



Financial Statements  
June 30, 2023 and 2022

# Big Stone City School District 25-1

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## Independent Auditor's Report

The School Board  
Big Stone City School District 25-1  
Big Stone City, South Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Big Stone City School District 25-1 (the School District) as of June 30, 2023, and for each of the years in the two-year period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years in the two-year period then ended in accordance with accounting principles generally accepted in the United States of America

#### *Basis for Opinions*

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

#### *School Closure and Dissolution*

As discussed in Note 14 to the financial statements, the School District is required to close and dissolve effective June 30, 2025. Management's evaluation of the events and conditions are also described in Note 14. Our opinion is not modified with respect to that matter.

### ***Correction of Error***

As discussed in Note 15 to the financial statements, certain errors resulting in an understatement of amounts previously reported for capital assets, receivables, and cash as of July 1, 2021, were discovered by management of the School District during the current year. Accordingly, a restatement has been made to the Preschool Fund net position and business-type activities net position as of July 1, 2021, to correct the error. Our opinions are not modified with respect to that matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 schedule of changes in the School District's OPEB liabilities and related ratios, budgetary comparison schedules, schedule of net pension liability (asset), and schedule of pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Aberdeen, South Dakota  
September 17, 2024

Big Stone City School District 25-1

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 661,041	\$ 175,753	\$ 836,794
Taxes receivable	497,569	-	497,569
Internal balances	38,802	(38,802)	-
Accounts receivable	90,336	31,422	121,758
Inventories	-	7,092	7,092
Net pension asset	3,441	872	4,313
Capital assets not being depreciated			
Land	240	-	240
Capital assets, net of accumulated depreciation			
Improvements other than buildings	21,705	-	21,705
Buildings	16,868	279,603	296,471
Machinery and equipment	73,695	35,828	109,523
<b>Total assets</b>	<b>1,403,697</b>	<b>491,768</b>	<b>1,895,465</b>
<b>Deferred Outflows of Resources</b>			
OPEB related deferred outflows	39,970	-	39,970
Pension related deferred outflows	334,086	84,665	418,751
<b>Total deferred outflows of resources</b>	<b>374,056</b>	<b>84,665</b>	<b>458,721</b>
	<b>\$ 1,777,753</b>	<b>\$ 576,433</b>	<b>\$ 2,354,186</b>

Big Stone City School District 25-1

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 6,621	\$ 4,940	\$ 11,561
Other current liabilities	94,271	22,120	116,391
Noncurrent liabilities			
Due within one year	25,976	-	25,976
Due in more than one year	12,350	-	12,350
OPEB liability	72,541	-	72,541
<b>Total liabilities</b>	<b>211,759</b>	<b>27,060</b>	<b>238,819</b>
<b>Deferred Inflows of Resources</b>			
OPEB related deferred inflows	36,045	-	36,045
Pension related deferred inflows	201,765	51,132	252,897
Taxes levied for future period	592,397	-	592,397
<b>Total deferred inflows of resources</b>	<b>830,207</b>	<b>51,132</b>	<b>881,339</b>
<b>Net Position</b>			
Net investment in capital assets	112,054	261,847	373,901
Restricted for			
Capital Outlay	156,206	-	156,206
Special Education	125,671	-	125,671
SDRS pension purposes	135,762	34,405	170,167
Unrestricted	206,094	201,989	408,083
<b>Total net position</b>	<b>735,787</b>	<b>498,241</b>	<b>1,234,028</b>
	<b>\$ 1,777,753</b>	<b>\$ 576,433</b>	<b>\$ 2,354,186</b>

Big Stone City School District 25-1  
Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	2023						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
Governmental activities:							
Instruction	\$ 1,049,440	\$ 185,977	\$ 198,465	\$ -	\$ (664,998)	\$ -	\$ (664,998)
Support services	579,452	-	1,000	44,466	(533,986)	-	(533,986)
*Interest on long-term debt	50	-	-	-	(50)	-	(50)
Co-curricular activities	32,182	185	-	-	(31,997)	-	(31,997)
Total governmental activities	<u>1,661,124</u>	<u>186,162</u>	<u>199,465</u>	<u>44,466</u>	<u>(1,231,031)</u>	<u>-</u>	<u>(1,231,031)</u>
Business-type activities:							
Food service	107,699	29,240	69,283	-	-	(9,176)	(9,176)
Daycare and OST	258,814	235,483	-	-	-	(23,331)	(23,331)
Preschool	39,414	6,705	96,326	-	-	63,617	63,617
Total business-type activities	<u>405,927</u>	<u>271,428</u>	<u>165,609</u>	<u>-</u>	<u>-</u>	<u>31,110</u>	<u>31,110</u>
	<u>\$ 2,067,051</u>	<u>\$ 457,590</u>	<u>\$ 365,074</u>	<u>\$ 44,466</u>	<u>(1,231,031)</u>	<u>31,110</u>	<u>(1,199,921)</u>
<b>General Revenues</b>							
Property taxes					1,132,910	-	1,132,910
Gross receipts taxes					17,477	-	17,477
Revenue from state sources:							
State aid					67,067	-	67,067
Unrestricted investment earnings					1,336	-	1,336
Rentals					1,025	-	1,025
Other general revenues					36,598	9,254	45,852
Extraordinary items					(339,697)	(20,741)	(360,438)
Transfers					(37,507)	37,507	-
Total general revenues					<u>879,209</u>	<u>26,020</u>	<u>905,229</u>
Change in Net Position					(351,822)	57,130	(294,692)
Net Position - Beginning					<u>1,087,609</u>	<u>441,111</u>	<u>1,528,720</u>
Net Position - Ending					<u>\$ 735,787</u>	<u>\$ 498,241</u>	<u>\$ 1,234,028</u>

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

See Notes to Financial Statements



Big Stone City School District 25-1  
Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	2022						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental activities:							
Instruction	\$ 953,340	\$ 202,514	\$ 192,048	\$ -	\$ (558,778)	\$ -	\$ (558,778)
Support services	593,478	-	1,500	-	(591,978)	-	(591,978)
*Interest on long-term debt	110	-	-	-	(110)	-	(110)
Co-curricular activities	28,849	120	-	-	(28,729)	-	(28,729)
Total governmental activities	<u>1,575,777</u>	<u>202,634</u>	<u>193,548</u>	<u>-</u>	<u>(1,179,595)</u>	<u>-</u>	<u>(1,179,595)</u>
Business-type activities:							
Food service	107,330	12,407	88,642	-	-	(6,281)	(6,281)
Daycare and OST	277,287	201,248	187,903	32,673	-	144,537	144,537
Preschool	41,288	9,115	-	-	-	(32,173)	(32,173)
Total business-type activities	<u>425,905</u>	<u>222,770</u>	<u>276,545</u>	<u>32,673</u>	<u>-</u>	<u>106,083</u>	<u>106,083</u>
	<u>\$ 2,001,682</u>	<u>\$ 425,404</u>	<u>\$ 470,093</u>	<u>\$ 32,673</u>	<u>(1,179,595)</u>	<u>106,083</u>	<u>(1,073,512)</u>
General Revenues							
Property taxes					1,119,934	-	1,119,934
Gross receipts taxes					13,092	-	13,092
Revenue from state sources:							
State aid					135,323	-	135,323
Unrestricted investment earnings					4,448	-	4,448
Rentals					978	-	978
Other general revenues					52,827	67,355	120,182
Total general revenues					<u>1,326,602</u>	<u>67,355</u>	<u>1,393,957</u>
Change in Net Position					<u>147,007</u>	<u>173,438</u>	<u>320,445</u>
Net Position - Beginning, as Previously Reported					<u>940,602</u>	<u>53,677</u>	<u>994,279</u>
Restatement - See Note 15					<u>-</u>	<u>213,996</u>	<u>213,996</u>
Net Position - Beginning, as Restated					<u>940,602</u>	<u>267,673</u>	<u>1,208,275</u>
Net Position - Ending					<u>\$ 1,087,609</u>	<u>\$ 441,111</u>	<u>\$ 1,528,720</u>

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

See Notes to Financial Statements

Big Stone City School District 25-1

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 410,854	\$ 136,221	\$ 113,966	\$ 661,041
Taxes receivable - current	335,369	77,797	78,479	491,645
Taxes receivable - delinquent	4,123	931	870	5,924
Accounts receivable	241	-	-	241
Due from other funds	-	38,802	-	38,802
Due from other governments	53,803	-	36,292	90,095
	<u>\$ 804,390</u>	<u>\$ 253,751</u>	<u>\$ 229,607</u>	<u>\$ 1,287,748</u>
<b>Liabilities and Fund Balances</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 4,076	\$ 2,545	\$ -	\$ 6,621
Contracts payable	72,586	-	7,181	79,767
Payroll deductions and withholdings and employer matching payable	13,576	-	928	14,504
Total liabilities	<u>90,238</u>	<u>2,545</u>	<u>8,109</u>	<u>100,892</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	4,123	931	870	5,924
Taxes levied for a future period	401,570	95,000	95,827	592,397
Total deferred inflows of resources	<u>405,693</u>	<u>95,931</u>	<u>96,697</u>	<u>598,321</u>
<b>Fund Balances</b>				
Restricted for:				
Capital Outlay	-	155,275	-	155,275
Special Education	-	-	124,801	124,801
Unassigned	308,459	-	-	308,459
Total fund balances	<u>308,459</u>	<u>155,275</u>	<u>124,801</u>	<u>588,535</u>
	<u>\$ 804,390</u>	<u>\$ 253,751</u>	<u>\$ 229,607</u>	<u>\$ 1,287,748</u>

Big Stone City School District 25-1  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 Year Ended June 30, 2023

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Total Fund Balances - Governmental Funds	\$	588,535
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		112,508
Long-term liabilities, including accrued leave and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(38,326)
OPEB obligations and related deferred outflows and deferred inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		(68,616)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		5,924
Net pension asset, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		<u>135,762</u>
Net Position - Governmental Funds	\$	<u><u>735,787</u></u>

Big Stone City School District 25-1  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2023

	2023			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 789,217	\$ 185,960	\$ 151,896	\$ 1,127,073
Prior year's ad valorem taxes	3,117	-	665	3,782
Gross receipts taxes	17,477	-	-	17,477
Penalties and interest on taxes	915	697	144	1,756
Tuition and fees:				
Regular day school tuition	176,240	-	9,737	185,977
Earnings on investments and deposits	1,336	-	-	1,336
Co-curricular activities:				
Other pupil activity income	185	-	-	185
Other revenue from local sources:				
Rentals	1,025	-	-	1,025
Contributions and donations	1,000	-	-	1,000
Charges for services	1,872	-	106	1,978
Other	30,689	188	-	30,877
Revenue from intermediate sources				
County sources:				
County apportionment	3,452	-	-	3,452
Revenue in lieu of taxes	61	-	-	61
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	67,067	-	-	67,067
Restricted grants-in-aid	6,380	-	-	6,380
Other state revenue	230	-	-	230
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	149,356	44,466	42,729	236,551
Total revenues	<u>1,249,619</u>	<u>231,311</u>	<u>205,277</u>	<u>1,686,207</u>

Big Stone City School District 25-1  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2023

	2023			Total Governmental Funds
	General Fund	Capital Outlay Fund	Special Education Fund	
Expenditures				
Instruction				
Regular programs:				
Elementary	348,104	10,287	-	358,391
Middle/junior high	223,215	-	-	223,215
Special programs:				
Programs for special education	-	-	163,673	163,673
Educationally deprived	39,676	-	-	39,676
Tuition	262,789	-	-	262,789
Support services				
Pupils:				
Attendance and social work	58,831	-	-	58,831
Psychological	-	-	2,580	2,580
Speech pathology	-	-	43,466	43,466
Student therapy services	-	-	6,216	6,216
Support services - instructional staff:				
Improvement of instruction	8,435	-	-	8,435
Educational media	19,261	-	-	19,261
Support services - general administration:				
Board of Education	5,377	-	-	5,377
Support services - school administration:				
Office of the Principal	76,582	-	-	76,582
Other school administration	29,019	-	-	29,019
Support services - business:				
Fiscal services	110,522	-	-	110,522
Operation and maintenance of plant	146,305	15,024	-	161,329
Pupil transportation	23,076	-	-	23,076
Food services	4,750	-	-	4,750
Community services:				
Care of children	420	-	-	420
Nonprogrammed charges				
Early retirement payments	5,700	-	-	5,700
Debt service	-	1,827	-	1,827
Co-curricular activities				
Combined activities	26,597	-	-	26,597
Capital outlay	-	164,330	-	164,330
Total expenditures	<u>1,388,659</u>	<u>191,468</u>	<u>215,935</u>	<u>1,796,062</u>
Excess of Revenue over (under) Expenditures	<u>(139,040)</u>	<u>39,843</u>	<u>(10,658)</u>	<u>(109,855)</u>
Other Financing Sources (Uses)				
Transfers in	83,250	-	-	83,250
Transfers out	<u>(37,507)</u>	<u>(83,250)</u>	<u>-</u>	<u>(120,757)</u>
Total other financing sources (uses)	<u>45,743</u>	<u>(83,250)</u>	<u>-</u>	<u>(37,507)</u>
Net Change in Fund Balance	(93,297)	(43,407)	(10,658)	(147,362)
Fund Balance - Beginning	<u>401,756</u>	<u>198,682</u>	<u>135,459</u>	<u>735,897</u>
Fund Balance - Ending	<u>\$ 308,459</u>	<u>\$ 155,275</u>	<u>\$ 124,801</u>	<u>\$ 588,535</u>

Big Stone City School District 25-1  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	2022			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>Revenues</b>				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 782,031	\$ 176,867	\$ 146,991	\$ 1,105,889
Prior year's ad valorem taxes	12,154	2,187	2,126	16,467
Gross receipts taxes	13,092	-	-	13,092
Penalties and interest on taxes	2,751	474	456	3,681
Tuition and fees:				
Regular day school tuition	190,526	-	11,988	202,514
Earnings on investments and deposits	4,448	-	-	4,448
Co-curricular activities:				
Other pupil activity income	120	-	-	120
Other revenue from local sources:				
Rentals	978	-	-	978
Contributions and donations	1,500	-	-	1,500
Charges for services	1,790	-	101	1,891
Other	45,028	1,795	-	46,823
Revenue from intermediate sources				
County sources:				
County apportionment	4,027	-	-	4,027
Revenue in lieu of taxes	86	-	-	86
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	135,323	-	-	135,323
Restricted grants-in-aid	9,760	-	-	9,760
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	182,288	-	-	182,288
<b>Total revenues</b>	<b>1,385,902</b>	<b>181,323</b>	<b>161,662</b>	<b>1,728,887</b>

Big Stone City School District 25-1  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	2022			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs:				
Elementary	389,381	10,753	-	400,134
Middle/junior high	150,017	5,000	-	155,017
Special programs:				
Programs for special education	-	-	103,055	103,055
Educationally deprived	60,448	-	-	60,448
Tuition	272,137	-	-	272,137
Support services				
Pupils:				
Attendance and social work	28,125	-	-	28,125
Guidance	7,752	-	-	7,752
Psychological	-	-	2,750	2,750
Speech pathology	-	-	39,788	39,788
Student therapy services	-	-	4,977	4,977
Support services - instructional staff:				
Improvement of instruction	80,190	-	-	80,190
Educational media	22,437	-	-	22,437
Support services - general administration:				
Board of Education	24,202	-	-	24,202
Support services - school administration:				
Office of the Principal	71,129	-	-	71,129
Other school administration	146	-	-	146
Support services - business:				
Fiscal services	124,035	-	-	124,035
Operation and maintenance of plant	133,729	25,770	-	159,499
Pupil transportation	22,532	-	-	22,532
Food services	5,155	4,673	-	9,828
Community services				
Care of children	381	1,795	-	2,176
Nonprogrammed charges				
Early retirement payments	5,700	-	-	5,700
Debt service	-	1,675	-	1,675
Co-curricular activities				
Combined activities	23,538	-	-	23,538
Capital outlay	-	50,984	-	50,984
Total expenditures	<u>1,421,034</u>	<u>100,650</u>	<u>150,570</u>	<u>1,672,254</u>
Excess of Revenue over (under) Expenditures	<u>(35,132)</u>	<u>80,673</u>	<u>11,092</u>	<u>56,633</u>
Other Financing Sources (Uses)				
Transfers in	78,750	-	-	78,750
Transfers out	-	(78,750)	-	(78,750)
Total other financing sources (uses)	<u>78,750</u>	<u>(78,750)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	43,618	1,923	11,092	56,633
Fund Balance - Beginning	<u>358,138</u>	<u>196,759</u>	<u>124,367</u>	<u>679,264</u>
Fund Balance - Ending	<u>\$ 401,756</u>	<u>\$ 198,682</u>	<u>\$ 135,459</u>	<u>\$ 735,897</u>

Big Stone City School District 25-1  
 Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the  
 Government-Wide Statements of Activities  
 Years Ended June 30, 2023 and 2022

	2023	2022
Net Change in Fund Balances - Total Governmental Funds	\$ (147,362)	\$ 56,633
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
<p>Governmental funds report capital outlays as expenditures; however, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
	2023	2022
Capital Outlay	\$ 164,330	\$ 50,984
Depreciation	(47,171)	(38,915)
	117,159	12,069
In the statement of activities, impairment losses are report; whereas, in the governmental funds, the impairment loss is not realized.	(339,697)	-
Governmental funds do not reflect the change in long-term debt, but the statements of activities reflect the change in long-term debt through expenditures.	4,318	12,425
The accrual of OPEB costs are not reflected in governmental funds, but the statements of activities reflect the change in this liability and related deferred outflows of resources.	(5,006)	(4,501)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from both property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."	299	(6,103)
Reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	18,467	76,484
Change in Net Assets of Governmental Activities	\$ (351,822)	\$ 147,007



Big Stone City School District 25-1  
Statement of Net Position – Proprietary Funds  
June 30, 2023

	Enterprise		Total
	Food Service Fund	Preschool Fund	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 2,784	\$ 172,969	\$ 175,753
Accounts receivable	3,773	27,649	31,422
Inventory of supplies	1,775	-	1,775
Inventory of stores purchased for resale	1,562	-	1,562
Inventory of donated food	3,755	-	3,755
Total current assets	<u>13,649</u>	<u>200,618</u>	<u>214,267</u>
<b>Noncurrent Assets</b>			
Net pension asset	170	702	872
Capital assets:			
Buildings	-	290,245	290,245
Machinery and equipment	82,579	27,403	109,982
Less accumulated depreciation	<u>(72,175)</u>	<u>(12,621)</u>	<u>(84,796)</u>
Total noncurrent assets	<u>10,574</u>	<u>305,729</u>	<u>316,303</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>16,477</u>	<u>68,188</u>	<u>84,665</u>
	<u>\$ 40,700</u>	<u>\$ 574,535</u>	<u>\$ 615,235</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,889	\$ 3,051	\$ 4,940
Unearned revenue	14,634	-	14,634
Contracts payable	4,721	963	5,684
Due to Capital Outlay Fund	-	38,802	38,802
Payroll deductions and withholdings and employer matching payable	<u>1,669</u>	<u>133</u>	<u>1,802</u>
Total liabilities	<u>22,913</u>	<u>42,949</u>	<u>65,862</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>9,951</u>	<u>41,181</u>	<u>51,132</u>
<b>Net Position</b>			
Net investment in capital assets	10,404	251,443	261,847
SDRS pension purposes	6,696	27,709	34,405
Unrestricted net position	<u>(9,264)</u>	<u>211,253</u>	<u>201,989</u>
Total net position	<u>7,836</u>	<u>490,405</u>	<u>498,241</u>
	<u>\$ 40,700</u>	<u>\$ 574,535</u>	<u>\$ 615,235</u>

Big Stone City School District 25-1  
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2023

	2023		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 6,705	\$ 6,705
Sales			
To pupils	23,468	-	23,468
To adults	5,772	-	5,772
Daycare and OST services	-	235,483	235,483
Total operating revenue	<u>29,240</u>	<u>242,188</u>	<u>271,428</u>
Operating Expenses			
Salaries and employee benefits	61,519	260,237	321,756
Purchased services	3,671	8,334	12,005
Supplies	5,131	22,025	27,156
Cost of sales - purchased	26,746	-	26,746
Cost of sales - donated	5,415	-	5,415
Depreciation	5,152	7,632	12,784
Other	65	-	65
Total operating expenses	<u>107,699</u>	<u>298,228</u>	<u>405,927</u>
Operating Loss	<u>(78,459)</u>	<u>(56,040)</u>	<u>(134,499)</u>
Nonoperating Revenue			
Other local revenue	2,033	7,221	9,254
State sources:			
Cash reimbursements	124	-	124
Federal sources:			
Cash reimbursements	61,402	96,326	157,728
Donated food	7,757	-	7,757
Total nonoperating revenue	<u>71,316</u>	<u>103,547</u>	<u>174,863</u>
Income (Loss) Before Transfers and Extraordinary Items	(7,143)	47,507	40,364
Transfers in	7,065	30,442	37,507
Extraordinary items	<u>(20,741)</u>	<u>-</u>	<u>(20,741)</u>
Change in Net Position	(20,819)	77,949	57,130
Net Position - Beginning	<u>28,655</u>	<u>412,456</u>	<u>441,111</u>
Net Position - Ending	<u>\$ 7,836</u>	<u>\$ 490,405</u>	<u>\$ 498,241</u>

Big Stone City School District 25-1  
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2022

	2022		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 9,115	\$ 9,115
Sales			
To pupils	6,735	-	6,735
To adults	5,672	-	5,672
Daycare and OST services	-	201,248	201,248
Total operating revenue	<u>12,407</u>	<u>210,363</u>	<u>222,770</u>
Operating Expenses			
Salaries and employee benefits	60,525	259,123	319,648
Purchased services	2,397	10,212	12,609
Supplies	1,337	44,251	45,588
Cost of sales - purchased	33,316	-	33,316
Cost of sales - donated	5,052	-	5,052
Depreciation	4,638	4,989	9,627
Other	65	-	65
Total operating expenses	<u>107,330</u>	<u>318,575</u>	<u>425,905</u>
Operating Loss	<u>(94,923)</u>	<u>(108,212)</u>	<u>(203,135)</u>
Nonoperating Revenue			
Other local revenue	5,033	62,322	67,355
State sources:			
Cash reimbursements	152	-	152
Federal sources:			
Cash reimbursements	84,127	215,903	300,030
Donated food	4,363	-	4,363
Total nonoperating revenue	<u>93,675</u>	<u>278,225</u>	<u>371,900</u>
Income (Loss) Before Contributions	(1,248)	170,013	168,765
Capital Contributions	<u>4,673</u>	<u>-</u>	<u>4,673</u>
Change in Net Position	<u>3,425</u>	<u>170,013</u>	<u>173,438</u>
Net Position - Beginning, as Previously Reported	25,230	28,447	53,677
Restatement - See Note 15	<u>-</u>	<u>213,996</u>	<u>213,996</u>
Net Position - Beginning, as Restated	<u>25,230</u>	<u>242,443</u>	<u>267,673</u>
Net Position - Ending	<u>\$ 28,655</u>	<u>\$ 412,456</u>	<u>\$ 441,111</u>

Big Stone City School District 25-1  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2023

	2023		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 34,969	\$ 247,800	\$ 282,769
Cash payments to employees for services	(60,859)	(266,657)	(327,516)
Cash payments to suppliers for goods or services	(34,643)	(31,173)	(65,816)
Other operating cash payments	(65)	-	(65)
Net Cash used for Operating Activities	<u>(60,598)</u>	<u>(50,030)</u>	<u>(110,628)</u>
Cash Flows from (used for) Noncapital Financing Activities			
Repayments to other funds	-	(11,000)	(11,000)
Transfers from other funds	7,065	30,442	37,507
Donations and other fund raising activities	2,033	7,221	9,254
Cash reimbursements - state sources	124	-	124
Cash reimbursements - federal sources	61,402	96,326	157,728
Net Cash from Noncapital Financing Activities	<u>70,624</u>	<u>122,989</u>	<u>193,613</u>
Cash Flows used for Capital and Related Financing Activities			
Purchase of Capital Assets	(14,369)	-	(14,369)
Net Cash used for Capital and Related Financing Activities	<u>(14,369)</u>	<u>-</u>	<u>(14,369)</u>
Net Change in Cash and Cash Equivalents	(4,343)	72,959	68,616
Cash and Cash Equivalents, Beginning of Year	7,127	100,010	107,137
Cash and Cash Equivalents, End of Year	<u>\$ 2,784</u>	<u>\$ 172,969</u>	<u>\$ 175,753</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (78,459)	\$ (56,040)	\$ (134,499)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	5,152	7,632	12,784
Value of donated commodities used	5,415	-	5,415
Change in assets and liabilities:			
Receivables	578	5,612	6,190
Inventories	384	-	384
Accounts and other payables	521	(814)	(293)
Unearned revenue	5,151	-	5,151
Accrued wages payable	(231)	(3,338)	(3,569)
Pension liability and deferred inflows	(23,193)	(69,431)	(92,624)
Pension asset and deferred outflows	24,004	66,773	90,777
Accrued payroll liabilities	80	(424)	(344)
Net Cash used for Operating Activities	<u>\$ (60,598)</u>	<u>\$ (50,030)</u>	<u>\$ (110,628)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 7,757	\$ -	\$ 7,757

See Notes to Financial Statements

Big Stone City School District 25-1  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2022

	2022		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 25,454	\$ 235,687	\$ 261,141
Cash payments to employees for services	(65,160)	(279,239)	(344,399)
Cash payments to suppliers for goods or services	(41,818)	(57,770)	(99,588)
Other operating cash payments	(65)	-	(65)
Net Cash used for Operating Activities	<u>(81,589)</u>	<u>(101,322)</u>	<u>(182,911)</u>
Cash Flows from (used for) Noncapital Financing Activities			
Repayments to other funds	(596)	(26,198)	(26,794)
Donations and other fund raising activities	5,033	62,322	67,355
Cash reimbursements - state sources	152	-	152
Cash reimbursements - federal sources	84,127	215,903	300,030
Net Cash from Noncapital Financing Activities	<u>88,716</u>	<u>252,027</u>	<u>340,743</u>
Cash Flows used for Capital and Related Financings Activities			
Purchase of Capital Assets	-	(56,444)	(56,444)
Net Cash used for Capital and Related Financings Activities	<u>-</u>	<u>(56,444)</u>	<u>(56,444)</u>
Net Change in Cash and Cash Equivalents	7,127	94,261	101,388
Cash and Cash Equivalents, Beginning of Year (Restated)	-	5,749	5,749
Cash and Cash Equivalents, End of Year	<u>\$ 7,127</u>	<u>\$ 100,010</u>	<u>\$ 107,137</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (94,923)	\$ (108,212)	\$ (203,135)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	4,638	4,989	9,627
Value of donated commodities used	5,052	-	5,052
Change in assets and liabilities:			
Receivables	7,851	25,324	33,175
Inventories	(487)	-	(487)
Accounts and other payables	(4,281)	(3,307)	(7,588)
Unearned revenue	5,196	-	5,196
Accrued wages payable	465	(2,231)	(1,766)
Pension liability and deferred inflows	21,620	73,448	95,068
Pension asset and deferred outflows	(26,835)	(91,108)	(117,943)
Accrued payroll liabilities	115	(225)	(110)
Net Cash used for Operating Activities	<u>\$ (81,589)</u>	<u>\$ (101,322)</u>	<u>\$ (182,911)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 4,363	\$ -	\$ 4,363
Capital contributions	4,673	-	4,673

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Big Stone City School District 25-1 conform to generally accepted accounting principles applicable to government entities in the United States of America.

**Financial Reporting Entity**

The reporting entity of the Big Stone City School District 25-1 (the School District) 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 School District); 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 School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

**Basis of Presentation**

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

**Government-Wide Financial Statements**

The statement of net position and statements of activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

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

### **Fund Financial Statements**

Fund financial statements of the School District 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% 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% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District 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 Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

**Special Revenue Fund Types** – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the School District.

**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 School District. This fund is financed by grants and property taxes. This is a major fund.

### **Proprietary Funds**

Enterprise Fund Types – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following are enterprise funds maintained by the School District:

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.

Preschool Fund – A fund used to record financial transactions related to preschool, daycare, and out-of-school time (OST) operations. This fund is financed by user charges. This is a major fund.

### **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 statements 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 funds.

#### **Basis of Accounting**

#### **Government-Wide Financial Statements**

In the government-wide statement of net position and statements 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).



### **Fund Financial Statements**

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. "Available" means resources are collected, or to be collected, soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle and, for the School District, the length of that cycle is 60 days.

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 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.

### **Interfund Eliminations and Reclassifications**

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

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

Fund Financial Statements – Noncurrent portions of long-term, interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from collection of those receivables are not restricted, committed or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

### **Inventory**

Inventory is stated at the lower of cost or market. The cost valuation method is first in, first out (FIFO). 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 the proprietary funds in the 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 in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

**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 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.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All land values	N/A	N/A
Buildings and improvements	\$ 10,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5 - 20 years
Food service assets	500	Straight-line	5 - 20 years

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.

**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 only long-term liabilities of the School District are accrued sick leave payable, early retirement, and a financing lease.

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 on the accrual basis, the same in the fund statements as in the government-wide statements.

**Program Revenues**

In the government-wide statements 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.

**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. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for the subsequent year. The county bills and collects the School District's taxes and remits them to the School District.

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

**Proprietary Funds Revenue and Expense Classifications**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

In the proprietary fund's statements of revenues, expenses and changes in net position, revenues and expenses are classified in a manner consistent with how they are classified in the statements 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.

### **Cash and Cash Equivalents**

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statements of cash flows.

### **Equity Classifications**

Government-Wide 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 is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

### **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 are available.

### **Fund Balance Classification Policies and Procedures**

The School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making, the School Board, and do 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 or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted/committed/assigned amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar-for-dollar spending. Additionally, the School District would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made. The government does not have a formal minimum fund balance policy.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. The School District reports contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension expense and changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are changes in the net pension liability (asset) not included in pension expense and changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS’s fiduciary net position has been determined on the same basis as reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk and Interest Rate Risk**

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

**Deposits**

The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

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

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 General Fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one institution.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District’s deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2023, the financial institution that holds the School District’s deposits was not properly collateralized and the deposits at the institution were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>Percent Under-Collateralized</u>	<u>At-Risk Amount</u>
Minnwest Bank	0.87%	<u>\$ 4,331</u>

The actual bank balances at June 30, 2023, were as follows:

Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging State and the pledging financial institution	<u>497,859</u>
	<u>\$ 997,859</u>

The School District’s carrying amount of deposits at June 30, 2023, was \$836,794.

## 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 (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) 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.

As of June 30, 2023, the School District did not hold any investments. The School District does not have a formal investment policy that addresses custodial credit risk, interest rate risk, credit risk, or concentration of credit risk.

## Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible accounts have been established.

## Note 4 - Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2023 and 2022, is as follows:

Primary Government Governmental Activities	Balance 7/1/2022	Increases	Decreases	Impairment	Balance 6/30/2023
Capital assets, not being depreciated:					
Land	\$ 240	\$ -	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	240	-	-	-	240
Capital assets being depreciated:					
Improvements other than buildings	176,842	19,620	-	(115,016)	81,446
Buildings	818,121	-	-	(50,838)	767,283
Machinery and equipment	232,559	144,710	-	(173,843)	203,426
	<u>1,227,522</u>	<u>164,330</u>	<u>-</u>	<u>(339,697)</u>	<u>1,052,155</u>
Less accumulated depreciation for:					
Improvements other than buildings	49,277	10,464	-	-	59,741
Buildings	739,130	11,285	-	-	750,415
Machinery and equipment	104,309	25,422	-	-	129,731
Total accumulated depreciation	<u>892,716</u>	<u>47,171</u>	<u>-</u>	<u>-</u>	<u>939,887</u>
Total capital assets being depreciated, net	<u>334,806</u>	<u>117,159</u>	<u>-</u>	<u>(339,697)</u>	<u>112,268</u>
Governmental activity capital assets, net	<u>\$ 335,046</u>	<u>\$ 117,159</u>	<u>\$ -</u>	<u>\$ (339,697)</u>	<u>\$ 112,508</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 7,256
Support services	34,273
Co-curricular	5,642
Total depreciation expense - governmental activities	<u>\$ 47,171</u>

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Notes to Financial Statements

June 30, 2023 and 2022

<u>Business-Type Activities</u>	<u>Balance 7/1/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Impairment</u>	<u>Balance 6/30/2023</u>
Capital assets being depreciated:					
Buildings	\$ 290,245	\$ -	\$ -	\$ -	\$ 290,245
Machinery and equipment	116,354	14,369	-	(20,741)	109,982
Total	406,599	14,369	-	(20,741)	400,227
Less accumulated depreciation for:					
Buildings	4,837	5,805	-	-	10,642
Machinery and equipment	67,175	6,979	-	-	74,154
Total accumulated depreciation	72,012	12,784	-	-	84,796
Total capital assets being depreciated, net	334,587	1,585	-	(20,741)	315,431
Business-type activities capital assets, net	<u>\$ 334,587</u>	<u>\$ 1,585</u>	<u>\$ -</u>	<u>\$ (20,741)</u>	<u>\$ 315,431</u>

Depreciation expense was charged to functions as follows:

Business-type activities:		
Food services		\$ 5,152
Preschool		7,632
Total depreciation expense - business-type activities		<u>\$ 12,784</u>

<u>Primary Government Governmental Activities</u>	<u>Balance 7/1/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2022</u>
Capital assets, not being depreciated:				
Land	\$ 240	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	240	-	-	240
Capital assets being depreciated				
Improvements other than buildings	128,853	47,989	-	176,842
Buildings	818,121	-	-	818,121
Machinery and equipment	229,564	2,995	-	232,559
Total	1,176,538	50,984	-	1,227,522
Less accumulated depreciation for:				
Improvements other than buildings	40,269	9,008	-	49,277
Buildings	727,846	11,284	-	739,130
Machinery and equipment	85,686	18,623	-	104,309
Total accumulated depreciation	853,801	38,915	-	892,716
Total capital assets, being depreciated, net	322,737	12,069	-	334,806
Governmental activity capital assets, net	<u>\$ 322,977</u>	<u>\$ 12,069</u>	<u>\$ -</u>	<u>\$ 335,046</u>

Depreciation expense was charged to functions as follows:

Governmental activities		
Instruction		\$ 6,665
Support services		26,608
Co-curricular		5,642
Total depreciation expense - governmental activities		<u>\$ 38,915</u>
		\$ -



Business-Type Activities	Balance 7/1/2021 (Restated)	Increases	Decreases	Balance 6/30/2022
Capital assets, not being depreciated:				
Construction in progress	\$ 261,204	\$ -	\$ (261,204)	\$ -
Total capital assets not being depreciated	261,204	-	(261,204)	-
Capital assets being depreciated:				
Buildings	-	290,245	-	290,245
Machinery and equipment	84,278	32,076	-	116,354
Total	84,278	322,321	-	406,599
Less accumulated depreciation for:				
Buildings	-	4,837	-	4,837
Machinery and equipment	62,385	4,790	-	67,175
Total accumulated depreciation	62,385	9,627	-	72,012
Total capital assets being depreciated, net	21,893	312,694	-	334,587
Business-type activities capital assets, net	\$ 283,097	\$ 312,694	\$ (261,204)	\$ 334,587
Depreciation expense was charged to functions as follows:				
Business-type activities:				
Food services				\$ 4,638
Preschool				4,989
Total depreciation expense - business-type activities				\$ 9,627

**Note 5 - Long-Term Liabilities**

A summary of changes in long-term debt follows:

Primary Government:	Beginning Balance 7/1/2021	Additions	Deletions	Ending Balance 6/30/2023	Due Within One Year
Governmental activities					
Financing lease	\$ 3,948	\$ -	\$ 3,494	\$ 454	\$ 454
Early retirement	29,450	-	11,400	18,050	5,700
Accrued sick leave	21,671	-	1,849	19,822	19,822
	\$ 55,069	\$ -	\$ 16,743	\$ 38,326	\$ 25,976

No anticipated reduction in accrued sick leave is foreseen for the next year. This accrual is typically liquidated from the General Fund and the Special Education Fund. Early retirement benefits payable for governmental activities is liquidated from the General Fund.

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

Financing Lease	Copier lease with Century Business Leasing, 3.5% interest rate, monthly payments of \$152.28 paid from the Capital Outlay Fund; final payment September 2023	\$ 454
Early Retirement	Requires monthly payments of \$475 from the General Fund; final payment August 2026	18,050
		<u>\$ 18,504</u>

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2023, excluding accrued sick leave, is as follows:

Year Ending June 30,	Financing Lease		Early Retirement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 454	\$ 3	\$ 5,700	\$ -	\$ 6,154	\$ 3
2025	-	-	5,700	-	5,700	-
2026	-	-	5,700	-	5,700	-
2027	-	-	950	-	950	-
	<u>\$ 454</u>	<u>\$ 3</u>	<u>\$ 18,050</u>	<u>\$ -</u>	<u>\$ 18,504</u>	<u>\$ 3</u>

**Note 6 - Restricted Net Position**

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

Purpose	Restricted By	Amount
Capital Outlay	Law	\$ 156,206
Special Education	Law	125,671
SDRS pension purposes	Pension Plan	170,167
		<u>452,044</u>
Total restricted net assets		<u>\$ 452,044</u>

**Note 7 - Early Retirement Plan**

The School District has adopted a policy whereby teachers between the ages of 55 and 64 that have been employed with the School District for a minimum of 15 years are eligible for early retirement. An eligible retiree is entitled to a sum equal to the School District contribution to a single insurance policy per month. This shall be paid to the retiree beginning in September of the school year immediately following the effective retirement date and continuing through August of the school year in which the retiree reaches the age of Medicare eligibility, at which time the payments will cease. These payments shall be made on regularly scheduled paydays. Any teacher employed by the School District will have the option of carrying the School District group health insurance for him/herself and/or his/her spouse, with the premium being paid by the retiree and/or participating spouse until the retiree and/or participating spouse reaches the age of Medicare eligibility. Arrangements may be made with the Business Manager to apply the cash benefit to insurance. For the fiscal years ending June 30, 2023 and 2022, the retirees participating in this plan have chosen to have this benefit applied to the retiree health insurance premium. Part-time employees' benefits will be prorated based on the formula above.

Effective July 1, 2019, the early retirement plan was terminated. However, employees hired prior to 2008 and eligible for the 2018-2019 negotiated agreement retirement benefit may still earn the benefit outlined under the previous plan, with a maximum payout of \$10,000, and limited to one retiring employee per any given year.

**Note 8 - 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 two years ended June 30, 2023, the School District managed its risks as follows:

**Liability Insurance**

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

**Employee Health Insurance**

The School District purchases health insurance for its employees from a commercial carrier.

**Workers' Compensation Insurance**

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 provides 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 trustees 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 risk 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 has 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. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

### **Unemployment Benefits**

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

During the two years ended June 30, 2023, no claims for unemployment benefits were paid. At June 30, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

## **Note 9 - Post-Employment Healthcare Plan**

### **Plan Description**

Big Stone City School District Healthcare Plan is a single-employer, defined-benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established, and may be amended, during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

### **Benefits Provided**

The contribution requirements of plan members and the School District are established, and may be amended, during the negotiated agreement process between School District certified staff and the governing board. A teacher or administrator who retires from the School District on or after the age of 55 and with at least 15 years of consecutive service with the School District may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65. The retiree is not responsible for any of the full active-premium rates for single-party coverage and, if two-party coverage is received, the retiree is responsible for the difference between the full active-premium rates of single-party and two-party coverage.

**Employees Covered by Benefit Terms**

At the valuation date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	31
	32
	32

**Total OPEB Liability**

The District’s total OPEB liability of \$72,541 was measured as of June 30, 2023, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	See SDRS Actuarial Assumptions
Salary increases	6.5% for 1 year of service grading to 3% for 25 plus years
Discount rate	2.16% as of 6/30/22 and 3.54% as of 6/30/23
Healthcare cost trend rates - Medical	5.7% grading to 3.7% over 53 years

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

**Other Assumptions**

Mortality	97% of RP-2014 White Collar Mortality Tables for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2021						
Disability	See SDRS Actuarial Assumptions						
Withdrawal	See sample rates						
Retirement	See SDRS Actuarial Assumptions						
Age Difference	Spouses same age as participants						
Retiree Plan Participation	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Future Retirees Electing Coverage:</td> <td style="width: 20%;">25%</td> <td style="width: 40%;"></td> </tr> <tr> <td>Current Retirees Electing Coverage:</td> <td>Actual</td> <td></td> </tr> </table>	Future Retirees Electing Coverage:	25%		Current Retirees Electing Coverage:	Actual	
Future Retirees Electing Coverage:	25%						
Current Retirees Electing Coverage:	Actual						
Percent of Retirees Electing Family Coverage	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Future Retirees Electing Coverage:</td> <td style="width: 20%;">25%</td> <td style="width: 40%;"></td> </tr> <tr> <td>Current Retirees Electing Coverage:</td> <td>Actual</td> <td></td> </tr> </table>	Future Retirees Electing Coverage:	25%		Current Retirees Electing Coverage:	Actual	
Future Retirees Electing Coverage:	25%						
Current Retirees Electing Coverage:	Actual						

**Changes in the Total OPEB Liability**

Balance at July 1, 2021	\$ 66,360
Changes from the Prior Year:	
Service cost	6,878
Interest cost	1,558
Effect of economic/demographic gains or losses	31,977
Effect of assumption changes or inputs	(27,406)
Benefit payments	(5,512)
	<u>7,495</u>
Total Changes	<u>7,495</u>
Balance at June 30, 2022	<u>73,855</u>
Changes from the Prior Year:	
Service cost	8,239
Interest cost	1,711
Effect of assumption changes or inputs	(5,461)
Benefit payments	(5,803)
	<u>(1,314)</u>
Total Changes	<u>(1,314)</u>
Balance at June 30, 2023	<u>\$ 72,541</u>

**Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 76,445	\$ 72,541	\$ 68,924

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Total OPEB liability	\$ 66,403	\$ 72,541	\$ 79,752
Medical trend rate	4.70% decreasing to 2.7% over 53 years	5.70% decreasing to 3.7% over 53 years	6.70% decreasing to 4.7% over 53 years

**OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the years ended June 30, 2023 and 2022, the School District recognized an increase of health insurance expense of \$5,006 and \$4,501, respectively, due to OPEB. At June 30, 2023, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 552	\$ 36,045
Differences between expected and actual experience	<u>39,418</u>	<u>-</u>
	<u>\$ 39,970</u>	<u>\$ 36,045</u>

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense</u>
2024	\$ 957
2025	1,200
2026	1,289
2027	1,273
2028	(5)
Thereafter	<u>(789)</u>
	<u>\$ 3,925</u>

**Note 10 - 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, defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided**

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

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

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

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

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

Legislation enacted in 2021 reducing 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 Adjustment.



### 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 public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ending June 30, 2023, 2022, and 2021 were \$61,931, \$65,391, and \$60,608, respectively, equal to the required contributions each year.

### Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2022, SDRS is 100.10% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of SDRS for the School District as of the measurement period ending June 30, 2022, and reported by the School District as of June 30, 2023, are as follows:

Proportionate share of net pension liability	\$ 6,443,108
Less proportionate share of net pension restricted for pension benefits	<u>6,447,421</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (4,313)</u></u>

At June 30, 2023, the School District reported a liability (asset) of (\$4,313) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (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 0.04564200%, which is an increase of .001129% from its proportion measured as of June 30, 2021.

For the years ended June 30, 2023 and 2022, the School District recognized pension expense (reduction of pension expense) of \$(20,315) and \$(99,361), respectively. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82,110	\$ 280
Changes in assumption	274,150	240,256
Net difference between projected and actual earnings on pension plan investments	-	10,337
Changes in proportion and difference between School District contributions and proportionate share of contributions	560	2,024
School District contributions subsequent to the measurement date	<u>61,931</u>	<u>-</u>
	<u><u>\$ 418,751</u></u>	<u><u>\$ 252,897</u></u>

There is \$61,931 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 as follows:

Years Ended June 30,	Amount
2024	\$ 27,925
2025	59,550
2026	(68,815)
2027	85,263
	\$ 103,923

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

**Mortality Rates**

- All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
- Active and Terminated Vested Members:
  - Teachers, Certified Regents, and Judicial: PubT-2010
  - Other Class A Members: PubG-2010
  - Public Safety Members: PubS-2010
- Retired Members:
  - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
  - Other Class A Retirees: PubG-2010, 93% of 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022, (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

<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%
	<u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee 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 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 one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of The net pension liability (asset)	\$ 895,649	\$ (4,313)	\$ (739,821)

**Pension Plan Fiduciary Net Position**

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

**Note 11 - Interfund Transactions**

During the years ended June 30, 2023 and 2022, the General Fund transferred to the Food Service Fund \$7,065 and \$0, and to the Preschool Fund \$30,442 and \$0, respectively, to cover operating deficits of these funds.

During the years ended June 30, 2023 and 2022, the Capital Outlay Fund transferred to the General Fund \$83,250, and \$78,750, respectively, to cover operating costs of the fund, as allowed by SDCL 13-16-6.

As of June 30, 2023, the Capital Outlay Fund has a due from Preschool Fund of \$38,802 for amounts that were loaned for the purpose of building a daycare building. This will be paid back from excess daycare revenue and other donations received up to the point of School Closure.

**Note 12 - Litigation**

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

**Note 13 - Related Party**

In the ordinary course of business, the School District hired companies in which School Board members' spouses have ownership interests in the entities. The businesses were hired based on their proximity to the school. Total purchases from these businesses for the years ended June 30, 2023 and 2022, were \$0 and \$10,145, respectively.

**Note 14 - School Closure, Dissolution, and Impairment Assessment**

In December 2022, the School District was notified by the South Dakota Department of Education that the School District will be required to cease operations as required under applicable state laws. The School District has developed a plan for dissolution of the School District with the effective date of June 30, 2025.

With notification of required dissolution being received during 2023, the School District was required to assess the carrying values of capital assets for impairment during that year. Based on guidance under GASB 42, the School District had impairment loss on certain buildings and equipment of \$360,438 which was determined using the service-unit approach. For the Daycare Fund, the understanding as of September 17, 2024, is the operations of the fund including the assets and liabilities will be purchased for a nominal amount by the City of Big Stone City to continue operations. Based on this, no impairment was required to be assessed on the Daycare Fund capital assets and the loss on disposal of operations will be recorded at the time of the transfer which is expected to be on or about June 30, 2025.

**Note 15 - Correction of Error**

During 2022, the School District identified misstatements within the 2021 financial statements related to the understatement of capital assets, receivables, and cash in the Preschool Fund and Business-Type Activities for missing activity from prior years.

The School District restated the net position of the funds indicated below to appropriately reflect the July 1, 2021, balances as follows:

	Preschool Fund	Business-Type Activities
Net position (deficit) at July 1, 2021, as previously reported	\$ 28,447	\$ 53,677
Restatement	213,996	213,996
Net position (deficit) at July 1, 2021, as restated	\$ 242,443	\$ 267,673

The School District also restated the beginning cash balances of the June 30, 2022, statements of cash flows.



Required Supplementary Information  
June 30, 2023 and 2022

## Big Stone City School District 25-1

Big Stone City School District 25-1  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
Service Cost	\$ 8,239	\$ 6,878	\$ 6,290	\$ 6,726	\$ 6,698	\$ 7,097
Interest	1,711	1,558	2,279	1,895	1,520	1,058
Effect of Economic/Demographic Gains or Losses	-	31,977	-	31,733	-	-
Effect of Assumption Changes or Inputs	(5,461)	(27,406)	882	(21,381)	(893)	(1,974)
Benefit Payments	(5,803)	(5,512)	(3,768)	(1,054)	(627)	(295)
Net Change in Total OPEB Liability	(1,314)	7,495	5,683	17,919	6,698	5,886
Total OPEB Liability - Beginning	73,855	66,360	60,677	42,758	36,060	30,174
Total OPEB Liability - Ending	<u>\$ 72,541</u>	<u>\$ 73,855</u>	<u>\$ 66,360</u>	<u>\$ 60,677</u>	<u>\$ 42,758</u>	<u>\$ 36,060</u>
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's Total OPEB Liability as A Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

**Plan Assets**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Changes in Benefits**

None.

**Changes in Assumptions**

The discount rate has been updated based on applicable GASB 75 standards. Estimated claim costs were updated to reflect anticipated experience pursuant to a review of the medical provisions and current premiums. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application. The mortality improvement scale has been updated to MP-2021, the most recently published scale. Separate retirement rates were applied for Generational Members (members joining SDRS after June 30, 2017).



Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Year Ended June 30, 2023

	2023			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 762,115	\$ 762,115	\$ 789,217	\$ 27,102
Prior year's ad valorem taxes	5,000	5,000	3,117	(1,883)
Gross receipts taxes	14,000	14,000	17,477	3,477
Penalties and interest on taxes	1,000	1,000	915	(85)
Tuition and fees:				
Regular day school tuition	186,328	186,328	176,240	(10,088)
Earnings on investments and deposits	4,000	4,000	1,336	(2,664)
Co-curricular activities:				
Other pupil activity income	100	100	185	85
Other revenue from local sources:				
Rentals	100	100	1,025	925
Contributions and donations	2,500	2,500	1,000	(1,500)
Charges for services	800	800	1,872	1,072
Other	5,000	5,000	30,689	25,689
Revenue from intermediate sources				
County sources:				
County apportionment	4,000	4,000	3,452	(548)
Revenue in lieu of taxes	100	100	61	(39)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	75,396	75,396	67,067	(8,329)
Restricted grants-in-aid	8,000	8,000	6,380	(1,620)
Other state revenue	-	-	230	230
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	175,860	175,860	149,356	(26,504)
Total revenues	<u>1,244,299</u>	<u>1,244,299</u>	<u>1,249,619</u>	<u>5,320</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Year Ended June 30, 2023

	2023			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs:				
Elementary	401,032	435,832	348,104	87,728
Middle/junior high	218,519	231,119	223,215	7,904
Special programs:				
Educationally deprived	45,624	64,524	39,676	24,848
Other	240,264	263,564	262,789	775
Support services				
Pupils:				
Attendance and social work	55,293	114,493	58,831	55,662
Support services - instructional staff:				
Improvement of instruction	69,961	73,761	8,435	65,326
Educational media	25,270	26,570	19,261	7,309
Support services - general administration:				
Board of Education	6,384	6,784	5,377	1,407
Support services - school administration:				
Office of the Principal	78,818	79,218	76,582	2,636
Other	120	29,420	29,019	401
Support services - business:				
Fiscal services	122,641	128,941	110,522	18,419
Operation and maintenance of plant	141,278	154,678	146,305	8,373
Pupil transportation	23,301	26,901	23,076	3,825
Food services	3,500	4,800	4,750	50
Community services				
Care of children	2,500	2,500	420	2,080
Nonprogrammed charges				
Early retirement payments	5,700	5,700	5,700	-
Co-curricular activities				
Combined activities	14,196	20,996	26,597	(5,601)
Total expenditures	<u>1,454,401</u>	<u>1,669,801</u>	<u>1,388,659</u>	<u>281,142</u>
Excess of Revenue over (under) Expenditures	<u>(210,102)</u>	<u>(425,502)</u>	<u>(139,040)</u>	<u>286,462</u>
Other Financing Sources (Uses)				
Transfers in	83,250	83,250	83,250	-
Transfers out	<u>(39,218)</u>	<u>(49,518)</u>	<u>(37,507)</u>	<u>12,011</u>
Total other financing sources (uses)	<u>44,032</u>	<u>33,732</u>	<u>45,743</u>	<u>12,011</u>
Net Change in Fund Balances	(166,070)	(391,770)	(93,297)	298,473
Fund Balance - Beginning	<u>401,756</u>	<u>401,756</u>	<u>401,756</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 235,686</u>	<u>\$ 9,986</u>	<u>\$ 308,459</u>	<u>\$ 298,473</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 771,752	\$ 771,752	\$ 782,031	\$ 10,279
Prior years' ad valorem taxes	3,500	3,500	12,154	8,654
Gross receipts taxes	16,000	16,000	13,092	(2,908)
Penalties and interest on taxes	1,000	1,000	2,751	1,751
Tuition and fees:				
Regular day school tuition	204,961	204,961	190,526	(14,435)
Earnings on investments and deposits	4,000	4,000	4,448	448
Co-curricular activities:				
Other pupil activity income	100	100	120	20
Other revenue from local sources:				
Rentals	100	100	978	878
Contributions and donations	2,500	2,500	1,500	(1,000)
Charges for services	800	800	1,790	990
Other	9,000	9,000	45,028	36,028
Revenue from intermediate sources				
County sources:				
County apportionment	4,000	4,000	4,027	27
Revenue in lieu of taxes	100	100	86	(14)
Revenue from state sources				
Grants-in-aid:				
Unrestricted grants-in-aid	84,200	84,200	135,323	51,123
Restricted grants-in-aid	7,851	7,851	9,760	1,909
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	199,110	199,110	182,288	(16,822)
Total revenues	<u>1,308,974</u>	<u>1,308,974</u>	<u>1,385,902</u>	<u>76,928</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – General Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs:				
Elementary	368,521	419,421	389,381	30,040
Middle/junior high	192,907	202,907	150,017	52,890
Special programs:				
Educationally deprived	58,288	74,188	60,448	13,740
Tuition	280,192	280,692	272,137	8,555
Support services				
Pupils:				
Attendance and social work	51,677	51,677	28,125	23,552
Guidance	8,035	8,085	7,752	333
Support services - instructional staff:				
Improvement of instruction	93,647	122,147	80,190	41,957
Educational media	22,610	28,110	22,437	5,673
Support services - general administration:				
Board of Education	26,549	26,549	24,202	2,347
Support services - school administration:				
Office of the Principal	73,163	74,213	71,129	3,084
Other school administration	120	170	146	24
Support services - business:				
Fiscal services	116,379	122,329	124,035	(1,706)
Operation and maintenance of plant	131,710	150,010	133,729	16,281
Pupil transportation	22,106	27,006	22,532	4,474
Food services	3,500	6,500	5,155	1,345
Community services				
Care of children	2,500	2,500	381	2,119
Nonprogrammed charges				
Early retirement payments	5,700	5,700	5,700	-
Co-curricular activities				
Combined activities	14,196	20,246	23,538	(3,292)
Total expenditures	<u>1,471,800</u>	<u>1,622,450</u>	<u>1,421,034</u>	<u>201,416</u>
Excess of Revenue over (under) Expenditures	<u>(162,826)</u>	<u>(313,476)</u>	<u>(35,132)</u>	<u>278,344</u>
Other Financing Sources (Uses)				
Transfers in	78,750	78,750	78,750	-
Transfers out	<u>(6,374)</u>	<u>(6,374)</u>	<u>-</u>	<u>6,374</u>
Total other financing sources (uses)	<u>72,376</u>	<u>72,376</u>	<u>78,750</u>	<u>6,374</u>
Net Change in Fund Balances	(90,450)	(241,100)	43,618	284,718
Fund Balance - Beginning	<u>358,138</u>	<u>358,138</u>	<u>358,138</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 267,688</u>	<u>\$ 117,038</u>	<u>\$ 401,756</u>	<u>\$ 284,718</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2023

	2023			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 185,000	\$ 185,000	\$ 185,960	\$ 960
Prior year's ad valorem taxes	400	400	-	(400)
Penalties and interest on taxes	100	100	697	597
Other revenue from local sources:				
Other	-	-	188	188
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	50,000	50,000	44,466	(5,534)
Total revenues	<u>235,500</u>	<u>235,500</u>	<u>231,311</u>	<u>(4,189)</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	17,000	18,700	10,287	8,413
Middle/junior high	5,000	5,000	-	5,000
Support services - business:				
Facilities acquisition and construction	50,000	50,000	44,467	5,533
Operation and maintenance of plant	92,485	134,985	134,887	98
Debt service	5,000	5,600	1,827	3,773
Total expenditures	<u>169,485</u>	<u>214,285</u>	<u>191,468</u>	<u>22,817</u>
Excess of Revenue over (under) Expenditures	<u>66,015</u>	<u>21,215</u>	<u>39,843</u>	<u>18,628</u>
Other Financing Sources (Uses)				
Transfers out	(83,250)	(83,250)	(83,250)	-
Total other financing sources (uses)	<u>(83,250)</u>	<u>(83,250)</u>	<u>(83,250)</u>	<u>-</u>
Net Change in Fund Balance	(17,235)	(62,035)	(43,407)	18,628
Adjusted Fund Balance - Beginning	<u>198,682</u>	<u>198,682</u>	<u>198,682</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 181,447</u>	<u>\$ 136,647</u>	<u>\$ 155,275</u>	<u>\$ 18,628</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 175,000	\$ 175,000	\$ 176,867	\$ 1,867
Prior year's ad valorem taxes	400	400	2,187	1,787
Penalties and interest on taxes	100	100	474	374
Other revenue from local sources:				
Other	-	-	1,795	1,795
Total revenues	<u>175,500</u>	<u>175,500</u>	<u>181,323</u>	<u>5,823</u>
Expenditures				
Instruction				
Regular programs:				
Elementary	8,000	9,000	10,753	(1,753)
Middle/junior high	5,000	9,000	5,000	4,000
Support services				
Operation and maintenance of plant	76,603	81,603	76,754	4,849
Food services	5,000	5,000	4,673	327
Community services				
Care of children	-	3,000	1,795	1,205
Debt service	5,000	5,000	1,675	3,325
Total expenditures	<u>99,603</u>	<u>112,603</u>	<u>100,650</u>	<u>11,953</u>
Excess of Revenue over (under) Expenditures	<u>75,897</u>	<u>62,897</u>	<u>80,673</u>	<u>17,776</u>
Other Financing Sources (Uses)				
Transfers out	(78,750)	(78,750)	(78,750)	-
Total other financing sources (uses)	<u>(78,750)</u>	<u>(78,750)</u>	<u>(78,750)</u>	<u>-</u>
Net Change in Fund Balance	(2,853)	(15,853)	1,923	17,776
Fund Balance - Beginning	<u>196,759</u>	<u>196,759</u>	<u>196,759</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 193,906</u>	<u>\$ 180,906</u>	<u>\$ 198,682</u>	<u>\$ 17,776</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund  
 Year Ended June 30, 2023

	2023			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 138,500	\$ 138,500	\$ 151,896	\$ 13,396
Prior year's ad valorem taxes	300	300	665	365
Penalties and interest on taxes	100	100	144	44
Tuition and fees:				
Regular day school tuition	6,000	6,000	9,737	3,737
Other revenue from local sources (uses):				
Charges for services	50	50	106	56
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	22,258	22,258	42,729	20,471
Total revenues	<u>167,208</u>	<u>167,208</u>	<u>205,277</u>	<u>38,069</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	117,205	167,805	163,673	4,132
Support services				
Pupils:				
Psychological	1,500	2,600	2,580	20
Speech pathology	45,503	47,103	43,466	3,637
Student therapy services	3,000	6,300	6,216	84
Total expenditures	<u>167,208</u>	<u>223,808</u>	<u>215,935</u>	<u>7,873</u>
Net Change in Fund Balance	-	(56,600)	(10,658)	45,942
Fund Balance - Beginning	<u>135,459</u>	<u>135,459</u>	<u>135,459</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 135,459</u>	<u>\$ 78,859</u>	<u>\$ 124,801</u>	<u>\$ 45,942</u>

Big Stone City School District 25-1  
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund  
 Year Ended June 30, 2022

	2022			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes:				
Ad valorem taxes	\$ 138,000	\$ 138,000	\$ 146,991	\$ 8,991
Prior year's ad valorem taxes	300	300	2,126	1,826
Penalties and interest on taxes	101	101	456	355
Tuition and fees	8,000	8,000	11,988	3,988
Other revenue from local sources:				
Charges for services	50	50	101	51
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	23,192	23,192	-	(23,192)
Total revenues	<u>169,643</u>	<u>169,643</u>	<u>161,662</u>	<u>(7,981)</u>
Expenditures				
Instruction				
Special programs:				
Programs for special education	123,220	149,070	103,055	46,015
Support services				
Pupils:				
Psychological	1,500	3,500	2,750	750
Speech pathology	42,949	43,049	39,788	3,261
Student therapy services	1,974	6,974	4,977	1,997
Total expenditures	<u>169,643</u>	<u>202,593</u>	<u>150,570</u>	<u>52,023</u>
Net Change in Fund Balance	-	(32,950)	11,092	44,042
Fund Balance - Beginning	<u>124,367</u>	<u>124,367</u>	<u>124,367</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 124,367</u>	<u>\$ 91,417</u>	<u>\$ 135,459</u>	<u>\$ 44,042</u>



**Note 1 - Basis of Presentation**

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function while the governmental funds statements of revenues, expenditures and changes in fund balance presents capital outlay expenditures as a separate function.

**Note 2 - Budgetary Legal Requirements**

**Budgets and Budgetary Accounting**

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

1. 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.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. 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.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% 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.
8. 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 School District.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Big Stone City School District 25-1  
 Schedule of Net Pension Liability (Asset)  
 June 30, 2023

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2022	0.0456%	\$ (4,313)	\$ 1,089,853	-0.4%	100.10%
SDRS	6/30/2021	0.0445%	(340,893)	1,010,133	-33.7%	105.52%
SDRS	6/30/2020	0.0429%	(1,864)	941,866	-0.2%	100.04%
SDRS	6/30/2019	0.0438%	(4,638)	930,616	-0.5%	100.09%
SDRS	6/30/2018	0.0431%	(1,006)	896,355	-0.1%	100.02%
SDRS	6/30/2017	0.0391%	(3,549)	794,466	-0.4%	100.10%
SDRS	6/30/2016	0.0396%	133,798	753,178	17.8%	96.89%
SDRS	6/30/2015	0.0445%	(188,913)	813,200	-23.2%	104.10%
SDRS	6/30/2014	0.0466%	(335,379)	814,050	-41.2%	107.30%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

Big Stone City School District 25-1  
 Schedule of Pension Contributions  
 June 30, 2023

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2023	\$ 61,931	\$ 61,931	\$ -	\$ 1,032,191	6.0%
SDRS	6/30/2022	65,391	65,391	-	1,089,853	6.0%
SDRS	6/30/2021	60,608	60,608	-	1,010,133	6.0%
SDRS	6/30/2020	56,512	56,512	-	941,866	6.0%
SDRS	6/30/2019	55,839	55,839	-	930,616	6.0%
SDRS	6/30/2018	53,782	53,782	-	896,355	6.0%
SDRS	6/30/2017	47,668	47,668	-	794,466	6.0%
SDRS	6/30/2016	45,191	45,191	-	753,178	6.0%
SDRS	6/30/2015	48,792	48,792	-	813,200	6.0%

\*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

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

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

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA 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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, actuarial valuation.

#### **Actuarial Method Changes**

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



**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***

To the School Board  
Big Stone City School District 25-1  
Big Stone City, 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 and each major fund of Big Stone City School District 25-1 (the School District), as of June 30, 2023, and for each of the years in the two-year period 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 September 17, 2024.

**Report on Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 a 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 over financial reporting 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. We identified certain deficiencies in internal control, described in the accompanying auditor’s comments as items 2023-001 and 2023-002, that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from 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 Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying auditor's comments. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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 the entity'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.



Aberdeen, South Dakota  
September 17, 2024

## Current Audit Findings and Recommendations

### Material Weaknesses

#### **Finding 2023-001 - Preparation of Financial Statements and Footnotes, including Significant Journal Entries, GASB 68 Calculations, and Restatement**

*Criteria:* The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

*Condition:* Big Stone City School District 25-1 (School District) requested the external auditors to assist in the preparation of the financial statements and related notes for the two years ended June 30, 2023. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement of the School District's financial statements. We also identified certain errors in previously issued financial statements resulting in a restatement of beginning net position that were not identified by management in the prior year. We were also requested to assist in calculations related to GASB 68.

*Cause:* The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could cause the need for auditors to, at times, propose material journal entries as well as restate the prior-year financials.

*Effect:* This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:* This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

*Views of Responsible Officials:* Management agrees with this finding.



**Finding 2023-002 - Lack of Segregation of Duties**

*Criteria:* A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Condition:* Big Stone City School District 25-1 (School District) has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

*Cause:* The School District has insufficient number of staff to adequately separate duties.

*Effect:* This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected and corrected on a timely basis.

*Recommendation:* Although it is recognized that the number of office staff may not be sufficient to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

*Views of Responsible Officials:* Management agrees with this finding.