

Financial Statements
June 30, 2025 and 2024

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, 2025, 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, 2025, 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.

Emphasis of Matter - School Closure and Dissolution

As discussed in Note 12 to the financial statements, the School District is required to close and dissolve effective June 30, 2025. The financial statements are adjusted to reflect the dissolution effective for the year ending June 30, 2025. 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 January 14, 2026, 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
January 14, 2026

Big Stone City School District 25-1

Statement of Net Position - 2025

June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Taxes receivable	-	-	-
Accounts receivable	-	-	-
Inventories	-	-	-
Net pension asset	-	-	-
Capital assets not being depreciated			
Land	-	-	-
Capital assets, net of accumulated depreciation			
Improvements other than buildings	-	-	-
Buildings	-	-	-
Machinery and equipment	-	-	-
Total assets	-	-	-
Deferred Outflows of Resources			
OPEB related deferred outflows	-	-	-
Pension related deferred outflows	-	-	-
Total deferred outflows of resources	-	-	-
	\$ -	\$ -	\$ -

Big Stone City School District 25-1

Statement of Net Position - 2025

June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Other current liabilities	-	-	-
Noncurrent liabilities			
Due within one year	-	-	-
Due in more than one year	-	-	-
OPEB liability	-	-	-
Total liabilities	-	-	-
Deferred Inflows of Resources			
OPEB related deferred inflows	-	-	-
Pension related deferred inflows	-	-	-
Taxes levied for future period	-	-	-
Total deferred inflows of resources	-	-	-
Net Position			
Net investment in capital assets	-	-	-
Restricted for			
Capital Outlay	-	-	-
Special Education	-	-	-
SDRS pension purposes	-	-	-
Unrestricted	-	-	-
Total net position	-	-	-
	\$ -	\$ -	\$ -

Big Stone City School District 25-1
Statement of Activities - 2025
Year Ended June 30, 2025

Functions/Programs	2025						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
Instruction	\$ 1,312,525	\$ 204,447	\$ 118,689	\$ -	\$ (989,389)	\$ -	\$ (989,389)
Support services	710,703	-	1,500	-	(709,203)	-	(709,203)
Co-curricular activities	57,477	1,310	-	-	(56,167)	-	(56,167)
Total governmental activities	<u>2,080,705</u>	<u>205,757</u>	<u>120,189</u>	<u>-</u>	<u>(1,754,759)</u>	<u>-</u>	<u>(1,754,759)</u>
Business-type activities							
Food service	141,560	29,252	65,065	-	-	(47,243)	(47,243)
Daycare and OST	150,280	110,032	-	-	-	(40,248)	(40,248)
Preschool	37,168	15,654	6,455	-	-	(15,059)	(15,059)
Total business-type activities	<u>329,008</u>	<u>154,938</u>	<u>71,520</u>	<u>-</u>	<u>-</u>	<u>(102,550)</u>	<u>(102,550)</u>
	<u>\$ 2,409,713</u>	<u>\$ 360,695</u>	<u>\$ 191,709</u>	<u>\$ -</u>	<u>(1,754,759)</u>	<u>(102,550)</u>	<u>(1,857,309)</u>
General Revenues							
Property taxes					1,266,636	-	1,266,636
Gross receipts taxes					14,946	-	14,946
Revenue from state sources							
State aid					60,613	-	60,613
Unrestricted investment earnings					13,451	-	13,451
Rentals					1,225	-	1,225
Other general revenues					41,942	4,316	46,258
Special item - dissolution (See Note 12)					(339,694)	(393,481)	(733,175)
Transfers					(44,942)	44,942	-
Total general revenues					<u>1,014,177</u>	<u>(344,223)</u>	<u>669,954</u>
Change in Net Position					(740,582)	(446,773)	(1,187,355)
Net Position - Beginning					<u>740,582</u>	<u>446,773</u>	<u>1,187,355</u>
Net Position - Ending					<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Big Stone City School District 25-1
Statement of Activities - 2024
Year Ended June 30, 2024

Functions/Programs	2024						
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
Instruction	\$ 1,106,620	\$ 165,173	\$ 142,588	\$ -	\$ (798,859)	\$ -	\$ (798,859)
Support services	584,566	-	1,500	-	(583,066)	-	(583,066)
*Interest on long-term debt	3	-	-	-	(3)	-	(3)
Co-curricular activities	34,111	135	-	-	(33,976)	-	(33,976)
Total governmental activities	<u>1,725,300</u>	<u>165,308</u>	<u>144,088</u>	<u>-</u>	<u>(1,415,904)</u>	<u>-</u>	<u>(1,415,904)</u>
Business-type activities							
Food service	112,734	25,687	62,695	-	-	(24,352)	(24,352)
Daycare and OST	179,835	122,151	6,904	-	-	(50,780)	(50,780)
Preschool	30,559	6,260	-	-	-	(24,299)	(24,299)
Total business-type activities	<u>323,128</u>	<u>154,098</u>	<u>69,599</u>	<u>-</u>	<u>-</u>	<u>(99,431)</u>	<u>(99,431)</u>
	<u>\$ 2,048,428</u>	<u>\$ 319,406</u>	<u>\$ 213,687</u>	<u>\$ -</u>	<u>(1,415,904)</u>	<u>(99,431)</u>	<u>(1,515,335)</u>
General Revenues							
Property taxes					1,289,908	-	1,289,908
Gross receipts taxes					14,687	-	14,687
Revenue from state sources							
State aid					106,232	-	106,232
Unrestricted investment earnings					11,460	-	11,460
Rentals					1,225	-	1,225
Other general revenues					38,522	6,628	45,150
Transfers					(41,335)	41,335	-
Total general revenues					<u>1,420,699</u>	<u>47,963</u>	<u>1,468,662</u>
Change in Net Position					<u>4,795</u>	<u>(51,468)</u>	<u>(46,673)</u>
Net Position - Beginning					<u>735,787</u>	<u>498,241</u>	<u>1,234,028</u>
Net Position - Ending					<u>\$ 740,582</u>	<u>\$ 446,773</u>	<u>\$ 1,187,355</u>

Big Stone City School District 25-1
Balance Sheet – Governmental Funds - 2025
June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Taxes receivable - current	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Current Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Payroll deductions and withholdings and employer matching payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	-	-	-
Taxes levied for a future period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for				
Capital Outlay	-	-	-	-
Special Education	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Total Fund Balances - Governmental Funds	\$	-
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.		-
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.		-
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.		-
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		-
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.		-
		<hr/>
Net Position - Governmental Funds	\$	<hr/> <hr/> -

Big Stone City School District 25-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - 2025
Year Ended June 30, 2025

	2025			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 804,466	\$ 249,501	\$ 217,589	\$ 1,271,556
Prior year's ad valorem taxes	4,439	1,316	1,208	6,963
Gross receipts taxes	14,946	-	-	14,946
Penalties and interest on taxes	1,040	295	281	1,616
Tuition and fees				
Regular day school tuition	171,411	-	33,036	204,447
Earnings on investments and deposits	13,451	-	-	13,451
Co-curricular activities				
Other pupil activity income	1,310	-	-	1,310
Other revenue from local sources				
Rentals	1,225	-	-	1,225
Contributions and donations	1,500	-	-	1,500
Charges for services	1,765	-	-	1,765
Other	36,457	-	-	36,457
Revenue from intermediate sources				
County sources				
County apportionment	4,554	-	-	4,554
Revenue in lieu of taxes	68	-	-	68
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	60,613	-	-	60,613
Restricted grants-in-aid	111	-	-	111
Revenue from federal sources				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	118,578	-	-	118,578
Total revenues	1,235,934	251,112	252,114	1,739,160

Big Stone City School District 25-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - 2025
Year Ended June 30, 2025

	2025			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs				
Elementary	493,780	5,472	-	499,252
Middle/junior high	304,489	-	-	304,489
Special programs				
Programs for special education	-	-	201,208	201,208
Culturally different	3,237	-	-	3,237
Educationally deprived	73,129	-	-	73,129
Tuition	221,137	-	-	221,137
Support services				
Pupils				
Psychological	-	-	2,815	2,815
Speech pathology	-	-	66,460	66,460
Student therapy services	-	-	7,481	7,481
Support services - instructional staff				
Improvement of instruction	5,796	-	-	5,796
Educational media	25,040	-	-	25,040
Support services - general administration				
Board of Education	34,978	-	-	34,978
Support services - school administration				
Office of the Principal	100,536	-	-	100,536
Other school administration	49,563	-	-	49,563
Support services - business				
Fiscal services	163,471	-	-	163,471
Operation and maintenance of plant	183,170	2,512	-	185,682
Pupil transportation	29,655	-	-	29,655
Food services	3,812	-	-	3,812
Community services				
Care of children	720	-	-	720
Nonprogrammed charges				
Early retirement payments	12,350	-	-	12,350
Co-curricular activities				
Combined activities	53,242	-	-	53,242
Total expenditures	<u>1,758,105</u>	<u>7,984</u>	<u>277,964</u>	<u>2,044,053</u>
Excess of Revenue over (under) Expenditures	<u>(522,171)</u>	<u>243,128</u>	<u>(25,850)</u>	<u>(304,893)</u>
Other Financing Sources (Uses)				
Transfers in	463,591	-	-	463,591
Transfers out	-	(508,533)	-	(508,533)
Total other financing sources (uses)	<u>463,591</u>	<u>(508,533)</u>	<u>-</u>	<u>(44,942)</u>
Special Item - Dissolution (See Note 12)	<u>187,671</u>	<u>(24,585)</u>	<u>120,130</u>	<u>283,216</u>
Net Change in Fund Balance	(246,251)	(240,820)	(145,980)	(633,051)
Fund Balance - Beginning	<u>246,251</u>	<u>240,820</u>	<u>145,980</u>	<u>633,051</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Big Stone City School District 25-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds - 2024
Year Ended June 30, 2024

	2024			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 870,781	\$ 201,055	\$ 203,374	\$ 1,275,210
Prior year's ad valorem taxes	3,582	827	720	5,129
Gross receipts taxes	14,687	-	-	14,687
Penalties and interest on taxes	1,388	310	296	1,994
Tuition and fees				
Regular day school tuition	149,528	-	15,645	165,173
Earnings on investments and deposits	11,460	-	-	11,460
Co-curricular activities				
Other pupil activity income	135	-	-	135
Other revenue from local sources				
Rentals	1,225	-	-	1,225
Contributions and donations	1,500	-	-	1,500
Charges for services	802	-	-	802
Other	33,275	-	-	33,275
Revenue from intermediate sources				
County sources				
County apportionment	4,271	-	-	4,271
Revenue in lieu of taxes	174	-	-	174
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	106,232	-	-	106,232
Restricted grants-in-aid	2,788	-	-	2,788
Revenue from federal sources				
Grants-in-aid				
Restricted grants-in-aid received from federal government through the state	132,044	-	7,756	139,800
Total revenues	<u>1,333,872</u>	<u>202,192</u>	<u>227,791</u>	<u>1,763,855</u>

Big Stone City School District 25-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds- 2024
Year Ended June 30, 2024

	2024			
	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs				
Elementary	376,916	7,428	-	384,344
Middle/junior high	231,853	-	-	231,853
Special programs				
Programs for special education	-	-	150,750	150,750
Culturally different	716	-	-	716
Educationally deprived	47,765	-	-	47,765
Tuition	278,692	-	-	278,692
Support services				
Pupils				
Attendance and social work	4,333	-	-	4,333
Psychological	-	-	1,545	1,545
Speech pathology	-	-	47,198	47,198
Student therapy services	-	-	7,119	7,119
Support services - instructional staff				
Improvement of instruction	5,571	-	-	5,571
Educational media	26,236	-	-	26,236
Support services - general administration				
Board of Education	30,081	-	-	30,081
Support services - school administration				
Office of the Principal	84,721	-	-	84,721
Other school administration	37,482	-	-	37,482
Support services - business				
Fiscal services	109,104	-	-	109,104
Operation and maintenance of plant	149,918	18,762	-	168,680
Pupil transportation	21,447	-	-	21,447
Food services	4,160	-	-	4,160
Community services				
Care of children	194	-	-	194
Nonprogrammed charges				
Early retirement payments	5,700	-	-	5,700
Debt service	-	457	-	457
Co-curricular activities				
Combined activities	29,856	-	-	29,856
Total expenditures	<u>1,444,745</u>	<u>26,647</u>	<u>206,612</u>	<u>1,678,004</u>
Excess of Revenue over (under) Expenditures	<u>(110,873)</u>	<u>175,545</u>	<u>21,179</u>	<u>85,851</u>
Other Financing Sources (Uses)				
Transfers in	90,000	-	-	90,000
Transfers out	<u>(41,335)</u>	<u>(90,000)</u>	-	<u>(131,335)</u>
Total other financing sources (uses)	<u>48,665</u>	<u>(90,000)</u>	-	<u>(41,335)</u>
Net Change in Fund Balance	(62,208)	85,545	21,179	44,516
Fund Balance - Beginning	<u>308,459</u>	<u>155,275</u>	<u>124,801</u>	<u>588,535</u>
Fund Balance - Ending	<u>\$ 246,251</u>	<u>\$ 240,820</u>	<u>\$ 145,980</u>	<u>\$ 633,051</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 - 2025 and 2024
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Change in Fund Balances - Total Governmental Funds	\$ (633,051)	\$ 44,516
Amounts Reported for Governmental Activities in the Statements of Activities Are Different Because:		
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.		
	<u>2025</u>	<u>2024</u>
Capital Outlay	\$ -	\$ -
Depreciation	(43,482)	(43,905)
	(43,482)	(43,905)
In the statement of activities, losses on disposed capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(902)	-
Net value of assets donated due to dissolution of the School District	(24,219)	-
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.	33,331	4,995
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.	4,322	3,817
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."	(13,499)	7,575
Reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.	(30,823)	(12,203)
Net value of pension and OPEB assets, deferred outflows, and deferred inflows extinguished due to the dissolution of the School District.	<u>(32,259)</u>	<u>-</u>
Change in Net Position of Governmental Activities	<u>\$ (740,582)</u>	<u>\$ 4,795</u>

Big Stone City School District 25-1
Statement of Net Position – Proprietary Funds - 2025
June 30, 2025

	Food Service Fund	Enterprise Preschool Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Inventory of supplies	-	-	-
Inventory of stores purchased for resale	-	-	-
Inventory of donated food	-	-	-
Total current assets	-	-	-
Noncurrent Assets			
Net pension asset	-	-	-
Capital assets			
Buildings	-	-	-
Machinery and equipment	-	-	-
Less accumulated depreciation	-	-	-
Total noncurrent assets	-	-	-
Deferred Outflows of Resources			
Pension related deferred outflows	-	-	-
	\$ -	\$ -	\$ -
Liabilities and Net Position			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	-	-	-
Contracts payable	-	-	-
Payroll deductions and withholdings and employer matching payable	-	-	-
Total liabilities	-	-	-
Deferred Inflows of Resources			
Pension related deferred inflows	-	-	-
Net Position			
Net investment in capital assets	-	-	-
SDRS pension purposes	-	-	-
Unrestricted net position	-	-	-
Total net position	-	-	-
	\$ -	\$ -	\$ -

Big Stone City School District 25-1
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds - 2025
Year Ended June 30, 2025

	2025		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 15,654	\$ 15,654
Sales			
To pupils	25,825	-	25,825
To adults	3,427	-	3,427
Daycare and OST services	-	110,032	110,032
Total operating revenue	<u>29,252</u>	<u>125,686</u>	<u>154,938</u>
Operating Expenses			
Salaries and employee benefits	92,925	161,967	254,892
Purchased services	2,330	9,435	11,765
Supplies	2,982	8,414	11,396
Cost of sales - purchased	32,719	-	32,719
Cost of sales - donated	5,962	-	5,962
Depreciation	4,642	7,632	12,274
Total operating expenses	<u>141,560</u>	<u>187,448</u>	<u>329,008</u>
Operating Loss	<u>(112,308)</u>	<u>(61,762)</u>	<u>(174,070)</u>
Nonoperating Revenue			
Other local revenue	2,213	2,103	4,316
State sources			
Cash reimbursements	109	-	109
Federal sources			
Cash reimbursements	61,084	6,455	67,539
Donated food	3,872	-	3,872
Total nonoperating revenue	<u>67,278</u>	<u>8,558</u>	<u>75,836</u>
Income (Loss) Before Transfers and Special Items	(45,030)	(53,204)	(98,234)
Transfers in	44,942	-	44,942
Special items	(9,159)	(384,322)	(393,481)
Change in Net Position	(9,247)	(437,526)	(446,773)
Net Position - Beginning	<u>9,247</u>	<u>437,526</u>	<u>446,773</u>
Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Big Stone City School District 25-1
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds - 2024
Year Ended June 30, 2024

	2024		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Operating Revenue			
Tuition and fees			
Student tuition	\$ -	\$ 6,260	\$ 6,260
Sales			
To pupils	21,234	-	21,234
To adults	4,453	-	4,453
Daycare and OST services	-	122,151	122,151
Total operating revenue	<u>25,687</u>	<u>128,411</u>	<u>154,098</u>
Operating Expenses			
Salaries and employee benefits	64,826	183,655	248,481
Purchased services	2,487	8,610	11,097
Supplies	2,373	10,497	12,870
Cost of sales - purchased	32,543	-	32,543
Cost of sales - donated	4,743	-	4,743
Depreciation	5,762	7,632	13,394
Total operating expenses	<u>112,734</u>	<u>210,394</u>	<u>323,128</u>
Operating Loss	<u>(87,047)</u>	<u>(81,983)</u>	<u>(169,030)</u>
Nonoperating Revenue			
Other local revenue	3,578	3,050	6,628
State sources			
Cash reimbursements	98	-	98
Federal sources			
Cash reimbursements	57,812	6,904	64,716
Donated food	4,785	-	4,785
Total nonoperating revenue	<u>66,273</u>	<u>9,954</u>	<u>76,227</u>
Income (Loss) Before Contributions	(20,774)	(72,029)	(92,803)
Transfers in	<u>22,185</u>	<u>19,150</u>	<u>41,335</u>
Change in Net Position	1,411	(52,879)	(51,468)
Net Position - Beginning	<u>7,836</u>	<u>490,405</u>	<u>498,241</u>
Net Position - Ending	<u>\$ 9,247</u>	<u>\$ 437,526</u>	<u>\$ 446,773</u>

Big Stone City School District 25-1
Statement of Cash Flows – Proprietary Funds – 2025
Year Ended June 30, 2025

	2025		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 30,189	\$ 143,078	\$ 173,267
Cash payments to employees for services	(99,429)	(158,916)	(258,345)
Cash payments to suppliers for goods or services	(37,627)	(18,707)	(56,334)
Net Cash used for Operating Activities	<u>(106,867)</u>	<u>(34,545)</u>	<u>(141,412)</u>
Cash Flows from (used for) Noncapital Financing Activities			
Repayments to other funds	(1,481)	(34,302)	(35,783)
Transfers from other funds	44,942	-	44,942
Donations and other fund raising activities	2,213	2,103	4,316
Cash reimbursements - state sources	109	-	109
Cash reimbursements - federal sources	61,084	6,455	67,539
Cash paid to City of Big Stone City (See Note 12)	-	(83,087)	(83,087)
Net Cash from (used for) Noncapital Financing Activities	<u>106,867</u>	<u>(108,831)</u>	<u>(1,964)</u>
Net Change in Cash and Cash Equivalents	-	(143,376)	(143,376)
Cash and Cash Equivalents, Beginning of Year	-	143,376	143,376
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (112,308)	\$ (61,762)	\$ (174,070)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation	4,642	7,632	12,274
Value of donated commodities used	5,962	-	5,962
Change in assets and liabilities			
Receivables	11,160	17,392	28,552
Inventories	1,868	-	1,868
Accounts and other payables	(1,464)	(858)	(2,322)
Unearned revenue	(10,223)	-	(10,223)
Accrued wages payable	(5,193)	-	(5,193)
Pension liability and deferred inflows	623	(1,970)	(1,347)
Pension asset and deferred outflows	(225)	5,027	4,802
Accrued payroll liabilities	(1,709)	(6)	(1,715)
Net Cash used for Operating Activities	<u>\$ (106,867)</u>	<u>\$ (34,545)</u>	<u>\$ (141,412)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 3,872	\$ -	\$ 3,872
Net value of assets and liabilities donated due to dissolution	(9,159)	(301,235)	(310,394)

Big Stone City School District 25-1
Statement of Cash Flows – Proprietary Funds – 2024
Year Ended June 30, 2024

	2024		
	Enterprise		
	Food Service Fund	Preschool Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	\$ 13,889	\$ 138,668	\$ 152,557
Cash payments to employees for services	(64,134)	(171,566)	(235,700)
Cash payments to suppliers for goods or services	(37,693)	(21,299)	(58,992)
Net Cash used for Operating Activities	<u>(87,938)</u>	<u>(54,197)</u>	<u>(142,135)</u>
Cash Flows from (used for) Noncapital Financing Activities			
Advances (repayments) from (to) other funds	1,481	(4,500)	(3,019)
Transfers from other funds	22,185	19,150	41,335
Donations and other fund raising activities	3,578	3,050	6,628
Cash reimbursements - state sources	98	-	98
Cash reimbursements - federal sources	57,812	6,904	64,716
Net Cash from Noncapital Financing Activities	<u>85,154</u>	<u>24,604</u>	<u>109,758</u>
Net Change in Cash and Cash Equivalents	(2,784)	(29,593)	(32,377)
Cash and Cash Equivalents, Beginning of Year	<u>2,784</u>	<u>172,969</u>	<u>175,753</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 143,376</u>	<u>\$ 143,376</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (87,047)	\$ (81,983)	\$ (169,030)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation	5,762	7,632	13,394
Value of donated commodities used	4,743	-	4,743
Change in assets and liabilities			
Receivables	(7,387)	10,257	2,870
Inventories	135	-	135
Accounts and other payables	(425)	(2,192)	(2,617)
Unearned revenue	(4,411)	-	(4,411)
Accrued wages payable	472	(963)	(491)
Pension liability and deferred inflows	(1,100)	(21,447)	(22,547)
Pension asset and deferred outflows	1,280	34,626	35,906
Accrued payroll liabilities	40	(127)	(87)
Net Cash used for Operating Activities	<u>\$ (87,938)</u>	<u>\$ (54,197)</u>	<u>\$ (142,135)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 4,785	\$ -	\$ 4,785

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. The School District passed a resolution to dissolve effective June 30, 2025.

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 Law (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 compensated absences and early retirement.

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. All financial institutions which hold the School District’s deposits pledge securities in the amount over \$250,000 for all public School District funds. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2025, all of the School District’s deposits were covered by insurance or collateral in accordance with the deposit policy.

The actual bank balances at June 30, 2025, were as follows:

Insured (FDIC/NCUA)	\$ 250,000
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	257,164
	<u>\$ 507,164</u>

The School District’s carrying amount of deposits at June 30, 2025, was \$0. Effective June 30, 2025, any remaining cash held by the School District was transferred to appropriate entities, which was in transit at year-end.

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, 2025, 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 - Changes in Capital Assets

A summary of changes in capital assets for the years ended June 30, 2025 and 2024, is as follows:

<u>Primary Government Governmental Activities</u>	Balance 7/1/2024	Increases	Decreases	Decreases for Dissolution	Balance 6/30/2025
Capital assets, not being depreciated					
Land	\$ 240	\$ -	\$ -	\$ 240	\$ -
Total capital assets not being depreciated	<u>240</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>-</u>
Capital assets being depreciated					
Improvements other than buildings	81,446	-	81,446	-	-
Buildings	767,283	-	767,283	-	-
Machinery and equipment	203,426	-	147,313	56,113	-
	<u>1,052,155</u>	<u>-</u>	<u>996,042</u>	<u>56,113</u>	<u>-</u>
Less accumulated depreciation for					
Improvements other than buildings	70,594	10,852	81,446	-	-
Buildings	758,849	8,434	767,283	-	-
Machinery and equipment	154,349	24,196	146,411	32,134	-
Total accumulated depreciation	<u>983,792</u>	<u>43,482</u>	<u>995,140</u>	<u>32,134</u>	<u>-</u>
Total capital assets being depreciated, net	<u>68,363</u>	<u>(43,482)</u>	<u>902</u>	<u>23,979</u>	<u>-</u>
Governmental activity capital assets, net	<u>\$ 68,603</u>	<u>\$ (43,482)</u>	<u>\$ 902</u>	<u>\$ 24,219</u>	<u>\$ -</u>
Depreciation expense was charged to functions as follows:					
Governmental activities					
Instruction					\$ 7,257
Support services					32,008
Co-curricular					<u>4,217</u>
Total depreciation expense - governmental activities					<u>\$ 43,482</u>

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Notes to Financial Statements

June 30, 2025 and 2024

<u>Business-Type Activities</u>	Balance 7/1/2024	Increases	Decreases	Decreases for Dissolution	Balance 6/30/2025
Capital assets being depreciated					
Buildings	\$ 290,245	\$ -	\$ -	\$ 290,245	\$ -
Machinery and equipment	109,982	-	82,579	27,403	-
Total	<u>400,227</u>	<u>-</u>	<u>82,579</u>	<u>317,648</u>	<u>-</u>
Less accumulated depreciation for					
Buildings	16,447	5,805	-	22,252	-
Machinery and equipment	81,743	6,469	82,579	5,633	-
Total accumulated depreciation	<u>98,190</u>	<u>12,274</u>	<u>82,579</u>	<u>27,885</u>	<u>-</u>
Total capital assets being depreciated, net	<u>302,037</u>	<u>(12,274)</u>	<u>-</u>	<u>289,763</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 302,037</u>	<u>\$ (12,274)</u>	<u>\$ -</u>	<u>\$ 289,763</u>	<u>\$ -</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Food services	\$ 4,642
Preschool	7,632
Total depreciation expense - business-type activities	<u>\$ 12,274</u>

<u>Primary Government Governmental Activities</u>	Balance 7/1/2023	Increases	Decreases	Balance 6/30/2024
Capital assets, not being depreciated				
Land	\$ 240	\$ -	\$ -	\$ 240
Total capital assets not being depreciated	<u>240</u>	<u>-</u>	<u>-</u>	<u>240</u>
Capital assets being depreciated				
Improvements other than buildings	81,446	-	-	81,446
Buildings	767,283	-	-	767,283
Machinery and equipment	203,426	-	-	203,426
Total	<u>1,052,155</u>	<u>-</u>	<u>-</u>	<u>1,052,155</u>
Less accumulated depreciation for				
Improvements other than buildings	59,741	10,853	-	70,594
Buildings	750,415	8,434	-	758,849
Machinery and equipment	129,731	24,618	-	154,349
Total accumulated depreciation	<u>939,887</u>	<u>43,905</u>	<u>-</u>	<u>983,792</u>
Total capital assets, being depreciated, net	<u>112,268</u>	<u>(43,905)</u>	<u>-</u>	<u>68,363</u>
Governmental activity capital assets, net	<u>\$ 112,508</u>	<u>\$ (43,905)</u>	<u>\$ -</u>	<u>\$ 68,603</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 7,257
Support services	32,431
Co-curricular	4,217
Total depreciation expense - governmental activities	<u>\$ 43,905</u>

Business-Type Activities	Balance 7/1/2023	Increases	Decreases	Balance 6/30/2024
Capital assets being depreciated				
Buildings	\$ 290,245	\$ -	\$ -	\$ 290,245
Machinery and equipment	109,982	-	-	109,982
Total	400,227	-	-	400,227
Less accumulated depreciation for				
Buildings	10,642	5,805	-	16,447
Machinery and equipment	74,154	7,589	-	81,743
Total accumulated depreciation	84,796	13,394	-	98,190
Total capital assets being depreciated, net	315,431	(13,394)	-	302,037
Business-type activities capital assets, net	\$ 315,431	\$ (13,394)	\$ -	\$ 302,037
Depreciation expense was charged to functions as follows:				
Business-type activities				
Food services				\$ 5,762
Preschool				7,632
Total depreciation expense - business-type activities				\$ 13,394

Note 4 - Long-Term Liabilities

A summary of changes in long-term debt follows:

Primary Government:	Beginning Balance 7/1/2023	Additions	Deletions	Ending Balance 6/30/2025	Due Within One Year
Governmental activities					
Financing lease	\$ 454	\$ -	\$ 454	\$ -	\$ -
Early retirement	18,050	-	18,050	-	-
Compensated absences *	19,822	-	19,822	-	-
	\$ 38,326	\$ -	\$ 38,326	\$ -	\$ -

*The roll-forward schedule only reports the net change in the compensated absences liability.

Note 5 - Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ -
Special Education	Law	-
SDRS pension purposes	Pension Plan	-
Total restricted net assets		<u><u>\$ -</u></u>

Note 6 - 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, 2025 and 2024, 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.

As of June 30, 2025, all retirees included in the early retirement plan were paid out their remaining balance, due to the dissolution of the School District.

Note 7 - 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, 2025, the School District managed its risks as follows:

Liability Insurance

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

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, 2025, no claims for unemployment benefits were paid. At June 30, 2025, no claims had been filed for unemployment benefits and any claims filed after June 30, 2025, will be assumed by the school of record, Milbank School District.

Note 8 - 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. As of June 30, 2025 the plan was terminated due to the dissolution of the School District.

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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	24
	<u>25</u>

Total OPEB Liability

The District’s total OPEB liability of \$35,090, prior to dissolution, was measured as of June 30, 2025, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, 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	See SDRS Actuarial Assumptions
Discount rate	3.65% as of 6/30/24 and 3.93% percent as of 6/30/25
Healthcare cost trend rates - Medical	6.7% grading to 3.7% over 50 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	PubT-2010 Mortality Table projected generationally with MP-2021. 108% of mortality rates for current retirees age 65 and older.
Disability	See SDRS Actuarial Assumptions
Withdrawal	See sample rates
Retirement	See SDRS Actuarial Assumptions
Age Difference	Spouses same age as participants
Retiree Plan Participation	Future Retirees Electing Coverage: 25% Current Retirees Electing Coverage: Actual
Percent of Retirees Electing Family Coverage	Future Retirees Electing Coverage: 25% Current Retirees Electing Coverage: Actual

Changes in the Total OPEB Liability

Balance at July 1, 2023	\$ 72,541
Changes from the Prior Year:	
Service cost	7,284
Interest cost	2,669
Effect of economic/demographic gains or losses	(17,070)
Effect of assumption changes or inputs	(21,309)
Benefit payments	(8,947)
Total Changes	<u>(37,373)</u>
Balance at June 30, 2024	<u>35,168</u>
Changes from the Prior Year:	
Service cost	5,056
Interest cost	1,358
Effect of assumption changes or inputs	(396)
Benefit payments	(6,096)
Total Changes	<u>(78)</u>
Removal of OPEB liability from dissolution of School District	<u>(35,090)</u>
Balance at June 30, 2025	<u><u>\$ -</u></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, prior to dissolution, 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	2.93%	3.93%	4.93%
Total OPEB Liability	\$ 36,532	\$ 35,090	\$ 33,726

The following presents the total OPEB liability of the School District, prior to dissolution, 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	\$ 32,306	\$ 35,090	\$ 38,318
Medical trend rate	5.70% decreasing to 2.7% over 50 years	6.70% decreasing to 3.7% over 50 years	7.70% decreasing to 4.7% over 50 years

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

For the years ended June 30, 2025 and 2024, the School District recognized a decrease in health insurance expense of \$4,322 and \$3,817, respectively, due to OPEB. Total amounts reported as OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB were recognized as a special item in the year ending June 30, 2025, for \$60,477 in the government-wide financial statement.

Note 9 - Pension Plan

Plan Information

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid, defined-benefit plan designed with several defined contribution plan-type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. 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 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, 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, 2025, 2024 and 2023 were \$63,912, \$56,296 and \$61,931, respectively, equal to the required contributions each year. Effective June 30, 2025, the School District dissolved. Payments were made to the plan as required during the fiscal year ending June 30, 2025, and are included in the contributions above. The School District does not have any further obligations to the plan as of June 30, 2025. Information reported in the footnote is prior to dissolution.

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

At June 30, 2024, SDRS is 100% 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, 2024, and reported by the School District as of June 30, 2025, are as follows:

Proportionate share of net pension liability	\$ 4,989,263
Less proportionate share of net pension restricted for pension benefits	<u>4,990,617</u>
Proportionate share of net pension liability (asset)	<u>(1,354)</u>
Removal of net pension liability from dissolution of School District	<u>1,354</u>
Proportionate share of net pension liability (asset) after dissolution	<u><u>\$ -</u></u>

Prior to dissolution, at June 30, 2025, the School District reported a liability (asset) of (\$1,354) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, 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, 2024, the School District's proportion was 0.033444%, which is a decrease of .006573% from its proportion measured as of June 30, 2023.

For the years ended June 30, 2025 and 2024, the School District recognized pension expense of \$34,279 and \$25,562, respectively.

There was \$63,912 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that was recognized as a special item in the year ending June 30, 2025. Total amounts reported as net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions were recognized as special item expense in year ending June 30, 2025 for \$110,327, which is reported in the government-wide financial statement, Food Service Fund and Preschool Fund.

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount 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	1.71%

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, 2024, 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, 2024, (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>
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
	<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)	\$ 687,930	\$ (1,354)	\$ (565,403)

Pension Plan Fiduciary Net Position

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

Note 10 - Litigation

At June 30, 2025, the School District was not involved in any litigation.

Note 11 - Interfund Transactions

During the year ended June 30, 2024, the General Fund transferred to the Food Service Fund \$22,185, and to the Preschool Fund \$19,150, to cover operating deficits of these funds. Capital Outlay Fund transferred to the General Fund \$90,000 to cover operating costs of the fund, as allowed by SDCL 13-16-6.

During the year ended June 30, 2025, the Capital Outlay Fund transferred to the Food Service Fund \$44,942 to cover operating costs of the fund. The Capital Outlay Fund also transferred to the General Fund \$463,591 to cover payments resulting from dissolution of the School District, as allowed by SDCL 13-16-26.

During 2025, the Preschool Fund has made the final payment on the loan from the Capital Outlay Fund.

Note 12 - School Dissolution

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 passed a resolution to dissolve the School District effective June 30, 2025.

In accordance with the resolution, the remaining land, building, and certain equipment were donated to the Big Stone City Development Corporation. The School District also made a payment to the Big Stone City Development Corporation for repairs and maintenance of the building. The taxable property in the current School District was annexed into Milbank School District and the related second half 2024 taxes payable in 2025 shall follow the taxed land area to the Milbank School District. The building and equipment assets recorded within the Preschool Fund, as well as a bus, were purchased for a nominal amount by the City of Big Stone City to continue operations. The remaining cash balance within the Preschool Fund at June 30, 2025, was also paid to the City of Big Stone City to continue operations. Remaining food inventory was donated to Milbank School District or to the City of Big Stone City for use in operations. The School District donated, surplus, or sold all remaining equipment and inventory prior to June 30, 2025. All remaining funds were transferred to Milbank School District and any remaining potential liabilities were assumed by the Milbank School District.

These donations, expenses, removal of OPEB obligations, and removal of SDRS obligations have been recorded as a special item in the financial statements as follows:

Cash Payments	
Big Stone City Development Corporation	
Maintenance of the building	\$ 50,000
City of Big Stone City	
Daycare operations	83,087
Milbank School District	
Excess remaining funds, due from state, and net taxes receivable	<u>233,215</u>
Total cash payments	<u>366,302</u>
Capital Assets Transferred, Net	
Big Stone City Development Corporation	
Equipment	2,087
City of Big Stone City	
Buildings, vehicle, and equipment	<u>311,895</u>
Total capital assets transferred, net	<u>313,982</u>
Food Inventory Donated	
City of Big Stone City	1,345
Milbank School District	<u>1,696</u>
Total food inventory	<u>3,041</u>
Removal of SDRS and OPEB Obligations	<u>49,850</u>
Total Special Item - Dissolution	<u><u>\$ 733,175</u></u>

Required Supplementary Information
June 30, 2025 and 2024

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
Years Ended June 30, 2025 and 2024

	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ 5,056	\$ 7,284	\$ 8,239	\$ 6,878	\$ 6,290	\$ 6,726	\$ 6,698	\$ 7,097
Interest	1,358	2,669	1,711	1,558	2,279	1,895	1,520	1,058
Effect of Economic/Demographic Gains or Losses	-	(17,070)	-	31,977	-	31,733	-	-
Effect of Assumption Changes or Inputs	(396)	(21,309)	(5,461)	(27,406)	882	(21,381)	(893)	(1,974)
Benefit Payments	(6,096)	(8,947)	(5,803)	(5,512)	(3,768)	(1,054)	(627)	(295)
Net Change in Total OPEB Liability	(78)	(37,373)	(1,314)	7,495	5,683	17,919	6,698	5,886
Removal of OPEB liability from dissolution of School District	(35,090)	-	-	-	-	-	-	-
Total OPEB Liability - Beginning	35,168	72,541	73,855	66,360	60,677	42,758	36,060	30,174
Total OPEB Liability - Ending	<u>\$ -</u>	<u>\$ 35,168</u>	<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	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	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 tables, withdrawal rates, retirement rates, disability rates, and salary scale were updated based on an actuarial experience study done for the period July 1, 2016, through June 30, 2021, for the South Dakota Retirement System.

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	2025			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 823,923	\$ 823,923	\$ 804,466	\$ (19,457)
Prior year's ad valorem taxes	5,000	5,000	4,439	(561)
Gross receipts taxes	14,000	14,000	14,946	946
Penalties and interest on taxes	1,000	1,000	1,040	40
Tuition and fees				
Regular day school tuition	185,129	185,129	171,411	(13,718)
Earnings on investments and deposits	4,000	4,000	13,451	9,451
Co-curricular activities				
Other pupil activity income	100	100	1,310	1,210
Other revenue from local sources:				
Rentals	100	100	1,225	1,125
Contributions and donations	2,500	2,500	1,500	(1,000)
Charges for services	800	800	1,765	965
Other	5,000	5,000	36,457	31,457
Revenue from intermediate sources				
County sources				
County apportionment	4,000	4,000	4,554	554
Revenue in lieu of taxes	100	100	68	(32)
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	77,325	77,325	60,613	(16,712)
Restricted grants-in-aid	8,000	8,000	111	(7,889)
Revenue from federal sources				
Grants-in-aid				
Restricted grants-in-aid received from federal government through the state	107,410	107,410	118,578	11,168
Total revenues	<u>1,238,387</u>	<u>1,238,387</u>	<u>1,235,934</u>	<u>(2,453)</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	2025			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs				
Elementary	394,280	522,780	493,780	29,000
Middle/junior high	261,115	317,315	304,489	12,826
Special programs				
Culturally different	2,000	5,350	3,237	2,113
Educationally deprived	72,357	83,457	73,129	10,328
Other	274,691	274,691	221,137	53,554
Support services				
Support services - instructional staff				
Improvement of instruction	6,500	8,500	5,796	2,704
Educational media	28,303	32,758	25,040	7,718
Support services - general administration				
Board of Education	34,467	40,467	34,978	5,489
Support services - school administration				
Office of the Principal	92,039	102,289	100,536	1,753
Other	37,674	52,674	49,563	3,111
Support services - business				
Fiscal services	136,483	160,133	163,471	(3,338)
Operation and maintenance of plant	161,194	199,194	183,170	16,024
Pupil transportation	27,626	35,626	29,655	5,971
Food services	5,000	5,000	3,812	1,188
Community services				
Care of children	2,500	2,500	720	1,780
Nonprogrammed charges				
Early retirement payments	5,700	5,700	12,350	(6,650)
Co-curricular activities				
Combined activities	15,378	46,628	53,242	(6,614)
Total expenditures	<u>1,557,307</u>	<u>1,895,062</u>	<u>1,758,105</u>	<u>136,957</u>
Excess of Revenue over (under) Expenditures	<u>(318,920)</u>	<u>(656,675)</u>	<u>(522,171)</u>	<u>134,504</u>
Other Financing Sources (Uses)				
Transfers in	377,118	377,118	463,591	86,473
Transfers out	<u>(58,200)</u>	<u>(58,200)</u>	<u>-</u>	<u>58,200</u>
Total other financing sources (uses)	<u>318,918</u>	<u>318,918</u>	<u>463,591</u>	<u>144,673</u>
Special Item - Dissolution	<u>-</u>	<u>-</u>	<u>187,671</u>	<u>187,671</u>
Net Change in Fund Balances	(2)	(337,757)	(246,251)	91,506
Fund Balance - Beginning	<u>246,251</u>	<u>246,251</u>	<u>246,251</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 246,249</u>	<u>\$ (91,506)</u>	<u>\$ -</u>	<u>\$ 91,506</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2024

	2024			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 797,278	\$ 797,278	\$ 870,781	\$ 73,503
Prior years' ad valorem taxes	5,000	5,000	3,582	(1,418)
Gross receipts taxes	14,000	14,000	14,687	687
Penalties and interest on taxes	1,000	1,000	1,388	388
Tuition and fees				
Regular day school tuition	149,528	149,528	149,528	-
Earnings on investments and deposits	4,000	4,000	11,460	7,460
Co-curricular activities				
Other pupil activity income	100	100	135	35
Other revenue from local sources				
Rentals	100	100	1,225	1,125
Contributions and donations	1,500	1,500	1,500	-
Charges for services	800	800	802	2
Other	16,000	16,000	33,275	17,275
Revenue from intermediate sources				
County sources				
County apportionment	4,000	4,000	4,271	271
Revenue in lieu of taxes	100	100	174	74
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	110,261	110,261	106,232	(4,029)
Restricted grants-in-aid	4,300	4,300	2,788	(1,512)
Revenue from federal sources				
Grants-in-aid				
Restricted grants-in-aid received from federal government through the state	119,020	119,020	132,044	13,024
Total revenues	1,226,987	1,226,987	1,333,872	106,885

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – General Fund
 Year Ended June 30, 2024

	2024			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Regular programs				
Elementary	382,604	395,804	376,916	18,888
Middle/junior high	252,166	252,166	231,853	20,313
Special programs				
Culturally different	2,200	2,200	716	1,484
Educationally deprived	51,172	64,772	47,765	17,007
Tuition	278,395	285,595	278,692	6,903
Support services				
Pupils				
Attendance and social work	4,333	4,333	4,333	-
Support services - instructional staff				
Improvement of instruction	11,500	13,300	5,571	7,729
Educational media	22,724	27,024	26,236	788
Support services - general administration				
Board of Education	27,684	32,584	30,081	2,503
Support services - school administration				
Office of the Principal	85,460	85,860	84,721	1,139
Other school administration	35,941	38,141	37,482	659
Support services - business				
Fiscal services	107,838	108,538	109,104	(566)
Operation and maintenance of plant	153,609	159,009	149,918	9,091
Pupil transportation	27,134	28,034	21,447	6,587
Food services	3,500	4,200	4,160	40
Community services				
Care of children	1,500	1,500	194	1,306
Nonprogrammed charges				
Early retirement payments	5,700	5,700	5,700	-
Co-curricular activities				
Combined activities	16,306	23,106	29,856	(6,750)
Total expenditures	<u>1,469,766</u>	<u>1,531,866</u>	<u>1,444,745</u>	<u>87,121</u>
Excess of Revenue over (under) Expenditures	<u>(242,779)</u>	<u>(304,879)</u>	<u>(110,873)</u>	<u>194,006</u>
Other Financing Sources (Uses)				
Transfers in	90,000	90,000	90,000	-
Transfers out	(52,000)	(52,000)	(41,335)	10,665
Total other financing sources (uses)	<u>38,000</u>	<u>38,000</u>	<u>48,665</u>	<u>10,665</u>
Net Change in Fund Balances	(204,779)	(266,879)	(62,208)	204,671
Fund Balance - Beginning	<u>308,459</u>	<u>308,459</u>	<u>308,459</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 103,680</u>	<u>\$ 41,580</u>	<u>\$ 246,251</u>	<u>\$ 204,671</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2025

	2025			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 249,760	\$ 249,760	\$ 249,501	\$ (259)
Prior year's ad valorem taxes	400	400	1,316	916
Penalties and interest on taxes	100	100	295	195
Total revenues	<u>250,260</u>	<u>250,260</u>	<u>251,112</u>	<u>852</u>
Expenditures				
Instruction				
Regular programs				
Elementary	25,000	25,000	5,472	19,528
Middle/junior high	5,000	5,000	-	5,000
Support services - business				
Operation and maintenance of plant	99,868	100,368	2,512	97,856
Debt service	8,000	8,000	-	8,000
Total expenditures	<u>137,868</u>	<u>138,368</u>	<u>7,984</u>	<u>130,384</u>
Excess of Revenue over (under) Expenditures	<u>112,392</u>	<u>111,892</u>	<u>243,128</u>	<u>131,236</u>
Other Financing Sources (Uses)				
Transfers out	<u>(112,392)</u>	<u>(112,392)</u>	<u>(508,533)</u>	<u>(396,141)</u>
Total other financing sources (uses)	<u>(112,392)</u>	<u>(112,392)</u>	<u>(508,533)</u>	<u>(396,141)</u>
Special Item - Dissolution	<u>-</u>	<u>-</u>	<u>(24,585)</u>	<u>(24,585)</u>
Net Change in Fund Balance	-	(500)	(240,820)	(240,320)
Fund Balance - Beginning	<u>240,820</u>	<u>240,820</u>	<u>240,820</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 240,820</u></u>	<u><u>\$ 240,320</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (240,320)</u></u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2024

	2024			
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 200,000	\$ 200,000	\$ 201,055	\$ 1,055
Prior year's ad valorem taxes	400	400	827	427
Penalties and interest on taxes	150	150	310	160
Total revenues	<u>200,550</u>	<u>200,550</u>	<u>202,192</u>	<u>1,642</u>
Expenditures				
Instruction				
Regular programs				
Elementary	25,000	25,000	7,428	17,572
Middle/junior high	10,000	10,000	-	10,000
Support services				
Operation and maintenance of plant	68,550	68,550	18,762	49,788
Community services				
Debt service	7,000	7,000	457	6,543
Total expenditures	<u>110,550</u>	<u>110,550</u>	<u>26,647</u>	<u>83,903</u>
Excess of Revenue over (under) Expenditures	<u>90,000</u>	<u>90,000</u>	<u>175,545</u>	<u>85,545</u>
Other Financing Sources (Uses)				
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Net Change in Fund Balance	-	-	85,545	85,545
Fund Balance - Beginning	<u>155,275</u>	<u>155,275</u>	<u>155,275</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 155,275</u>	<u>\$ 155,275</u>	<u>\$ 240,820</u>	<u>\$ 85,545</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2025

	2025			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 184,000	\$ 184,000	\$ 217,589	\$ 33,589
Prior year's ad valorem taxes	300	300	1,208	908
Penalties and interest on taxes	100	100	281	181
Tuition and fees				
Regular day school tuition	12,000	12,000	33,036	21,036
Other revenue from local sources (uses):				
Charges for services	50	50	-	(50)
Revenue from federal sources				
Grants-in-aid				
Restricted grants-in-aid received from federal government through the state	22,258	22,258	-	(22,258)
Total revenues	<u>218,708</u>	<u>218,708</u>	<u>252,114</u>	<u>33,406</u>
Expenditures				
Instruction				
Special programs				
Programs for special education	193,307	263,810	201,208	62,602
Support services				
Pupils				
Psychological	3,000	3,000	2,815	185
Speech pathology	52,972	71,022	66,460	4,562
Student therapy services	7,500	7,500	7,481	19
Total expenditures	<u>256,779</u>	<u>345,332</u>	<u>277,964</u>	<u>67,368</u>
Special Item - Dissolution	-	-	120,130	120,130
Net Change in Fund Balance	(38,071)	(126,624)	(145,980)	(19,356)
Fund Balance - Beginning	<u>145,980</u>	<u>145,980</u>	<u>145,980</u>	-
Fund Balance - Ending	<u>\$ 107,909</u>	<u>\$ 19,356</u>	<u>\$ -</u>	<u>\$ (19,356)</u>

Big Stone City School District 25-1
 Budgetary Comparison Schedules – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2024

	2024			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 180,000	\$ 180,000	\$ 203,374	\$ 23,374
Prior year's ad valorem taxes	300	300	720	420
Penalties and interest on taxes	100	100	296	196
Tuition and fees	6,000	6,000	15,645	9,645
Other revenue from local sources				
Charges for services	50	50	-	(50)
Revenue from federal sources				
Grants-in-aid				
Restricted grants-in-aid received from federal government through the state	31,649	31,649	7,756	(23,893)
Total revenues	218,099	218,099	227,791	9,692
Expenditures				
Instruction				
Special programs				
Programs for special education	158,291	186,991	150,750	36,241
Support services				
Pupils				
Psychological	4,000	4,000	1,545	2,455
Speech pathology	50,808	51,108	47,198	3,910
Student therapy services	5,000	7,200	7,119	81
Total expenditures	218,099	249,299	206,612	42,687
Net Change in Fund Balance	-	(31,200)	21,179	52,379
Fund Balance - Beginning	124,801	124,801	124,801	-
Fund Balance - Ending	\$ 124,801	\$ 93,601	\$ 145,980	\$ 52,379

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) and Schedule of Pension Contributions
Years ended June 30, 2025 and 2024

Schedule of Net Pension Liability (Asset)

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	6/30/2025	0.0334%	(1,354)	938,262	-0.14%	100.00%
SDRS	6/30/2024	0.0400%	(3,906)	1,032,191	-0.38%	100.10%
SDRS	6/30/2023	0.0456%	(4,313)	1,089,853	-0.4%	100.10%
SDRS	6/30/2022	0.0445%	(340,893)	1,010,133	-33.7%	105.52%
SDRS	6/30/2021	0.0429%	(1,864)	941,866	-0.2%	100.04%
SDRS	6/30/2020	0.0438%	(4,638)	930,616	-0.5%	100.09%
SDRS	6/30/2019	0.0431%	(1,006)	896,355	-0.1%	100.02%
SDRS	6/30/2018	0.0391%	(3,549)	794,466	-0.4%	100.10%
SDRS	6/30/2017	0.0396%	133,798	753,178	17.8%	96.89%
SDRS	6/30/2016	0.0445%	(188,913)	813,200	-23.2%	104.10%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

Schedule of Pension Contributions

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	6/30/2025	63,912	63,912	-	1,065,193	6.0%
SDRS	6/30/2024	56,296	56,296	-	938,262	6.0%
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%

Changes from Prior Valuation

The June 30, 2024, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, actuarial valuation.

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

Benefit Provision Changes

During the 2024 legislative session, no significant SDRS benefit changes were made.

Actuarial Method Changes

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

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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.



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 (*Government Auditing Standards*), 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, 2025, 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 January 14, 2026.

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 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 schedule of findings and reponses as items 2025-001 and 2025-002, 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 Response 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 schedule of findings and responses. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 School District'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
January 14, 2026

Current Audit Findings and Recommendations

Material Weaknesses

Finding 2025-001 - Preparation of Financial Statements and Footnotes, Including Significant Journal Entries, and GASB 68 Calculations

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, 2025. 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 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.

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.

Views of Responsible Officials: Management agrees with this finding.

Finding 2025-002 - 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.