

Financial Statements
June 30, 2025

Britton-Hecla School District 45-4

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Independent Auditor's Report

To the School Board
Britton-Hecla School District 45-4
Britton, 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, each major fund, and the aggregate remaining fund information of Britton-Hecla School District 45-4 (the School District) as of and for the year ended June 30, 2025, 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, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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.

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 schedules of employer's share of net pension liability (asset), employer's contributions, and budgetary comparison schedules 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 the 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 the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Aberdeen, South Dakota
March 2, 2026

Britton-Hecla School District 45-4

Statement of Net Position

June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,783,203	\$ 75,144	\$ 2,858,347
Accounts receivable	-	979	979
Taxes receivable	1,814,385	-	1,814,385
Due from other governments	383,440	8,390	391,830
Inventories	-	11,679	11,679
Net pension asset	4,014	171	4,185
Capital assets			
Land	152,762	-	152,762
Other capital assets, net of depreciation	12,256,733	125,820	12,382,553
Total assets	17,394,537	222,183	17,616,720
Deferred Outflows of Resources			
Pension related deferred outflows	769,834	32,745	802,579
	<u>\$ 18,164,371</u>	<u>\$ 254,928</u>	<u>\$ 18,419,299</u>
Liabilities			
Accounts payable	\$ 34,076	\$ 9,553	\$ 43,629
Other current liabilities	433,511	3,337	436,848
Unearned revenue	-	10,683	10,683
Noncurrent liabilities			
Due within one year	414,088	-	414,088
Due in more than one year	3,935,422	-	3,935,422
Total liabilities	4,817,097	23,573	4,840,670
Deferred Inflows of Resources			
Pension related deferred inflows	505,742	21,512	527,254
Taxes levied for future period	2,145,739	-	2,145,739
Other deferred inflows of resources	56,637	-	56,637
Total deferred inflows of resources	2,708,118	21,512	2,729,630
Net Position			
Net investment in capital assets	8,018,500	125,820	8,144,320
Restricted for			
Capital Outlay	1,022,938	-	1,022,938
Special Education	108,815	-	108,815
SDRS Pension Benefits	268,106	11,404	279,510
Unrestricted	1,220,797	72,619	1,293,416
Total net position	10,639,156	209,843	10,848,999
	<u>\$ 18,164,371</u>	<u>\$ 254,928</u>	<u>\$ 18,419,299</u>

Britton-Hecla School District 45-4
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	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	\$ 3,178,660	\$ -	\$ 200,096	\$ 55,977	\$ (2,922,587)	\$ -	\$ (2,922,587)
Support services	2,258,679	-	-	-	(2,258,679)	-	(2,258,679)
Co-curricular activities	499,319	38,599	-	-	(460,720)	-	(460,720)
*Interest on long-term debt	60,107	-	-	-	(60,107)	-	(60,107)
Total governmental activities	5,996,765	38,599	200,096	55,977	(5,702,093)	-	(5,702,093)
Business-type activities							
Food service	402,862	122,248	227,851	-	-	(52,763)	(52,763)
Driver's education	8,900	8,455	-	-	-	(445)	(445)
After-school programs	9,948	6,488	-	-	-	(3,460)	(3,460)
Total business-type activities	421,710	137,191	227,851	-	-	(56,668)	(56,668)
Total primary government	\$ 6,418,475	\$ 175,790	\$ 427,947	\$ 55,977	(5,702,093)	(56,668)	(5,758,761)
General Revenues							
Taxes							
Property taxes					4,300,054	-	4,300,054
Other taxes					230,189	-	230,189
Revenue from state sources							
State aid					1,499,880	-	1,499,880
Unrestricted investment earnings					48,670	2,976	51,646
Other general revenues					79,689	5,189	84,878
Total general revenues					6,158,482	8,165	6,166,647
Change in Net Position					456,389	(48,503)	407,886
Net Position - Beginning					10,182,767	258,346	10,441,113
Net Position - Ending					\$ 10,639,156	\$ 209,843	\$ 10,848,999

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

Britton-Hecla School District 45-4
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,407,401	\$ 1,138,701	\$ 237,101	\$ 2,783,203
Taxes receivable - current	849,077	632,073	315,828	1,796,978
Taxes receivable - delinquent	9,075	5,978	2,354	17,407
Due from other governments	382,740	-	700	383,440
	<u>\$ 2,648,293</u>	<u>\$ 1,776,752</u>	<u>\$ 555,983</u>	<u>\$ 4,981,028</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 24,024	\$ -	\$ 10,052	\$ 34,076
Contracts payable	297,989	-	48,636	346,625
Payroll deductions and withholdings and employer matching payable	75,064	-	11,822	86,886
Total liabilities	<u>397,077</u>	<u>-</u>	<u>70,510</u>	<u>467,587</u>
Deferred Inflows of Resources				
Taxes levied for future period	1,015,267	753,814	376,658	2,145,739
Unavailable revenue - delinquent property taxes	9,075	5,978	2,354	17,407
Total deferred inflows of resources	<u>1,024,342</u>	<u>759,792</u>	<u>379,012</u>	<u>2,163,146</u>
Fund Balances				
Restricted				
Capital Outlay	-	1,016,960	-	1,016,960
Special Education	-	-	106,461	106,461
Unassigned	1,226,874	-	-	1,226,874
Total fund balances	<u>1,226,874</u>	<u>1,016,960</u>	<u>106,461</u>	<u>2,350,295</u>
	<u>\$ 2,648,293</u>	<u>\$ 1,776,752</u>	<u>\$ 555,983</u>	<u>\$ 4,981,028</u>

Britton-Hecla School District 45-4
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2025

Total Fund Balances - Governmental Funds	\$ 2,350,295
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,409,495
Long-term liabilities, such as capital outlay certificates payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. The total of the liabilities is \$4,210,152 plus deferred inflows of \$56,637 from deferred charges on bond refundings.	(4,266,789)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(139,358)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	17,407
Net pension asset (liability), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not available financial resources and, therefore, are not reported in the funds.	<u>268,106</u>
Net Position - Governmental Funds	<u><u>\$ 10,639,156</u></u>

Britton-Hecla School District 45-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues				
Revenue from local sources				
Taxes				
Ad valorem taxes	\$ 2,079,774	\$ 1,498,473	\$ 699,895	\$ 4,278,142
Prior year's ad valorem taxes	6,634	4,604	1,968	13,206
Gross receipts taxes	230,189	-	-	230,189
Penalties and interest on taxes	5,870	2,249	969	9,088
Earnings on investments and deposits	23,029	21,350	4,291	48,670
Co-curricular activities				
Admissions	36,434	-	-	36,434
Rentals	1,850	-	-	1,850
Other pupil activity	315	-	-	315
Other revenue from local sources				
Contributions and donations	2,199	-	1,100	3,299
Charges for services	704	-	2,784	3,488
Other	59,598	660	-	60,258
Revenue from intermediate sources				
County sources				
County apportionment	19,431	-	-	19,431
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	1,499,880	-	-	1,499,880
Restricted grants-in-aid	500	-	-	500
Revenue from federal sources				
Grants-in-aid				
Restricted grants-in-aid received directly from federal government	10,075	-	-	10,075
Restricted grants-in-aid received from federal government through the state	182,734	55,977	-	238,711
Total revenues	<u>4,159,216</u>	<u>1,583,313</u>	<u>711,007</u>	<u>6,453,536</u>

Britton-Hecla School District 45-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs				
Elementary	1,048,146	15,547	-	1,063,693
Middle/junior high	522,201	13,298	-	535,499
High school	561,389	16,226	-	577,615
Special programs				
Programs for special education	-	-	592,695	592,695
Educationally deprived	123,901	-	-	123,901
Support services				
Pupils				
Guidance	108,123	-	-	108,123
Health	612	-	-	612
Psychological	-	-	32,973	32,973
Speech pathology	-	-	46,589	46,589
Student therapy services	-	-	38,749	38,749
Support services - instructional staff				
Improvement of instruction	18,777	-	-	18,777
Educational media	117,139	28,936	-	146,075
Support services - general administration				
Board of Education	71,203	-	-	71,203
Executive administration	162,370	-	-	162,370
Support services - school administration				
Office of the Principal	209,214	-	-	209,214
Other	29,116	-	-	29,116
Support services - business				
Fiscal services	154,738	-	-	154,738
Facilities acquisition and construction	-	5,946	-	5,946
Operation and maintenance of plant	578,107	105,514	-	683,621
Pupil transportation	226,775	115,020	-	341,795
Support services - central				
Information	-	10,636	-	10,636
Staff	779	-	-	779

Britton-Hecla School District 45-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Support services - special education				
Administrative costs	-	-	30,403	30,403
Transportation costs	-	-	21,304	21,304
Other special education costs	-	-	15,545	15,545
Debt services	-	468,241	-	468,241
Co-curricular activities				
Male activities	65,502	11,140	-	76,642
Female activities	54,694	3,000	-	57,694
Transportation	28,831	-	-	28,831
Combined activities	144,337	18,369	-	162,706
Total expenditures	<u>4,225,954</u>	<u>811,873</u>	<u>778,258</u>	<u>5,816,085</u>
Other Financing Sources (Uses)				
Transfers in	350,000	-	-	350,000
Transfers out	-	(350,000)	-	(350,000)
Total other financing sources (uses)	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	283,262	421,440	(67,251)	637,451
Fund Balance - Beginning	<u>943,612</u>	<u>595,520</u>	<u>173,712</u>	<u>1,712,844</u>
Fund Balance - Ending	<u><u>\$ 1,226,874</u></u>	<u><u>\$ 1,016,960</u></u>	<u><u>\$ 106,461</u></u>	<u><u>\$ 2,350,295</u></u>

Britton-Hecla School District 45-4
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 637,451
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$247,578) was less than depreciation (\$740,006) in the current period.	(492,428)
In both the government-wide and fund financial statements, revenues from property tax levies or utility taxes 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."	(382)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn compensated absences.	8,704
Deferred charges from refunding bonds are not recorded on the fund statements. The annual amortization of these deferred charges are reported as deferred charges and reported as interest expense in the statement of activities.	5,663
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount of premiums amortized in the current period.	13,936
Repayment of bond and other long-term debt principal and direct financing is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	388,535
Expenses or reductions of expenses related to pensions reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the funds.	(105,090)
Change in Net Position of Governmental Activities	<u>\$ 456,389</u>

Britton-Hecla School District 45-4
Statement of Net Position – Proprietary Funds
June 30, 2025

	Other Enterprise Fund	Food Service Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 9,685	\$ 65,459	\$ 75,144
Accounts receivable	-	979	979
Due from state government	-	8,390	8,390
Inventory of supplies	-	607	607
Inventory of stores purchased for resale	-	5,312	5,312
Inventory of donated food	-	5,760	5,760
Total current assets	<u>9,685</u>	<u>86,507</u>	<u>96,192</u>
Noncurrent Assets			
Net pension asset	19	152	171
Capital assets			
Machinery and equipment - local funds	-	230,038	230,038
Accumulated depreciation - machinery and equipment - local funds	-	(104,218)	(104,218)
Total noncurrent assets	<u>19</u>	<u>125,972</u>	<u>125,991</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>3,692</u>	<u>29,053</u>	<u>32,745</u>
	<u>\$ 13,396</u>	<u>\$ 241,532</u>	<u>\$ 254,928</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 464	\$ 9,089	\$ 9,553
Contracts payable	-	2,933	2,933
Benefits payable	-	404	404
Unearned revenue	-	10,683	10,683
Total current liabilities	<u>464</u>	<u>23,109</u>	<u>23,573</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>2,425</u>	<u>19,087</u>	<u>21,512</u>
Net Position			
Net investment in capital assets	-	125,820	125,820
Restricted for SDRS pension benefits	1,286	10,118	11,404
Unrestricted net position	<u>9,221</u>	<u>63,398</u>	<u>72,619</u>
Total net position	<u>10,507</u>	<u>199,336</u>	<u>209,843</u>
	<u>\$ 13,396</u>	<u>\$ 241,532</u>	<u>\$ 254,928</u>

Britton-Hecla School District 45-4
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2025

	Other Enterprise Fund	Food Service Fund	Total
Operating Revenues			
Tuition and Fees			
Student tuition	\$ 14,943	\$ -	\$ 14,943
Food Sales			
To pupils	-	111,619	111,619
To adults	-	10,629	10,629
Total operating revenues	14,943	122,248	137,191
Operating Expenses			
Salaries	14,245	116,711	130,956
Employee benefits	3,276	36,501	39,777
Purchased services	20	73,803	73,823
Supplies	1,307	8,170	9,477
Cost of sales - purchased food	-	125,138	125,138
Cost of sales - donated food	-	24,279	24,279
Other	-	1,612	1,612
Depreciation - local funds	-	16,648	16,648
Total operating expenses	18,848	402,862	421,710
Operating Loss	(3,905)	(280,614)	(284,519)
Nonoperating Revenues			
Investment earnings	419	2,557	2,976
Other local revenue	-	5,189	5,189
State sources			
Cash reimbursements	-	765	765
Federal sources			
Cash reimbursements	-	202,507	202,507
Donated food	-	24,579	24,579
Total nonoperating revenues	419	235,597	236,016
Change in Net Position	(3,486)	(45,017)	(48,503)
Net Position - Beginning	13,993	244,353	258,346
Net Position - Ending	\$ 10,507	\$ 199,336	\$ 209,843

Britton-Hecla School District 45-4
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	Other Enterprise Fund	Food Service Fund	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 14,943	\$ 120,795	\$ 135,738
Payments to suppliers	(1,220)	(209,127)	(210,347)
Payments to employees	(16,867)	(151,176)	(168,043)
Net Cash used for Operating Activities	<u>(3,144)</u>	<u>(239,508)</u>	<u>(242,652)</u>
Cash Flows from Noncapital Financing Activities			
Local operating subsidies	-	5,189	5,189
Federal operating subsidies	-	194,882	194,882
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>200,071</u>	<u>200,071</u>
Cash Flows used for Capital and Related Financing Activities			
Purchase of capital assets	-	(9,193)	(9,193)
Net Cash used for Capital and Related Financing Activities	<u>-</u>	<u>(9,193)</u>	<u>(9,193)</u>
Cash Flows from Investing Activities			
Interest earnings	419	2,557	2,976
Net Cash from Investing Activities	<u>419</u>	<u>2,557</u>	<u>2,976</u>
Change in Cash and Cash Equivalents	(2,725)	(46,073)	(48,798)
Cash and Cash Equivalents, Beginning of Year	12,410	111,532	123,942
Cash and Cash Equivalents, End of Year	<u>\$ 9,685</u>	<u>\$ 65,459</u>	<u>\$ 75,144</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities			
Operating loss	\$ (3,905)	\$ (280,614)	\$ (284,519)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation expense	-	16,648	16,648
Value of donated commodities used	-	24,279	24,279
Change in assets and liabilities			
Receivables	-	(488)	(488)
Inventories	-	(1,774)	(1,774)
Pension asset and deferred outflows	835	1,074	1,909
Pension liability and deferred inflows	(181)	1,731	1,550
Payables	107	601	708
Unearned revenue	-	(965)	(965)
Net Cash used for Operating Activities	<u>\$ (3,144)</u>	<u>\$ (239,508)</u>	<u>\$ (242,652)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ -	\$ 24,579	\$ 24,579

Britton-Hecla School District 45-4
Statement of Fiduciary Net Position
June 30, 2025

	Custodial Fund
Assets	
Cash and cash equivalents	\$ 101,241
	\$ 101,241
Liabilities	
Accounts payable	\$ 6,201
Total liabilities	6,201
Net Position	
Net position held for organizations, clubs and classes	95,040
Total net position	95,040
	\$ 101,241

Britton-Hecla School District 45-4
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	<u>Custodial Fund</u>
Additions	
Contributions, donations and fundraisers	<u>\$ 105,425</u>
Total additions	<u>105,425</u>
Deductions	
Organization, club and class expenses	<u>113,414</u>
Total deductions	<u>113,414</u>
Change in Net Position	(7,989)
Net Position - Beginning	<u>103,029</u>
Net Position - Ending	<u><u>\$ 95,040</u></u>

Note 1 - Summary of Significant Accounting Policies

The Britton-Hecla School District 45-4's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the Britton-Hecla School District 45-4 are discussed below.

Financial Reporting Entity

The reporting entity of the Britton-Hecla School District 45-4 (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 financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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.

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

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 statement of activities display information about the School District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for 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 statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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, deferred outflows liabilities, deferred inflows, fund equity, revenues, and 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 and deferred inflows of resources, 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 and deferred inflows of resources, 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 principle 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 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.

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

Other Enterprise Fund – An enterprise fund maintained by the School District to record financial transactions related to the driver's ed and after-school programs. This fund is financed by user charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Custodial Fund Types – Custodial funds are used to account for resources held by the School District in a purely custodial capacity. Since custodial funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains custodial funds to account for funds provided by outside organizations for the benefit of students and for student funds generated within the School District by the students.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements – In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting

Government-Wide Financial Statements – In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests) and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

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 within the current period or soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period for the School District is sixty 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 and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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. 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.

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 exist from time to time and 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 nonspendable 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 as of June 30, 2025.

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.

The total June 30, 2025, balance of capital assets for governmental activities includes approximately 9% for which the costs were determined by estimates of the original costs. The total June 30, 2025, balance of capital assets for business-type activities includes approximately 2% for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets for governmental activities were based upon the appraisals, and the estimations of capital assets for business-type activities were established by reviewing applicable historical costs and basing the estimations thereon.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	N/A	N/A
Improvements	\$ 10,000	Straight-line	25 - 50 years
Buildings	20,000	Straight-line	20 years
Machinery and Equipment	5,000	Straight-line	5 - 20 years
Food Service Equipment	1,000	Straight-line	12 - 15 years

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

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 Debt and Other Long-Term Liabilities

The accounting treatment of long-term debt and other 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 debt and other liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt primarily consists of capital outlay certificates, lease liabilities, unamortized premiums and compensated absences.

In the fund financial statements, debt proceeds are reported as 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 and other liabilities is on the accrual basis, the same in the fund statements as in the government-wide statements.

Program Revenues

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

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

Property Taxes

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current-year property taxes receivable, which is not intended to be used to finance the current year's appropriations and, therefore, is not susceptible to accrual, has been reported as deferred inflows of resources 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 statement of activities, revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities or investing activities are not reported as components of operating revenues or expenses.

Cash and Cash Equivalents

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Therefore, all reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows. For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less.

Compensated Absences

Eligible employees of the School District earn vacation and sick leave days in varying amounts, both of which accumulate, but only vacation days are paid out upon termination. Vacation leave days accumulated are paid out at the employee's daily compensation rate. In accordance with GASB 101, *Compensated Absences*, a liability is recognized when it is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The School District recognizes a liability for accumulated vacation leave.

Based on the School District's sick leave accrual patterns and historical usage of sick leave, utilizing a LIFO (last-in, first-out) assumption, the amount of accumulated sick leave more likely than not to be used for time off is insignificant and does not have a significant impact on the School District's financial statement. Therefore, no liability for accumulated sick leave has been recognized.

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 assets with constraints 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 assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between non-spendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

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 it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and do not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are considered neither 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 amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the government would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

Major Special Revenue Fund
Capital Outlay
Special Education

Revenue Source
Property taxes and grants
Property taxes and grants

Pension

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense and revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are 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.

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, which are the 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 revenue/expense reported in the government-wide statement of net position.

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 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 and other sources 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 revenue/expense reported in the government-wide statement of net position and deferred charges relating to debt.

Adoption of New Standards

As of July 1, 2024, the School District adopted GASB Statements No. 101, *Compensated Absences* and No.102 *Certain Risk Disclosures*. The provisions of GASB 101 modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The provisions of GASB 102 require management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the School District's financial statements as a result of the implementation of these standards.

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 as follows:

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 income from investments in each respective fund.

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District’s deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2025, the financial institutions that hold the School District’s deposits were adequately collateralized.

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

Insured (FDIC/NCUA)	\$ 250,000
Uninsured, collateral jointly held by School District's agent in the name of the state and the pledging financial institution	2,746,661
	\$ 2,996,661

The School District’s carrying amount of deposits at June 30, 2025, was \$2,959,588. Reconciliation of deposits to the government-wide statement of net position:

Cash and cash equivalents	\$ 2,858,347
Add: Fiduciary funds cash (not included in government-wide statement of net position)	101,241
Total carrying amounts of deposits at June 30, 2025	\$ 2,959,588

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. There were no investments held as of June 30, 2025.

Custodial Credit Risk Investments: The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial credit risk.

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

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

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

Note 3 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible amounts have been established.

Note 4 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Capital assets not being depreciated				
Land	\$ 152,762	\$ -	\$ -	\$ 152,762
Total not being depreciated	152,762	-	-	152,762
Capital assets being depreciated				
Buildings	13,856,202	66,058	-	13,922,260
Improvements	5,519,290	3,272	-	5,522,562
Machinery and equipment	2,437,015	178,248	6,468	2,608,795
Total being depreciated	21,812,507	247,578	6,468	22,053,617
Less accumulated depreciation for				
Buildings	4,916,500	324,457	-	5,240,957
Improvements	2,689,567	224,489	-	2,914,056
Machinery and equipment	1,457,279	191,060	6,468	1,641,871
Total accumulated depreciation	9,063,346	740,006	6,468	9,796,884
Total capital assets being depreciated, net	12,749,161	(492,428)	-	12,256,733
Governmental activity capital assets, net	\$ 12,901,923	\$ (492,428)	\$ -	\$ 12,409,495
Depreciation expense was charged to functions as follows				
Governmental activities				
Instruction				\$ 211,326
Support services				358,439
Co-curricular				170,241
Total depreciation expense - governmental activities				\$ 740,006
Business-Type Activities	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Capital assets being depreciated				
Machinery and equipment	\$ 220,845	\$ 9,193	\$ -	\$ 230,038
Total being depreciated	220,845	9,193	-	230,038
Less accumulated depreciation for				
Machinery and equipment	87,570	16,648	-	104,218
Total accumulated depreciation	87,570	16,648	-	104,218
Total capital assets being depreciated, net	133,275	(7,455)	-	125,820
Business-type activities capital assets, net	\$ 133,275	\$ (7,455)	\$ -	\$ 125,820
Depreciation expense was charged to functions as follows				
Business-type activities				
Food services				\$ 16,648
Total depreciation expense - business-type activities				\$ 16,648

Note 5 - Long-Term Debt

A summary of the changes in long-term debt for the year ended June 30, 2025, is as follows:

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>	<u>Due in One Year</u>
Governmental activities					
Capital outlay certificates, series 2021	\$ 4,575,000	\$ -	\$ 380,000	\$ 4,195,000	\$ 385,000
Lease liabilities	8,535	-	8,535	-	-
Unamortized premium	153,294	-	13,936	139,358	13,936
	<u>\$ 4,736,829</u>	<u>\$ -</u>	<u>\$ 402,471</u>	<u>\$ 4,334,358</u>	<u>\$ 398,936</u>

A summary of deferred charges on various bond refundings as of June 30, 2025, follows:

	<u>Original Cost</u>	<u>2025 Amortization</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
2021 Refunding	\$ 79,289	\$ 5,663	\$ 22,652	\$ 56,637
	<u>\$ 79,289</u>	<u>\$ 5,663</u>	<u>\$ 22,652</u>	<u>\$ 56,637</u>

Debt payable at June 30, 2025, is comprised of the following:

Capital Outlay Certificates

Capital Outlay Certificates Series 2021, annual principal payments due starting January 2023 ending January 2035, and semi-annual interest payments due each January and July until 2035, interest rates ranging from 1.05% to 2.00%, paid from Capital Outlay Fund.	\$ 4,195,000
Plus unamortized premium	<u>139,358</u>
	<u>\$ 4,334,358</u>

The annual debt service requirements to maturity for all debt outstanding as of June 30, 2025, are as follows:

<u>Year Ending June 30:</u>	<u>Capital Outlay Certificates</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 385,000	\$ 71,455
2027	395,000	63,655
2028	405,000	54,643
2029	415,000	47,401
2030	415,000	42,836
2031-2035	<u>2,180,000</u>	<u>109,025</u>
	<u>\$ 4,195,000</u>	<u>\$ 389,015</u>

At June 30, 2025, compensated absences is for payments for vacation accrual that is paid out upon termination.

During the year ended June 30, 2025, the School District had the following changes in compensated absences:

	July 1, 2024	Increases	Decreases	June 30, 2025	Due in One Year
Governmental activities					
Compensated absences*	\$ 23,856	\$ -	\$ 8,704	\$ 15,152	\$ 15,152
	\$ 23,856	\$ -	\$ 8,704	\$ 15,152	\$ 15,152

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

Note 6 - Restricted Net Position

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

Restriction	Restricted By	Amount
Capital Outlay	Law	\$ 1,022,938
Special Education	Law	108,815
SDRS Pension Plan	Pension Plan	279,510
Total restricted net assets		\$ 1,411,263

Note 7 - Joint Venture - NESC

Northeast Educational Services Cooperative No. 28-201, PO Box 327; Hayti, South Dakota 57241; 605-783-3607.

The School District participates in Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member schools. The School District’s percentage of participation in the co-op is 6% based on student counts.

The co-op’s governing board has one representative from the school board of each member school. The board is responsible for adopting the co-op’s budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net assets of the co-op but does have responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office in Hayti, South Dakota.

As of June 30, 2025, this joint venture had total unaudited fund equity of approximately \$1,953,318.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2025, the School District managed its risks as follows:

Health Insurance

The School District is a member of the South Dakota School District Health Benefits Fund (SD SDBF). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for deductibles ranging from \$1,500 to \$3,000, and \$3,000 to \$6,000 for single and family policies, respectively, and 20% coinsurance.

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

Liability Insurance

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

Workers' Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the pool 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 pool 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 pool 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 during the past three years.

Unemployment Benefits

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

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

Benefits Provided

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

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 retirement benefits 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, was \$180,583, \$174,064, and \$164,820, respectively, equal to the required contributions each year.

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

At June 30, 2024, SDRS is 100.0% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the South Dakota Retirement System, 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 pension liability	\$ 15,426,378
Less proportionate share of net pension restricted for pension benefits	15,430,563
	15,430,563
Proportionate share of net pension liability (asset)	\$ (4,185)

At June 30, 2025, the School District reported a liability (asset) of \$(4,185) 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 0.10340600%, which is a decrease of 0.0030930% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized as pension expense (reduction of pension expense) of \$109,064. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 387,612	\$ -
Changes in assumption	69,012	526,051
Net difference between projected and actual earnings on pension plan investments	157,670	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	7,702	1,203
School District contributions subsequent to the measurement date	180,583	-
Total	\$ 802,579	\$ 527,254

There is \$180,583 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2026	\$ (143,574)
2027	203,487
2028	21,837
2029	12,992
Total	\$ 94,742

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	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real 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% 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 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 %
Total	<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 plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on 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:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 2,127,022	\$ (4,185)	\$ (1,748,178)

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 - Related Party Transactions

During 2025, the School District entered into coaching contracts with 3 board members for a total of \$16,850. As required under South Dakota Codified Law 3-23-8, the School District board has reviewed the contracts and believe they are fair, reasonable and not contrary to public interest and has filed the proper authorization with the auditor general.

Note 11 - Transfers

During 2025, the capital outlay fund transferred \$350,000 to the General Fund to support operations as allowed under South Dakota Codified Law 13-16-6.

Required Supplementary Information
June 30, 2025

Britton-Hecla School District 45-4

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 2,057,244	\$ 2,057,244	\$ 2,079,774	\$ 22,530
1120 Prior year's ad valorem taxes	10,000	10,000	6,634	(3,366)
1140 Gross receipts taxes	251,951	251,951	230,189	(21,762)
1190 Penalties and interest on taxes	7,500	7,500	5,870	(1,630)
1500 Earnings on investments and deposits	20,000	20,000	23,029	3,029
1700 Co-curricular activities				
1710 Admissions	37,250	37,250	36,434	(816)
1740 Rentals	1,750	1,750	1,850	100
1790 Other pupil activity	1,450	1,450	315	(1,135)
1900 Other revenue from local sources				
1920 Contributions and donations	2,000	2,000	2,199	199
1970 Charges for services	1,000	1,000	704	(296)
1990 Other	5,350	5,350	59,598	54,248
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	19,160	19,160	19,431	271
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	1,562,841	1,562,841	1,499,880	(62,961)
3120 Restricted grants-in-aid	-	-	500	500
4000 Revenue from federal sources				
4100 Grants-in-aid				
4140 Restricted grants-in-aid received directly from federal government	11,600	11,600	10,075	(1,525)
4150-4199 Restricted grants-in-aid received from federal government through the state	172,984	172,984	182,734	9,750
Total revenues	<u>4,162,080</u>	<u>4,162,080</u>	<u>4,159,216</u>	<u>(2,864)</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	1,105,319	1,105,319	1,048,146	57,173
1120 Middle/junior high	417,146	417,146	522,201	(105,055)
1130 High school	806,588	806,588	561,389	245,199
1200 Special programs				
1270 Educationally deprived	117,652	117,652	123,901	(6,249)
2000 Support services				
2100 Pupils				
2120 Guidance	104,695	104,695	108,123	(3,428)
2130 Health	1,000	1,000	612	388
2200 Support services - instructional staff				
2210 Improvement of instruction	29,912	29,912	18,777	11,135
2220 Educational media	126,122	126,122	117,139	8,983
2300 Support services - general administration				
2310 Board of Education	69,412	69,412	71,203	(1,791)
2320 Executive administration	163,243	163,243	162,370	873
2400 Support services - school administration				
2410 Office of the Principal	215,152	215,152	209,214	5,938
2490 Other school administrative	29,208	29,208	29,116	92
2500 Support services - business				
2520 Fiscal services	172,038	172,038	154,738	17,300
2540 Operation and maintenance of plant	625,038	625,038	578,107	46,931
2550 Pupil transportation	277,106	277,106	226,775	50,331
2600 Support services - central				
2630 Information	7,000	7,000	-	7,000
2640 Staff	1,500	1,500	779	721
6000 Co-curricular activities				
6100 Male activities	61,282	61,282	65,502	(4,220)
6200 Female activities	56,351	56,351	54,694	1,657
6500 Transportation	18,700	18,700	28,831	(10,131)
6900 Combined activities	124,315	124,315	144,337	(20,022)
7000 Contingencies	10,000	10,000	-	10,000
Total expenditures	<u>4,538,779</u>	<u>4,538,779</u>	<u>4,225,954</u>	<u>312,825</u>
Excess of Revenues over (under) Expenditures	<u>(376,699)</u>	<u>(376,699)</u>	<u>(66,738)</u>	<u>309,961</u>
Other Financing Sources (Uses)				
Transfers in	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Net Change in Fund Balances	(26,699)	(26,699)	283,262	309,961
Fund Balance - Beginning	<u>943,612</u>	<u>943,612</u>	<u>943,612</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 916,913</u>	<u>\$ 916,913</u>	<u>\$ 1,226,874</u>	<u>\$ 309,961</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,498,473	\$ (1,527)
1120 Prior year's ad valorem taxes	5,000	5,000	4,604	(396)
1190 Penalties and interest on taxes	2,200	2,200	2,249	49
1500 Earnings on investments and deposits	18,000	18,000	21,350	3,350
1900 Other revenue from local sources				
1990 Other local income	-	-	660	660
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	55,977	55,977	55,977	-
Total revenues	<u>1,581,177</u>	<u>1,581,177</u>	<u>1,583,313</u>	<u>2,136</u>
Expenditures				
1000 Instruction				
1100 Regular Programs				
1110 Elementary	17,239	17,239	15,547	1,692
1120 Middle School	13,525	13,525	13,298	227
1130 High School	18,963	18,963	16,226	2,737
2000 Support services				
2220 Educational media	44,620	44,620	28,936	15,684
2500 Support services - business				
2530 Facilities acquisition and construction	8,000	8,000	5,946	2,054
2540 Operation and maintenance of plant	132,500	132,500	105,514	26,986
2550 Transportation	115,020	115,020	115,020	-
2600 Support services - central				
2630 Information	-	-	10,636	(10,636)
5000 Debt services	468,405	468,405	468,241	164
6000 Co-curricular activities				
6100 Male activities	10,100	10,100	11,140	(1,040)
6200 Female activities	-	-	3,000	(3,000)
6900 Combined activities	8,700	8,700	18,369	(9,669)
Total expenditures	<u>837,072</u>	<u>837,072</u>	<u>811,873</u>	<u>25,199</u>
Excess of Revenues over (under) Expenditures	<u>744,105</u>	<u>744,105</u>	<u>771,440</u>	<u>27,335</u>
Other Financing Sources (Uses)				
Sale of surplus property	1,000	1,000	-	(1,000)
Transfers out	(350,000)	(350,000)	(350,000)	-
Total other financing sources (uses)	<u>(349,000)</u>	<u>(349,000)</u>	<u>(350,000)</u>	<u>(1,000)</u>
Net Change in Fund Balances	395,105	395,105	421,440	26,335
Fund Balance - Beginning	<u>595,520</u>	<u>595,520</u>	<u>595,520</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 990,625</u>	<u>\$ 990,625</u>	<u>\$ 1,016,960</u>	<u>\$ 26,335</u>

Britton-Hecla School District 45-4
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 700,000	\$ 700,000	\$ 699,895	\$ (105)
1120 Prior year's ad valorem taxes	2,000	2,000	1,968	(32)
1190 Penalties and interest on taxes	1,000	1,000	969	(31)
1500 Earnings on investments and deposits	6,000	6,000	4,291	(1,709)
1900 Other revenue from local sources				
1920 Contributions and donations	1,000	1,000	1,100	100
1970 Charges for services	2,000	2,000	2,784	784
1990 Other	100	100	-	(100)
Total revenues	712,100	712,100	711,007	(1,093)
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	635,246	635,246	592,695	42,551
2000 Support services				
2100 Pupils				
2120 Guidance	100	100	-	100
2140 Psychological	36,651	36,651	32,973	3,678
2150 Speech pathology	49,054	49,054	46,589	2,465
2170 Student therapy services	41,453	41,453	38,749	2,704
2200 Support services - instructional staff				
2210 Improvement of instruction	500	500	-	500
2700 Support services - special education				
2710 Administration costs	31,244	31,244	30,403	841
2730 Transportation costs	25,198	25,198	21,304	3,894
2750 Other special education costs	12,500	12,500	15,545	(3,045)
Total expenditures	831,946	831,946	778,258	53,688
Net Change in Fund Balances	(119,846)	(119,846)	(67,251)	52,595
Fund Balance - Beginning	173,712	173,712	173,712	-
Fund Balance - Ending	<u>\$ 53,866</u>	<u>\$ 53,866</u>	<u>\$ 106,461</u>	<u>\$ 52,595</u>

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared using the modified accrual basis of accounting.

Note 2 - 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 School 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 fiduciary funds.
6. After adoption by the School Board, the operating budget is legally binding at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, 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. No amount of expenditures may be charged directly to the contingency line item in the budget.
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 authority.
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.

Schedule of Employer’s Share 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	0.1034%	\$ (4,185)	\$ 2,901,072	-0.14%	100.00%
SDRS	6/30/2024	0.1065%	(10,395)	2,747,001	-0.4%	100.10%
SDRS	6/30/2023	0.1056%	(9,977)	2,520,821	-0.4%	101.10%
SDRS	6/30/2022	0.1105%	(846,011)	2,506,901	-33.7%	105.52%
SDRS	6/30/2021	0.1069%	(4,643)	2,346,919	-0.2%	100.04%
SDRS	6/30/2020	0.1092%	(11,567)	2,320,778	-0.5%	100.09%
SDRS	6/30/2019	0.1185%	(2,763)	2,462,788	-0.1%	100.02%
SDRS	6/30/2018	0.1297%	(11,766)	2,634,242	-0.4%	100.10%
SDRS	6/30/2017	0.1273%	430,020	2,420,667	17.8%	96.89%
SDRS	6/30/2016	0.1267%	(537,274)	2,312,754	-23.2%	104.10%

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

Schedule of Employer’s 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	\$ 180,583	\$ 180,583	\$ -	\$ 3,010,419	6.0%
SDRS	6/30/2024	174,064	174,064	-	2,901,072	6.0%
SDRS	6/30/2023	164,820	164,820	-	2,747,001	6.0%
SDRS	6/30/2022	151,250	151,250	-	2,520,821	6.0%
SDRS	6/30/2021	150,415	150,415	-	2,506,901	6.0%
SDRS	6/30/2020	140,782	140,782	-	2,346,919	6.0%
SDRS	6/30/2019	139,247	139,247	-	2,320,778	6.0%
SDRS	6/30/2018	147,768	147,768	-	2,462,788	6.0%
SDRS	6/30/2017	158,055	158,055	-	2,634,242	6.0%
SDRS	6/30/2016	145,241	145,241	-	2,420,667	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
Britton-Hecla School District 45-4
Britton, 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, each major fund, and the aggregate remaining fund information of Britton-Hecla School District 45-4 (the School District), as of and for the year ended June 30, 2025, 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 March 2, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Britton-Hecla School District 45-4'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 entity'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 responses 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 Britton-Hecla School District 45-4'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*.

Britton-Hecla School District 45-4's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Britton-Hecla School District 45-4's response 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
March 2, 2026

Finding 2025-001 - Lack of Segregation of Duties

Material Weakness

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: Britton-Hecla School District 45-4 (the 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.

Recommendation: Although it is recognized that the number of office staff may not be large enough 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 the finding.

Finding 2025-002 - Preparation of Financial Statements and Footnotes including Significant Audit Journal Entries

Material Weakness

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: The School District requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2025. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments, some of which were material, that were not identified by the School District's current internal controls.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements and footnotes and 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. It may also affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present in the financial statements.

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

Views of Responsible Officials: Management agrees with the finding.