	1,162	639	387	453	--	2,641
Earnings on Investments and Deposits	30,569	24,185	3,022	585	327,335	385,696
Cocurricular Activities:						
Admissions	19,658	--	--	--	--	19,658
Rentals	263	--	--	--	--	263
Other student activity	1,937	--	--	--	--	1,937
Other Revenue from Local Sources:						
Rentals	975	--	--	--	--	975
Contributions and donations	8,003	132,442	--	--	--	140,445
Services provided by other school districts	--	--	37,748	--	--	37,748
Charges for services	3,615	--	8,386	--	--	12,001
Other	26,207	10,810	--	--	26,200	63,217
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	13,008	--	--	--	--	13,008
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	3,042,937	--	--	--	--	3,042,937
Restricted grants-in-aid	5,525	--	208,345	--	--	213,870
Other state revenue	617	--	--	--	--	617
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received from federal government through the state	112,884	9,556	115,694	--	--	238,134
Other federal revenue	28,288	--	--	--	--	28,288
Total Revenues	\$ 4,176,114	\$ 889,738	\$ 814,489	\$ 672,141	\$ 353,535	\$ 6,906,017

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Expenditures						
Instructional Services:						
Regular Programs:						
Elementary	\$ 1,114,138	\$ 123,705	\$ --	\$ --	\$ --	\$ 1,237,843
Middle/junior high	503,096	6,730	--	--	--	509,826
High school	693,770	30,758	--	--	--	724,528
Special programs						
Programs for special education	--	--	506,036	--	--	506,036
Educationally deprived	95,785	--	--	--	--	95,785
Other	88,940	--	--	--	--	88,940
Support Services:						
Students:						
Guidance	152,850	--	27,866	--	--	180,716
Health	7,997	--	--	--	--	7,997
Speech pathology	--	--	63,155	--	--	63,155
Student therapy services	--	--	71,229	--	--	71,229
Instructional Staff:						
Improvement of instruction	13,609	--	--	--	--	13,609
Educational media	133,067	995	--	--	--	134,062
General Administration:						
Board of education	68,613	--	--	--	--	68,613
Executive administration	162,691	--	--	--	--	162,691
School Administration:						
Office of the principal	321,847	--	--	--	--	321,847
Other	248	--	--	--	--	248
Business:						
Fiscal services	131,930	7,400	--	--	--	139,330
Facilities acquisition and construction	--	4,315	--	--	1	4,316
Operation and maintenance of plant	398,801	1,012	--	--	--	399,813
Student transportation	168,384	--	--	--	--	168,384
Special Education:						
Administrative costs	--	--	89,730	--	--	89,730
Transportation costs	--	--	11,167	--	--	11,167

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, 2023 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Central:						
Staff	303	--	--	--	--	303
Debt Services:	--	--	--	1,470,135	--	1,470,135
Cocurricular Activities:						
Male activities	45,143	--	--	--	--	45,143
Female activities	35,323	--	--	--	--	35,323
Transportation	9,019	--	--	--	--	9,019
Combined activities	93,678	23,006	--	--	--	116,684
Capital Outlay	--	139,816	--	--	7,322,700	7,462,516
Total Expenditures	<u>4,239,232</u>	<u>337,737</u>	<u>769,183</u>	<u>1,470,135</u>	<u>7,322,701</u>	<u>14,138,988</u>
Excess of Revenue Over (Under) Expenditures	(63,118)	552,001	45,306	(797,994)	(6,969,166)	(7,232,971)
Other Financing Sources (Uses):						
Transfer in	--	--	--	597,639	--	597,639
Transfer out	(38,019)	--	--	--	(597,639)	(635,658)
Total Other Financing Sources (Uses)	<u>(38,019)</u>	<u>--</u>	<u>--</u>	<u>597,639</u>	<u>(597,639)</u>	<u>(38,019)</u>
Net Change in Fund Balances	(101,137)	552,001	45,306	(200,355)	(7,566,805)	(7,270,990)
Fund Balance, Beginning of Year	<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>
Fund Balance, End of Year	<u>\$ 1,070,113</u>	<u>\$ 1,265,354</u>	<u>\$ 181,445</u>	<u>\$ 81,734</u>	<u>\$ 14,198,151</u>	<u>\$ 16,796,797</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, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (7,270,990)

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. 7,462,516

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. (339,442)

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	425,000	
Promissory Note	<u>15,855</u>	440,855

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." 5,332

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. 2,444

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 72,624

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. (2,571)

Change in net position of governmental activities \$ 370,768

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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 120,226	\$ 15,993	\$ 136,219
Accounts receivable, net	4,296	--	4,296
Inventory of donated food	7,375	--	7,375
Total Current Assets	<u>131,897</u>	<u>15,993</u>	<u>147,890</u>
Noncurrent Assets:			
Machinery and equipment - local funds	21,094	62,344	83,438
Less accumulated depreciation	<u>(18,896)</u>	<u>(61,053)</u>	<u>(79,949)</u>
Total Noncurrent Assets	<u>2,198</u>	<u>1,291</u>	<u>3,489</u>
Total Assets	<u>\$ 134,095</u>	<u>\$ 17,284</u>	<u>\$ 151,379</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ --	\$ 23	\$ 23
Contracts payable	2,382	12,210	14,592
Accrued payroll expenses	743	2,777	3,520
Unearned revenue	<u>32,030</u>	<u>--</u>	<u>32,030</u>
Total Current Liabilities	<u>35,155</u>	<u>15,010</u>	<u>50,165</u>
Net Position:			
Net investment in capital assets	2,198	1,291	3,489
Unrestricted net position	<u>96,742</u>	<u>983</u>	<u>97,725</u>
Total Net Position	<u>\$ 98,940</u>	<u>\$ 2,274</u>	<u>\$ 101,214</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, 2023

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 56,950	\$ 56,950
Driver's Education Fees	--	8,346	8,346
Fitness center	--	4,379	4,379
Food Sales:			
Student	178,996	--	178,996
Adult	3,508	--	3,508
A la carte	61,472	--	61,472
Total Operating Revenue	<u>243,976</u>	<u>69,675</u>	<u>313,651</u>
Operating Expenses:			
Food Service:			
Salaries	28,581	84,954	113,535
Employee benefits	8,711	19,348	28,059
Purchased services	320,666	--	320,666
Supplies	3,050	7,462	10,512
Cost of sales - purchased	--	--	--
Cost of sales - donated	16,595	--	16,595
Other	1,338	--	1,338
Depreciation	549	645	1,194
Total Operating Expenses	<u>379,490</u>	<u>112,409</u>	<u>491,899</u>
Operating Income(Loss)	(135,514)	(42,734)	(178,248)
Nonoperating Revenues/Expenses:			
Investment Earnings	3,016	5	3,021
State grants	825	--	825
Federal grants	104,199	--	104,199
Donated food	13,595	--	13,595
Total Nonoperating Revenue/ (Expenses)	<u>121,635</u>	<u>5</u>	<u>121,640</u>
Income (Loss) Before Transfers	<u>(13,879)</u>	<u>(42,729)</u>	<u>(56,608)</u>
Transfer in(Out)	<u>--</u>	<u>38,019</u>	<u>38,019</u>
Change in Net Position	(13,879)	(4,710)	(18,589)
Net Position - Beginning of Year	<u>112,819</u>	<u>6,984</u>	<u>119,803</u>
Net Position - End of Year	<u>\$ 98,940</u>	<u>\$ 2,274</u>	<u>\$ 101,214</u>

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, 2023

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 264,431	\$ 80,772	\$ 345,203
Cash payments to suppliers	(326,492)	(7,439)	(333,931)
Cash payments to employees	(38,670)	(101,835)	(140,505)
Net Cash (Used) by Operating Activities	<u>(100,731)</u>	<u>(28,502)</u>	<u>(129,233)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	38,019	38,019
Cash reimbursements - state	825	--	825
Cash reimbursements - federal	104,293	--	104,293
Net Cash Provided by Noncapital Financing Activities	<u>105,118</u>	<u>38,019</u>	<u>143,137</u>
Cash Flows from Investing Activities:			
Investment Earnings	3,016	5	3,021
Net Cash Provided by Investing Activities	3,016	5	3,021
Net Change in Cash and Cash Equivalents	7,403	9,522	16,925
Cash and Cash Equivalents, Beginning of Year	112,823	6,471	119,294
Cash and Cash Equivalents, End of Year	<u>\$ 120,226</u>	<u>\$ 15,993</u>	<u>\$ 136,219</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (135,514)	\$ (42,734)	\$ (178,248)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	549	645	1,194
Value of commodities used	16,595	--	16,595
Change in Assets and Liabilities:			
Accounts receivable	--	11,097	11,097
Deferred revenue	20,455	--	20,455
Contracts payable	(1,036)	2,137	1,101
Accrued payroll expenses	(342)	330	(12)
Accounts payable	(1,438)	23	(1,415)
Net cash (used) by operating activities:	<u>\$ (100,731)</u>	<u>\$ (28,502)</u>	<u>\$ (129,233)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 13,595</u>	<u>\$ --</u>	<u>\$ 13,595</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, 2023

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 15,477	\$ 217,985
Accounts receivable	--	263
	<u>\$ 15,477</u>	<u>\$ 218,248</u>
Total Assets	<u>\$ 15,477</u>	<u>\$ 218,248</u>
Liabilities:		
Amounts held for others	\$ --	\$ 218,248
Total Liabilities	--	\$ 218,248
	<u>--</u>	<u>\$ 218,248</u>
Net Position:		
Scholarships	15,477	
	<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, 2023

	Private-Purpose Trust Funds
Additions:	
Contributions and donations	\$ --
Total Additions	--
Deductions:	
Trust deductions for scholarships awarded	--
Total Deductions	--
Change in Net Position	--
Net Position - Beginning	15,477
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, 2023

1. Summary of Significant Accounting Policies:

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

a. 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 minus liabilities equal net position). Net Position are 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, 2023

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, 2023

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 apportion 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 cost 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.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

Private Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangement 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 fund types.

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, 2023

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Baltic School District 49-1 is 60 days. The revenues that were accrued at June 30, 2023 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately less than 2% for which the costs were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type 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. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land*	\$ 100	--	--
Buildings	25,000	Straight-line	50 years
Improvements	25,000	Straight-line	10-50 years
Machinery and Equipment	5,000	Straight-line	2-20 years
Food Service Machinery and Equipment	1,000	Straight-line	12 years

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

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. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

i. Subscription-Based information technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District did, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

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

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

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

j. Program Revenues:

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

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

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies: (Continued)

- 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.

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

q. Pensions:

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

2. Implementation of New Accounting Standards:

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

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

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 district funds to be invested only 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above. Also, SDCL 4-5-9 requires investments to 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.

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

Investment	Credit Rating	Fair Value
South Dakota Public Funds Investment - Trust	Unrated	\$ 15,768,239

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

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

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

4. Receivables and Payables:

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

5. Inventory:

Inventory held for consumption is stated at cost.

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 financial statements, and in the enterprise 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.

6. 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 inflow of resources-property taxes levied for future period in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets:

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

	<u>6/30/2022</u> Balance	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2023</u> Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 355,095	\$ --	\$ --	\$ 355,095
Construction in progress	68,253	7,381,222	96,775	7,352,700
Total capital assets not being depreciated/amortized	<u>423,348</u>	<u>7,381,222</u>	<u>96,775</u>	<u>7,707,795</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	10,961,008	96,775	--	11,057,783
Machinery & Equipment	1,189,303	76,297	--	1,265,600
Library Books	196,087	4,997	1,998	199,086
Total capital assets being depreciated/amortized	<u>12,346,398</u>	<u>178,069</u>	<u>1,998</u>	<u>12,522,469</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	4,780,561	231,090	--	5,011,651
Machinery & Equipment	656,958	98,398	--	755,356
Library Books	186,672	9,954	1,998	194,628
Total accumulated depreciation/amortization	<u>5,624,191</u>	<u>339,442</u>	<u>1,998</u>	<u>5,961,635</u>
Total capital assets being depreciated/amortized, net	<u>6,722,207</u>	<u>(161,373)</u>	<u>--</u>	<u>6,560,834</u>
Net Capital Assets	<u>\$ 7,145,555</u>	<u>\$ 7,219,849</u>	<u>\$ 96,775</u>	<u>\$ 14,268,629</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 111,563
Support services	158,334
Co-curricular activities	69,545
Total Depreciation/Amortization Expense	<u>\$ 339,442</u>

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

7. Changes in Capital Assets: (Continued)

	Balance 6/30/22	Increases	Decreases	Balance 6/30/2023
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 83,438	\$ --	\$ --	\$ 83,438
Less accumulated depreciation for:				
Less: Accumulated Depreciation	78,755	1,194	--	79,949
Total capital assets being depreciated, net	\$ 4,683	\$ (1,194)	\$ --	\$ 3,489

Depreciation expense was charged to functions as follows:

Food service	\$ 549
Other Enterprise	645
Total Depreciation Expense	\$ 1,194

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

Project Name	Project Authorization	Through 6/30/2023	Committed
Bus Barn	\$ 96,775	\$ 96,775	\$ --
School Addition	28,974,000	7,352,700	21,621,300
	\$ 29,070,775	\$ 7,449,475	\$ 21,621,300

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities:

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

	<u>6/30/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 21,490,000	\$ --	\$ 425,000	\$ 21,065,000	\$ 455,000
Plus: Unamortized Premiums	1,971,760	--	--	1,971,760	--
	<u>23,461,760</u>	<u>--</u>	<u>425,000</u>	<u>23,036,760</u>	<u>455,000</u>
Other Liabilities:					
Compensated Absences	18,361	7,840	10,284	15,917	6,367
OPEB Payable	188,127	19,924	30,607	177,444	--
Energy Efficiency Loan	110,975	--	15,855	95,120	15,855
Total Long-Term Liabilities	<u>\$ 23,779,223</u>	<u>\$ 27,764</u>	<u>\$ 481,746</u>	<u>\$ 23,325,241</u>	<u>\$ 477,222</u>

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

Compensated Absences –

 Payable from the fund to which payroll expenditures are charged \$ 15,917

Other Post Employment Benefits

 Payable from the fund to which payroll expenditures are charged \$ 177,444

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

8. Long-Term Liabilities: (Continued)

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

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.	\$ 915,000
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.	\$ 95,120

The annual requirements to amortize the General Obligation Bonds, Energy Efficiency Loan, and compensated absences outstanding at June 30, 2023, are as follows:

Year Ending June 30,	GO Bonds		Energy Efficiency Loan		Compensated Absences		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 455,000	\$ 1,550,366	\$ 15,855	\$ --	\$ 6,367	\$ --	\$ 477,222	\$ 1,550,366
2025	460,000	1,053,163	15,855	--	9,550	--	485,405	1,053,163
2026	--	1,048,562	15,855	--	--	--	15,855	1,048,562
2027	--	1,048,563	15,855	--	--	--	15,855	1,048,563
2028	--	1,048,562	15,855	--	--	--	15,855	1,048,562
2029-2033	148,588	5,242,813	15,845	--	--	--	164,433	5,242,813
2034-2038	1,717,940	5,141,487	--	--	--	--	1,717,940	5,141,487
2039-2043	3,952,940	4,671,725	--	--	--	--	3,952,940	4,671,725
2044-2048	7,122,940	3,540,950	--	--	--	--	7,122,940	3,540,950
2049-2053	9,179,352	1,271,325	--	--	--	--	9,179,352	1,271,325
Totals	<u>\$ 23,036,760</u>	<u>\$ 25,617,516</u>	<u>\$ 95,120</u>	<u>\$ --</u>	<u>\$ 15,917</u>	<u>\$ --</u>	<u>\$ 23,147,797</u>	<u>\$ 25,617,516</u>

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

9. Restricted Net Position:

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

Major Purpose:	Restricted By	Amount
Capital Outlay Purposes	Law	\$ 1,271,323
Special Education	Law	185,105
Debt Service Purposes	Debt Covenant	85,826
SDRS Pension Purposes	Law	511,833
Total		\$ 2,054,087

10. Interfund Transfers:

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

Transfer from the General Fund to the Other Enterprise Fund for Expenses.	\$ 38,019
Transfer from the Capital Projects Fund to the Bond Redemption Fund.	\$ 597,639

11. Pension Plan:

Plan Information:

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

Benefits Provided:

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

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

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Contributions:

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

<u>Year</u>	<u>Amount</u>
2023	\$ 202,776
2022	184,773
2021	174,119

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

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2023 are as follows:

Proportionate share of pension benefits	\$ 18,205,922
Less proportionate share of net pension restricted for pension benefits	18,218,110
Proportionate share of net pension (asset)	<u>\$ (12,188)</u>

At June 30, 2023, the School District reported an (asset) of (\$12,188) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2022 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.12896800%, which is an increase of 0.0010938% from its proportion measured as of June 30, 2021.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

For the year ended June 30, 2023, the School District recognized a reduction of pension expense of \$72,625. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 232,013	\$ 791
Changes in assumption	774,650	678,877
Net difference between projected and actual earnings on pension plan investments	--	29,209
Changes in proportion and difference between district contributions and proportionate share of contributions	2,278	3,195
District contributions subsequent to the measurement date	202,776	--
Total	\$ 1,211,717	\$ 712,072

\$202,776 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2024	\$ 80,719
2025	168,387
2026	(193,523)
2027	241,286
Total	\$ 296,869

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, from 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 2018% of rates above age 65.
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.
Public Safety Retirees: PubS-2010, 102% of rates at all ages.

Beneficiaries:

PubG-2010 contingent survivor mortality table.

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table.
Others: PubG-2010 disabled member mortality table.

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man).

Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). the long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected inflation.

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

11. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 2,530,785</u>	<u>\$ (12,188)</u>	<u>\$ 2,090,470</u>

Pension Plan Fiduciary Net Position:

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

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

12. 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.

Employees covered by benefit terms: At June 30, 2023, 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, 2022 Actuarial Report. See Note 11 – Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$	188,127
Service Cost		15,528
Interest		4,396
Effect on assumptions, changes or inputs		(30,286)
Benefit payments		(321)
End of Year Balances	\$	177,444

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

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

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 152,172	\$ 177,444	\$ 208,503

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

12. Postemployment Medical Plan: (Continued)

For the year ended June 30, 2023, the School District recognized OPEB expenses of \$8,775. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	\$ 16,485	\$ (161,464)
Differences between expected and actual experience	46,624	(11,424)
Total	\$ 63,109	\$ (172,888)

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

Year Ended June 30,		
2023	\$	(17,032)
2024		(17,302)
2025		(16,488)
2026		(14,870)
2027		(14,288)
Thereafter		(30,069)
Total	\$	(110,049)

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

13. 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	4%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	8%
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 representative from each member school district, who is also a school board member. 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.

At June 30, 2023, this joint venture had the following:

	<u>June 30, 2023</u>
Total Assets	\$ 120,619
Total Deferred Outflows	\$ 105,294
Total Liabilities	\$ 57,836
Total Deferred Inflows	\$ 63,490
Total Net Position	\$ 104,587

Baltic School District No. 49-1
Notes to the Financial Statements
June 30, 2023

14. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a 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, 2023

14. 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, 2023, there were no claims for unemployment that were paid. There are no future expected claims at this time.

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 845,441	\$ 845,441	\$ 827,205	\$ (18,236)
Prior years' ad valorem taxes	6,000	6,000	2,778	(3,222)
Utility taxes	40,000	40,000	50,483	10,483
Penalties and interest on taxes	2,500	2,500	1,162	(1,338)
Earnings on Investments and Deposits	150	150	30,569	30,419
Cocurricular Activities:				
Admissions	20,000	20,000	19,658	(342)
Rentals	500	500	263	(237)
Other student activity income	1,500	1,500	1,937	437
Other Revenue from Local Sources:				
Rentals	300	300	975	675
Contributions and donations	10,000	10,000	8,003	(1,997)
Charges for services	2,500	2,500	3,615	1,115
Other	18,000	18,000	26,207	8,207
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	12,000	12,000	13,008	1,008
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,982,425	2,982,425	3,042,937	60,512
Restricted grants-in-aid	3,000	3,000	5,525	2,525
Other state revenues	1,000	1,000	617	(383)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	141,111	141,111	112,884	(28,227)
Other federal revenue	38,086	38,086	28,288	(9,798)
Total Revenues	\$ 4,124,513	\$ 4,124,513	\$ 4,176,114	\$ 51,601

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, 2023 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,125,372	\$ 1,125,372	\$ 1,114,138	\$ 11,234
Middle/junior high	514,083	514,083	503,096	10,987
High school	695,093	695,093	693,770	1,323
Special Programs:				
Educationally deprived	116,366	116,366	95,785	20,581
Other	92,196	92,196	88,940	3,256
Support Services:				
Students:				
Guidance	160,454	160,454	152,850	7,604
Health	9,183	9,183	7,997	1,186
Instructional Staff:				
Improvement of instruction	13,651	13,651	13,609	42
Educational media	139,177	139,177	133,067	6,110
General Administration:				
Board of education	73,834	73,834	68,613	5,221
Executive administration	173,284	173,284	162,691	10,593
School Administration:				
Office of the principal	322,085	322,085	321,847	238
Other	500	500	248	252
Business:				
Fiscal services	138,714	138,714	131,930	6,784
Operation and maintenance of plant	459,994	459,994	398,801	61,193
Student transportation	178,521	178,521	168,384	10,137
Central:				
Staff	500	500	303	197
Nonprogrammed Charges:				
Payments to State - unemployment	500	500	--	500
Cocurricular Activities:				
Male activities	55,255	55,255	45,143	10,112
Female activities	39,377	39,377	35,323	4,054
Transportation	10,175	10,175	9,019	1,156
Combined activities	106,589	106,589	93,678	12,911
Contingencies	50,000	50,000	--	50,000
Total Expenditures	<u>4,474,903</u>	<u>4,474,903</u>	<u>4,239,232</u>	<u>235,671</u>
Excess of Revenues Over Expenditures	<u>(350,390)</u>	<u>(350,390)</u>	<u>(63,118)</u>	<u>287,272</u>
Other Financing Sources:				
Operating transfers in	150,000	150,000	--	(150,000)
Operating transfers out	<u>(19,928)</u>	<u>(19,928)</u>	<u>(38,019)</u>	<u>(18,091)</u>
Total Other Financing Sources:	<u>130,072</u>	<u>130,072</u>	<u>(38,019)</u>	<u>(168,091)</u>
Net Change in Fund Balances	(220,318)	(220,318)	(101,137)	119,181
Fund Balance, Beginning of Year	<u>1,171,250</u>	<u>1,171,250</u>	<u>1,171,250</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 950,932</u>	<u>\$ 950,932</u>	<u>\$ 1,070,113</u>	<u>\$ 119,181</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 713,344	\$ 713,344	\$ 709,759	\$ (3,585)
Prior years' ad valorem taxes	2,000	2,000	2,347	347
Penalties and interest on taxes	500	500	639	139
Earnings on Investments & Deposits	--	--	24,185	24,185
Other Revenue from Local Sources:				
Contributions and Donations	--	--	132,442	132,442
Other	--	--	10,810	10,810
Revenue from Federal Sources:				
Restricted grants-in-aid received from federal government through the state	--	--	9,556	9,556
Total Revenues	715,844	715,844	889,738	173,894
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	167,537	167,537	123,705	43,832
Middle/junior high	32,925	32,925	6,730	26,195
High school	53,739	53,739	30,758	22,981
Instructional Staff:				
Educational media	5,995	5,995	5,992	3
Business:				
Fiscal services	7,450	7,450	7,400	50
Facilities acquisition and construction	10,000	10,000	4,315	5,685
Operation and maintenance of plant	136,343	136,343	135,831	512
Cocurricular Activities:				
Combined Activities	38,499	38,499	23,006	15,493
Total Expenditures	452,488	452,488	337,737	114,751
Excess of Revenue Over (Under)				
Expenditures	263,356	263,356	552,001	288,645
Other Financing Sources (Uses):				
Transfers out	(150,000)	(150,000)	--	150,000
Total Other Financing Sources (Uses)	(150,000)	(150,000)	--	150,000
Net Change in Fund Balances	113,356	113,356	552,001	438,645
Fund Balance, Beginning of Year	713,353	713,353	713,353	--
Fund Balance, End of Year	\$ 826,709	\$ 826,709	\$ 1,265,354	\$ 438,645

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 394,015	\$ 394,015	\$ 439,471	\$ 45,456
Prior years' ad valorem taxes	3,000	3,000	1,436	(1,564)
Penalties and interest on taxes	500	500	387	(113)
Earnings on Investments & Deposits	--	--	3,022	3,022
Other Revenue from Local Sources:				
Services provided other school districts	30,900	30,900	37,748	6,848
Charges for services	5,250	5,250	8,386	3,136
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	274,925	274,925	208,345	(66,580)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	107,642	107,642	115,694	8,052
Total Revenues	<u>816,232</u>	<u>816,232</u>	<u>814,489</u>	<u>(1,743)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	554,720	554,720	506,036	48,684
Support Services:				
Students:				
Psychological services	28,000	28,000	27,866	134
Speech pathology	66,458	66,458	63,155	3,303
Student therapy services	75,750	75,750	71,229	4,521
Special Education:				
Administrative costs	93,388	93,388	89,730	3,658
Transportation costs	32,916	32,916	11,167	21,749
Total Expenditures	<u>851,232</u>	<u>851,232</u>	<u>769,183</u>	<u>82,049</u>
Net Change in Fund Balance	(35,000)	(35,000)	45,306	80,306
Fund Balance, Beginning of Year	<u>136,139</u>	<u>136,139</u>	<u>136,139</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 101,139</u>	<u>\$ 101,139</u>	<u>\$ 181,445</u>	<u>\$ 80,306</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, 2023

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except 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/Student 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, 2023

Changes in the Total OPEB Liability

Service Cost	\$ 15,528
Interest on Total OPEB Liability	4,396
Effect of assumption changes or inputs	(30,286)
Benefit payments	<u>(321)</u>
Net change in total OPEB liability	(10,683)
Total OPEB liability, beginning	<u>188,127</u>
Total OPEB liability, ending	<u><u>\$ 177,444</u></u>

Baltic School District No. 49-1

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1289680%	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)	\$ (12,188)	\$ (979,334)	\$ (5,554)	\$ (13,287)	\$ (3,030)	\$ (11,972)	\$ 403,432	\$ (496,303)	\$ (837,790)
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.40%	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)	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

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

Baltic School District No. 49-1

Schedule of the School District Contributions South Dakota Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually-required contribution	\$ 202,776	\$ 184,773	\$ 174,119	\$ 168,387	\$ 162,251
Contributions in relation to the contractually-required contribution	<u>202,776</u>	<u>184,773</u>	<u>174,119</u>	<u>168,387</u>	<u>162,251</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 3,379,595	\$ 3,079,549	\$ 2,901,980	\$ 2,807,713	\$ 2,704,180
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 159,736	\$ 160,532	\$ 136,261	\$ 128,173	\$ 121,989
Contributions in relation to the contractually-required contribution	<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>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 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%

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, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPO-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%.

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, 2023 (Continued)

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

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

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

Actuarial Method Changes

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