

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

TABLE OF CONTENTS

Independent Auditor's Report 1

Basic Financial Statements:

 Government-Wide Financial Statements:

 Statement of Net Position 5

 Statement of Activities..... 6

 Fund Financial Statements:

 Balance Sheet - Governmental Funds 7

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position 8

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Governmental Funds 9

 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities..... 10

 Statement of Net Position - Proprietary Funds..... 11

 Statement of Revenues, Expenses, and Changes in Fund
 Net Position - Proprietary Funds 12

 Statement of Cash Flows - Proprietary Funds 13

 Statement of Fiduciary Net Position - Fiduciary Funds 14

 Statement of Changes in Fiduciary Net Position - Fiduciary Funds 15

 Notes to Financial Statements 16

Required Supplementary Information 45

 Budgetary Comparison Schedule - General Fund 46

 Budgetary Comparison Schedule – Capital Outlay Fund..... 48

Budgetary Comparison Schedule – Special Education Fund	49
Notes to Required Supplementary Information – Budgets	50
Schedule of the School District’s Proportionate Share of the Net Pension (Asset)/Liability	52
Schedule of the School District’s Pension Contributions	53
Notes to Required Supplementary Information – Retirement Schedules	54
Supplementary Information	56
Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards	58
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 <i>Government Auditing Standards</i>	59
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	61
Summary Schedule of Prior Audit Findings	64
Schedule of Audit Findings and Questioned Costs	67
Corrective Action Plan	72



INDEPENDENT AUDITOR'S REPORT

To the School Board
Hot Springs School District No. 23-2
Fall River County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hot Springs School District No. 23-2 (the School District)** as of and for the year ended June 30, 2023, 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 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. 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.

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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 generally accepted auditing standards 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 generally accepted auditing standards 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 budgetary comparison information, schedule of the School District's proportionate share of net pension (asset) liability, and schedule of the School District's pension contributions as noted in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
March 27, 2024

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,071,934	\$ 135,373	\$ 5,207,307
Inventory	-	15,191	15,191
Investments	7,603,525	-	7,603,525
Accounts receivable, net of allowance	6,165	-	6,165
Taxes receivable	2,425,771	-	2,425,771
Due from other governments	871,175	6,954	878,129
Internal balances	(15,232)	15,232	-
Due from custodial fund	74,329	-	74,329
Prepaid expenses	74,780	1,081	75,861
Net pension asset	16,622	114	16,736
Capital assets:			
Not being depreciated	2,862,280	-	2,862,280
Being depreciated, net of depreciation	8,008,495	14,830	8,023,325
Total capital assets	10,870,775	14,830	10,885,605
 Total assets	26,999,844	188,775	27,188,619
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	1,658,039	11,370	1,669,409
LIABILITIES			
Accounts payable	61,346	1,999	63,345
Contracts payable	499,214	1,552	500,766
Accrued expenses	258,147	781	258,928
Unearned revenue	-	31,012	31,012
Long-term liabilities:			
Portion due or payable within one year:			
Debt payable	299,531	-	299,531
Finance acquisition lease payable	26,807	-	26,807
Compensated absences	22,271	-	22,271
Portion due or payable after one year:			
Debt payable	8,431,950	-	8,431,950
Finance acquisition lease payable	56,708	-	56,708
Compensated absences	30,563	-	30,563
 Total liabilities	9,686,537	35,344	9,721,881
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	966,774	6,623	973,397
Taxes levied for future period	2,845,206	-	2,845,206
 Total deferred inflows of resources	3,811,980	6,623	3,818,603
NET POSITION			
Net investment in capital assets	2,139,294	14,830	2,154,124
Restricted for:			
Capital outlay	2,902,387	-	2,902,387
Special education	650,639	-	650,639
Bond redemption	2,089,701	-	2,089,701
Capital projects	5,497,145	-	5,497,145
SDRS pension purposes	707,887	4,861	712,748
Unrestricted	1,172,313	138,487	1,310,800
 Total net position	\$ 15,159,366	\$ 158,178	\$ 15,317,544

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

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
Governmental activities:							
Instruction	\$ 4,573,023	\$ -	\$ 1,600,852	\$ -	\$ (2,972,171)		\$ (2,972,171)
Support services	3,469,928	15,134	686,080	-	(2,768,714)		(2,768,714)
Cocurricular activities	567,175	42,120	-	-	(525,055)		(525,055)
Interest and fiscal charges	256,206	-	-	-	(256,206)		(256,206)
Total governmental activities	<u>8,866,332</u>	<u>57,254</u>	<u>2,286,932</u>	<u>-</u>	<u>(6,522,146)</u>		<u>(6,522,146)</u>
Business-type activities:							
Food service	<u>285,589</u>	<u>111,869</u>	<u>192,241</u>	<u>-</u>		\$ 18,521	<u>18,521</u>
Total Business-type activities:	<u>285,589</u>	<u>111,869</u>	<u>192,241</u>	<u>-</u>		<u>18,521</u>	<u>18,521</u>
Total School District	<u>\$ 9,151,921</u>	<u>\$ 169,123</u>	<u>\$ 2,479,173</u>	<u>\$ -</u>	<u>(6,522,146)</u>	<u>18,521</u>	<u>(6,503,625)</u>
General revenues:							
Taxes:							
Property taxes					5,441,263	-	5,441,263
Gross receipts tax					86,813	-	86,813
Revenue from state sources:							
State aid					2,200,734	-	2,200,734
Other					69,588	-	69,588
Revenue from federal sources					155,161	-	155,161
Earnings on investments					281,064	-	281,064
Miscellaneous					114,150	-	114,150
Insurance proceeds					1,289,604	-	1,289,604
Gain (loss) on sale of property					(340,440)	-	(340,440)
Total general revenues and transfers					<u>9,297,937</u>	<u>-</u>	<u>9,297,937</u>
Change in net position					2,775,791	18,521	2,794,312
Net position - beginning					<u>12,383,575</u>	<u>139,657</u>	<u>12,523,232</u>
Net position - ending					<u>\$ 15,159,366</u>	<u>\$ 158,178</u>	<u>\$ 15,317,544</u>

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds					Total Governmental Funds
	General	Special Revenue Funds		Bond Redemption Fund	Capital Projects Fund	
		Capital Outlay	Special Education			
ASSETS						
Cash and cash equivalents	\$ 2,176,213	\$ 1,944,100	\$ 789,856	\$ 161,765	\$ -	\$ 5,071,934
Investments	-	-	-	1,899,740	5,703,785	7,603,525
Accounts receivable, net of allowance	6,165	-	-	-	-	6,165
Taxes receivable	1,248,148	696,233	481,390	-	-	2,425,771
Due from other governments	355,917	462,847	52,411	-	-	871,175
Due from other funds	-	676,009	16,066	28,196	-	720,271
Due from fiduciary funds	49,329	-	-	-	-	49,329
Advance to custodial fund	25,000	-	-	-	-	25,000
Prepaid expenses	65,184	1,025	8,571	-	-	74,780
Total assets	\$ 3,925,956	\$ 3,780,214	\$ 1,348,294	\$ 2,089,701	\$ 5,703,785	\$ 16,847,950
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 31,614	\$ 29,451	\$ 281	\$ -	\$ -	\$ 61,346
Contracts payable	440,856	-	58,358	-	-	499,214
Due to other funds	528,863	-	-	-	206,640	735,503
Accrued expenses	206,344	-	51,803	-	-	258,147
Total liabilities	1,207,677	29,451	110,442	-	206,640	1,554,210
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	57,837	31,759	19,608	-	-	109,204
Taxes levied for future period	1,460,984	816,617	567,605	-	-	2,845,206
Total deferred inflows of resources	1,518,821	848,376	587,213	-	-	2,954,410
Fund balances:						
Nonspendable:						
Prepaid expenses	65,184	-	-	-	-	65,184
Restricted:						
Capital outlay	-	2,902,387	-	-	-	2,902,387
Special education	-	-	650,639	-	-	650,639
Bond redemption	-	-	-	2,089,701	-	2,089,701
Capital projects	-	-	-	-	5,497,145	5,497,145
Unassigned	1,134,274	-	-	-	-	1,134,274
Total fund balances	1,199,458	2,902,387	650,639	2,089,701	5,497,145	12,339,330
Total liabilities, deferred inflows of resources and fund balances	\$ 3,925,956	\$ 3,780,214	\$ 1,348,294	\$ 2,089,701	\$ 5,703,785	\$ 16,847,950

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances for governmental funds \$ 12,339,330

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 321,027	
Buildings, net of \$3,521,305 accumulated depreciation	6,881,270	
Improvements, net of \$287,447 accumulated depreciation	95,903	
Equipment, net of \$1,646,883 accumulated depreciation	1,031,322	
Construction in progress	<u>2,541,253</u>	
Total capital assets		10,870,775

Some of the School District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds. 109,204

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 16,622

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 1,658,039

Long-term liabilities applicable to the School District's governmental activities are not due and payable in current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Those liabilities consist of:

Long-term debt payable	8,679,085	
Premium on long-term debt	61,940	
Discount on long-term debt	(9,544)	
Financed acquisition	83,515	
Compensated absences	<u>52,834</u>	
Total long-term liabilities		(8,867,830)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (966,774)

Total net position of governmental activities \$ 15,159,366

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Major Funds					Total Governmental Funds
	General	Special Revenue Funds		Bond Redemption Fund	Capital Projects Fund	
		Capital Outlay	Special Education			
REVENUES						
Local sources:						
Taxes	\$ 2,821,152	\$ 1,604,893	\$ 1,075,438	\$ -	\$ -	\$ 5,501,483
Interest	53,534	-	-	66,130	161,400	281,064
Cocurricular activities	42,120	-	-	-	-	42,120
Other local revenue	29,272	-	8,470	-	-	37,742
Intergovernmental:						
County sources	91,542	-	-	-	-	91,542
State sources	2,270,322	-	-	-	-	2,270,322
Federal sources	610,850	1,683,150	148,093	-	-	2,442,093
Total revenues	5,918,792	3,288,043	1,232,001	66,130	161,400	10,666,366
EXPENDITURES						
Instruction:						
Regular programs	2,955,311	391,293	-	-	-	3,346,604
Special programs	339,739	-	704,659	-	-	1,044,398
Support services:						
Students	86,691	-	230,035	-	-	316,726
Instructional staff	241,207	68,819	17,011	-	-	327,037
General administration	235,391	2,400	-	-	-	237,791
School administration	454,825	178	-	-	-	455,003
Business	1,404,951	475,786	-	-	-	1,880,737
Central	12,679	-	-	-	-	12,679
Special education	-	1,485	157,018	-	-	158,503
Cocurricular activities:						
Male activities	148,452	13,512	-	-	-	161,964
Female activities	126,207	11,752	-	-	-	137,959
Transportation	39,368	-	-	-	-	39,368
Combined activities	169,681	15,102	-	-	-	184,783
Debt service:						
Principal	-	329,394	-	-	-	329,394
Interest and fiscal charges	-	217,287	-	-	-	217,287
Issuance costs	-	39,881	-	-	-	39,881
Capital outlay	-	3,049,210	-	-	443,017	3,492,227
Total expenditures	6,214,502	4,616,099	1,108,723	-	443,017	12,382,341
Excess (deficiency) of revenues over expenditures	<u>(295,710)</u>	<u>(1,328,056)</u>	<u>123,278</u>	<u>66,130</u>	<u>(281,617)</u>	<u>(1,715,975)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	161,765	2,505,000	2,666,765
Transfers out	(3,933)	(2,662,832)	-	-	-	(2,666,765)
Capital outlay certificate issued	-	2,545,000	-	-	-	2,545,000
Insurance proceeds	-	1,289,604	-	-	-	1,289,604
Sale of surplus property	-	38,889	-	-	-	38,889
Total other financing sources (uses)	(3,933)	1,210,661	-	161,765	2,505,000	3,873,493
Net change in fund balances	(299,643)	(117,395)	123,278	227,895	2,223,383	2,157,518
Changes in nonspendable		-	-	-	-	-
Fund balances - beginning	1,499,101	3,019,782	527,361	1,861,806	3,273,762	10,181,812
Fund balances - ending	\$ 1,199,458	\$ 2,902,387	\$ 650,639	\$ 2,089,701	\$ 5,497,145	\$ 12,339,330

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds \$ 2,157,518

The change in net position reported for governmental activities in the statement of activities is 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 (\$3,492,227) exceeded depreciation (\$359,179) in the current period. 3,133,048

In both the government wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the fund's statement 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". 26,593

In the statement of activities, gains and losses (\$379,329) on disposal of capital assets are reported, where as, in the governmental funds, the proceeds (\$-0-) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (379,329)

Expenses in the statement of activities that do not use current financial resources are not reported as expenses in the funds. This adjustment is the reduction in pension expense related to the South Dakota Retirement System (SDRS) pension plan. In addition, changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 61,465

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. (2,545,000)

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

Repayments:			
Long-term debt		\$ 332,742	
Accretion of discount		<u>(2,386)</u>	
			330,356

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment is the net change in the following:

Compensated absences	<u>(8,860)</u>	
Total		<u>(8,860)</u>

Change in net position of governmental activities \$ 2,775,791

The accompanying notes are an integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2023

	Enterprise Fund
	Major Fund
	Food Service
	<u> </u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 135,373
Inventory	15,191
Due from other funds	15,232
Due from other governments	6,954
Prepaid insurance	<u>1,081</u>
Total current assets	<u>173,831</u>
Noncurrent assets:	
Net pension asset	114
Capital assets:	
Machinery and equipment	161,041
Less accumulated depreciation	<u>(146,211)</u>
Total noncurrent assets	<u>14,944</u>
Total assets	<u>188,775</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	<u>11,370</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,999
Accrued expenses	781
Contracts payable	1,552
Unearned revenue	<u>31,012</u>
Total current liabilities	<u>35,344</u>
Total liabilities	<u>35,344</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	<u>6,623</u>
NET POSITION	
Investment in capital assets	14,830
SDRS pension purposes	4,861
Unrestricted	<u>138,487</u>
Total net position	<u>\$ 158,178</u>

The accompanying notes are an
 integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Enterprise Fund Major Fund Food Service
OPERATING REVENUES	
Charges for goods and services	\$ 111,759
Other operating revenue	110
Total operating revenues	<u>111,869</u>
OPERATING EXPENSES	
Salaries and employee benefits	126,869
Purchased services	26,551
Cost of materials	1,924
Cost of sales - purchases	90,769
Cost of sales - donated food	30,060
Miscellaneous	3,819
Depreciation	5,597
Total operating expenses	<u>285,589</u>
Operating (loss)	<u>(173,720)</u>
NONOPERATING REVENUES (EXPENSES)	
State sources:	
Cash reimbursements	689
Federal sources:	
Cash reimbursements	166,807
Donated food	24,745
Total nonoperating revenues	<u>192,241</u>
Income (loss) before contributions, special items, extraordinary items and transfers	<u>18,521</u>
Change in net position	<u>18,521</u>
Total net position - beginning	<u>139,657</u>
Total net position - ending	<u>\$ 158,178</u>

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2023

	Enterprise Fund Nonmajor Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 123,955
Payments to suppliers	(141,571)
Payments to employees	<u>(126,893)</u>
Net cash provided by (used in) operating activities	<u>(144,509)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash reimbursements - state sources	689
Cash reimbursements - federal sources	<u>159,853</u>
Net cash provided by (used in) noncapital financing activities	<u>160,542</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(9,266)</u>
Net cash provided by (used in) capital and related financing activities	<u>(9,266)</u>
Net change in cash and cash equivalents	6,767
Balances - beginning of year	<u>128,606</u>
Balances - end of year	<u>\$ 135,373</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of commodities received	<u>\$ 24,745</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating (loss)	\$ (173,720)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	5,597
Value of donated commodities used	24,635
Change in assets and liabilities:	
(Increase) decrease in:	
Inventory	(15,192)
Pension related asset	(420)
Increase (decrease) in:	
Accounts payable	1,999
Accrued expenses	202
Contracts payable	194
Unearned revenue	<u>12,196</u>
Net cash provided by (used in) operating activities	<u>\$ (144,509)</u>

The accompanying notes are an
 integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	<u>Custodial Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 255,733	\$ 52,314	\$ 308,047
Total assets	<u>255,733</u>	<u>52,314</u>	<u>308,047</u>
LIABILITIES			
Accounts payable	-	-	-
Due to general fund	49,329	-	49,329
Advance from general fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total liabilities	<u>74,329</u>	<u>-</u>	<u>74,329</u>
NET POSITION			
Restricted for:			
Individuals and organizations	181,404	-	181,404
Scholarships	<u>-</u>	<u>52,314</u>	<u>52,314</u>
Total net position	<u>\$ 181,404</u>	<u>\$ 52,314</u>	<u>\$ 233,718</u>

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total</u>
ADDITIONS:			
Donations	\$ -	\$ 1,471	\$ 1,471
Collections for student activities	<u>242,281</u>	<u>-</u>	<u>242,281</u>
Total additions	<u>242,281</u>	<u>1,471</u>	<u>243,752</u>
DEDUCTIONS:			
Payments for student activities	219,039	-	219,039
Trust deductions for scholarships	<u>-</u>	<u>1,050</u>	<u>1,050</u>
Total deductions	<u>219,039</u>	<u>1,050</u>	<u>220,089</u>
Change in net position	23,242	421	23,663
Net position - beginning	<u>158,162</u>	<u>51,893</u>	<u>210,055</u>
Net position - ending	<u>\$ 181,404</u>	<u>\$ 52,314</u>	<u>\$ 233,718</u>

The accompanying notes are an
integral part of these financial statements.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The reporting entity of Hot Springs School District No. 23-2 (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 participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Venture" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the 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

Government-wide Financial Statements:

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management can elect 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.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

The fund types of the School District financial reporting entity are described below:

Governmental Funds:

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

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

Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which results 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.

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

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

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

Shop Building Fund – The Shop Building Fund is the only capital projects fund maintained by the School District. This is a major fund.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Presentation, continued

Proprietary Funds:

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

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

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

Fiduciary Funds:

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

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains two scholarship funds. The purpose of these funds is to provide scholarships to qualifying students.

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds. The School District holds assets as an agent in a trustee capacity for various classes, clubs and other such purposes.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the School District, the length of that cycle is 60 days. The revenues accrued at June 30, 2023 are property taxes and federal grants.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting, continued

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

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

Interfund Eliminations and Reclassifications

Government-wide Financial Statements:

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

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

Cash and Cash Equivalents

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows. Certificates of deposit, regardless of maturity, are not considered to be cash equivalents.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments are reported at fair value based on the framework established by Governmental Accounting Standards Board.

Capital Assets

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

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

Government-wide Financial Statements:

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

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 20 percent for which the values were determined by estimates of the original costs. The total June 30, 2023 balance of capital assets for business-type activities includes approximately 5 percent for which the values were determined by estimates of the original cost. These estimated original costs were established by deflated current replacement cost.

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital Assets, continued

	Capitalization Threshold	Depreciation/Amortization Method	Estimated Useful Life
Land	\$ 5,000	-	-
Buildings	\$ 5,000	Straight-line	50 years
Improvements	\$ 5,000	Straight-line	20 years
Intangible lease asset	\$ 5,000	Straight-line	3-15 years
Equipment (government-wide)	\$ 5,000	Straight-line	3-15 years
Equipment (proprietary funds)	\$ 5,000	Straight-line	3-15 years

Land, an inexhaustible capital asset, 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 Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, capital outlay certificates payable, and lease liabilities.

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

Deferred Inflows and Outflows of Resources

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Inflows and Outflows of Resources, continued

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

Pension

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

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.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, 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.

Equity Classifications

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. 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.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB), the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the 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 School District would first use *committed*, *then assigned*, and *lastly unassigned amounts* of unrestricted fund balance when expenditures are made.

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

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.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property Taxes, continued

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred 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 "available period."

2. DEPOSITS AND INVESTMENTS

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

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

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

2. DEPOSITS AND INVESTMENTS, continued

Custodial Credit Risk – Deposits – The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial risk. As of June 30, 2023, the School District’s deposits were fully insured or collateralized and were not exposed to custodial credit risk.

Investments

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

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Maturity</u>
SD FIT Money Market	unrated	\$ 7,603,525	N/A

The South Dakota Fund Investment Trust (SD FIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of SD FIT money market account is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District uses Level 2 inputs for recurring fair value measurements as of June 30, 2023.

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.

Authorized Investments by the School District – The School District does not have a formal investment policy that further limits investments beyond those imposed by statutes.

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.

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

2. DEPOSITS AND INVESTMENTS, continued

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

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowance for uncollectible accounts receivable, if any, are calculated based on historical trend data. For the year ended June 30, 2023, the allowance for doubtful accounts totaled \$ -0-.

4. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 321,027	\$ -	\$ -	\$ 321,027
Construction in progress	735,540	1,805,713	-	2,541,253
Total capital assets not being depreciated	1,056,567	1,805,713	-	2,862,280
<i>Capital assets being depreciated:</i>				
Buildings	9,506,620	1,384,374	(488,419)	10,402,575
Improvements	383,350	-	-	383,350
Equipment	2,700,058	302,140	(323,993)	2,678,205
Total capital assets being depreciated	12,590,028	1,686,514	(812,412)	13,464,130
<i>Less accumulated depreciation for:</i>				
Buildings	3,443,831	186,564	(109,090)	3,521,305
Improvements	279,102	8,345	-	287,447
Equipment	1,806,606	164,270	(323,993)	1,646,883
Total accumulated depreciation	5,529,539	359,179	(433,083)	5,455,635
Total capital assets being depreciated, net	7,060,489	1,327,335	(379,329)	8,008,495
<i>Capital assets, net - Governmental Activities</i>	<u>\$ 8,117,056</u>	<u>\$ 3,133,048</u>	<u>\$ (379,329)</u>	<u>\$ 10,870,775</u>

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

4. CAPITAL ASSETS, continued

Governmental activities' depreciation expense was charged to functions as follows:

Instruction	\$ 208,324
Support Services	107,754
Cocurricular Activities	<u>43,101</u>

Total Depreciation Expense - Governmental Activities \$ 359,179

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/2023</u>	<u>Funding Source</u>	<u>Required Future Financing</u>
CTE & Lab Facility Project	<u>\$ 6,250,000</u>	<u>\$ 2,541,253</u>	<u>\$ -</u>	<u>\$ 3,708,747</u>

Required future funding will be provided through existing and future Capital Outlay Fund reserves.

A summary of changes in business-type activities' capital assets for the year ended June 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Business-Type Activities:</i>				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 155,230	\$ 9,266	\$ (3,455)	\$ 161,041
Total capital assets being depreciated	155,230	9,266	(3,455)	161,041
<i>Less accumulated depreciation for:</i>				
Equipment	<u>144,068</u>	<u>5,597</u>	<u>(3,455)</u>	<u>146,210</u>
Total accumulated depreciation	144,068	5,597	(3,455)	146,210
<i>Capital assets, net - Business-Type Activities</i>	<u>\$ 11,162</u>	<u>\$ 3,669</u>	<u>\$ -</u>	<u>\$ 14,831</u>

Business-type activities' depreciation expense was charged to functions as follows:

Food Service Fund	<u>\$ 5,597</u>
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HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

5. LONG-TERM LIABILITIES

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Capital outlay certificates-Series 2018	\$ 210,000	\$ -	\$ (105,000)	\$ 105,000	\$ 105,000
General obligation certificates-Series 2021	3,160,000	-	(135,000)	3,025,000	130,000
General obligation certificates-Series 2021	-	2,545,000	-	2,545,000	-
Qualified school construction	2,750,000	-	-	2,750,000	-
Lighting project bonds	317,654	-	(63,569)	254,085	63,569
Leases payable	109,340	-	(25,825)	83,515	26,807
Total debt payable	<u>6,546,994</u>	<u>2,545,000</u>	<u>(329,394)</u>	<u>8,762,600</u>	<u>325,376</u>
QZAB discount	(11,930)	-	2,386	(9,544)	(2,386)
G.O. Certificates premium	65,288	-	(3,348)	61,940	3,348
Debt payable, net	<u>6,600,352</u>	<u>2,545,000</u>	<u>(330,356)</u>	<u>8,814,996</u>	<u>326,338</u>
Compensated absences	43,974	23,577	(14,717)	52,834	22,271
<i>Total Governmental Activities</i>	<u>6,644,326</u>	<u>2,568,577</u>	<u>(345,073)</u>	<u>8,867,830</u>	<u>348,609</u>
<i>Total Primary Government</i>	<u>\$ 6,644,326</u>	<u>\$ 2,568,577</u>	<u>\$ (345,073)</u>	<u>\$ 8,867,830</u>	<u>\$ 348,609</u>

The capital outlay certificates were issued as Limited Tax General Obligation Certificates, Series 2018, maturing in August 2024. Interest rates range from 2.00% to 2.45% depending on length to maturity. Payments are made from the Capital Outlay Fund.

The capital outlay certificates were issued as Limited Tax General Obligation Certificates, Series 2023, maturing in 2042, with an interest rate of 2.00%. Interest only payments until August 2025. Payments are made from the Capital Outlay Fund.

The Qualified School Construction Bonds are due in a lump in 2027. Interest rate is 5.25% and is due semi-annually from the Capital Outlay Fund. Sinking fund provisions on the Qualified School Construction Bonds require semi-annual deposits of \$80,882 on or before March 1 and September 1 of each year through 2027, during which the fund will continue to earn interest until maturity of the debt on September 1, 2027.

The lighting project bonds were funded through a non-interest bearing note payable through the State of South Dakota. It calls for annual principal payments of \$63,569 through 2026. Payments are made from the Capital Outlay Fund.

The financed acquisition is related to the School purchasing 2 buses beginning in 2021 for five years. The total cost of the equipment was \$164,200 with annual payments due in December of each year in the amount of \$29,980. Payments are made from the Capital Outlay Fund.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

5. LONG-TERM LIABILITIES, continued

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

The annual requirements to amortize long-term debt outstanding as of June 30, 2023, except for compensated absences are as follows:

Year Ending June 30,	Total Debt Payable		
	Principal	Interest	Total
2024	\$ 326,338	\$ 343,803	\$ 670,141
2025	227,356	332,875	560,231
2026	323,414	326,773	650,187
2027	299,340	318,157	617,497
2028	2,993,348	238,275	3,231,623
2029 - 2033	1,351,742	703,012	2,054,754
2034 - 2038	1,596,740	456,625	2,053,365
2039 - 2043	1,696,718	155,975	1,852,693
Total	<u>\$ 8,814,996</u>	<u>\$ 2,875,495</u>	<u>\$ 11,690,491</u>

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

6. INDIVIDUAL INTERFUND TRANSACTIONS

A summary of amounts due from and due to other funds as of June 30, 2023, is as follows:

	Due From	Due To
<i>Governmental activities:</i>		
General Fund:		
Capital Outlay Fund	\$ -	\$ 497,565
Special Education Fund	-	16,066
Food Service Fund	-	15,232
	<u>-</u>	<u>528,863</u>
Capital Outlay Fund:		
General Fund	497,565	-
Bond Redemption Fund	-	28,196
Capital Projects	206,640	-
	<u>704,205</u>	<u>28,196</u>
Special Education Fund:		
General Fund	16,066	-
	<u>16,066</u>	<u>-</u>
Bond Redemption Fund:		
Capital Outlay Fund	28,196	-
	<u>28,196</u>	<u>-</u>
Capital Project Fund:		
Capital Outlay Fund	-	206,640
	<u>-</u>	<u>206,640</u>
<i>Total governmental activities</i>	<u>748,467</u>	<u>763,699</u>
<i>Business-Type activities:</i>		
Food Service Fund:		
General Fund	15,232	-
	<u>15,232</u>	<u>-</u>
<i>Total business-type activities</i>	<u>15,232</u>	<u>-</u>
	<u>\$ 763,699</u>	<u>\$ 763,699</u>

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

6. INDIVIDUAL INTERFUND TRANSACTIONS, continued

Interfund transfers for the year ended June 30, 2023, were as follows:

	Transfers From	Transfers To
<i>Governmental activities:</i>		
General Fund:		
Bond Redemption Fund	\$ -	\$ 3,933
Capital Outlay Fund:		
Bond Redemption Fund	-	157,832
Capital Projects	-	2,505,000
	-	2,662,832
Capital Projects Fund:		
Capital Outlay Fund	2,505,000	-
Bond Redemption Fund:		
General Fund	3,933	-
Capital Outlay Fund	157,832	-
	161,765	-
<i>Total governmental activities</i>	2,666,765	2,666,765
<i>Total primary government</i>	\$ 2,666,765	\$ 2,666,765

The transfer from the Capital Outlay Fund to the Bond Redemption Fund is required by a debt covenant with the Qualified School Construction Bonds. The transfers from the Capital Outlay Fund to the Capital Projects Fund was to account for the proceeds of the Limited Tax Capital Outlay Certificates, Series 2021, and related Premium.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

7. RESTRICTED NET POSITION

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Fund	Law	\$ 2,902,387
Special Education Fund	Law	650,639
Bond Redemption Fund	Covenant	2,089,701
Capital Projects Fund	Law	5,497,145
SDRS Pension Related Assets	Law	<u>712,748</u>
Total Restricted Net Position		<u>\$ 11,852,620</u>

8. PENSION PLAN

Plan Information

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

Benefits Provided

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

8. PENSION PLAN, continued

Benefits Provided, continued

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% 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 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 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%.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

8. PENSION PLAN, continued

Benefits Provided, continued

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

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

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 ended June 30, 2023, 2022, and 2021 were \$270,407, \$253,723, and \$244,031, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 24,999,545
Less proportionate share of net pension restricted for pension benefits	<u>25,016,281</u>
Proportionate share of net pension liability (asset)	<u>\$ (16,736)</u>

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

8. PENSION PLAN, continued

Pension (Asset)/Liability, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued

At June 30, 2023, the School District reported a liability (asset) of (\$16,736) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.17709300%, which is an increase (decrease) of 0.0067816% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense (reduction of pension expense) of (\$59,941). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 318,590	\$ 1,086
Changes in assumptions	1,063,714	932,203
Net difference between projected and actual earnings on pension plan investments	-	40,108
Changes in proportion and difference between the School District's contributions and proportionate share of contributions	16,697	-
School District contributions subsequent to the measurement date	270,408	-
Total	\$ 1,669,409	\$ 973,397

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

8. PENSION PLAN, continued

Pension (Asset)/Liability, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued

\$270,407 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30	
2024	\$ 123,766
2025	234,001
2026	(264,114)
2027	<u>331,952</u>
Total	<u>\$ 425,605</u>

Actuarial Assumptions:

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

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50 percent net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10 percent

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

8. PENSION PLAN, continued

Actuarial Assumptions, continued:

- Retired Members:
 - Teachers, Certified Regents, and Judicial Retirees: PubT – 2010, 108% of rates above age 65
 - Other Class A Retirees: PubG – 2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
 - Public Safety Retirees: PubS – 2010, 102% of rates at all ages
- Beneficiaries:
 - PubG – 2010 contingent survivor mortality table
- Disabled Members:
 - Public Safety: PubS – 2010 disabled member mortality table
 - Others: PubG – 2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

8. PENSION PLAN, continued

Actuarial Assumptions, continued:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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 percent, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 3,475,159	\$ (16,736)	\$ (2,870,538)

Pension Plan Fiduciary Net Position

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

9. JOINT VENTURE

The School District participates in the joint venture known as the Black Hills Special Services Cooperative (the co-op) a cooperative service unit formed for the purpose of providing vital educational services for both youth and adults. The members of the co-op and their relative percentage participation in the co-op are as follows:

Belle Fourche School District	8.33%
Custer School District	8.33%
Douglas School District	8.33%
Edgemont School District	8.33%
Haakon School District	8.33%
Hill City School District	8.33%
Hot Springs School District	8.33%
Lead-Deadwood School District	8.33%
Meade School District	8.33%
Oelrichs School District	8.33%
Rapid City School District	8.33%
Spearfish School District	8.33%

The co-op's governing board is composed of one representative from each member school district, who is a school board member. The Board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the Net Position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Black Hills Special Services Cooperative.

At June 30, 2023, this joint venture had total assets and deferred outflows of \$18,185,140, total liabilities and deferred inflows of \$6,746,836, and net position of \$11,438,304.

10. RISK MANAGEMENT

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

10. RISK MANAGEMENT, continued

Employee Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for property, boiler and machinery, general liability, automobile, crime, employee benefits and school board errors and omissions.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage will be provided with a \$2,000,000 limit on liability coverage, \$250,000,000 limit on property, \$50,000,000 limit on boiler and machinery, and \$350,000 for various criminal acts. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit.

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.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

10. RISK MANAGEMENT, continued

Worker's Compensation

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

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

Unemployment Benefits

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

During the year ended June 30, 2023, there were no claims paid for unemployment benefits, nor had any claims been filed or were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - PAGE 1 OF 2
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 2,671,736	\$ 2,671,736	\$ 2,512,246	\$ (159,490)
Prior years ad valorem taxes	85,000	85,000	88,735	3,735
Gross receipts tax	224,658	224,658	209,838	(14,820)
Penalties and interest	15,000	15,000	10,333	(4,667)
Tuition and fees	20,000	20,000	-	(20,000)
Earning on investments and deposits	2,000	2,000	53,534	51,534
Cocurricular activities:				
Admissions	25,000	25,000	38,372	13,372
Other pupil activity income	3,500	3,500	3,748	248
Other revenue from local sources:				
Rentals	500	500	-	(500)
Donations	1,820	1,820	400	(1,420)
Charges for services	15,000	15,000	15,628	628
Other	15,000	15,000	13,244	(1,756)
Revenues from intermediate sources:				
County sources:				
County apportionment	65,000	65,000	62,306	(2,694)
Revenue in lieu of taxes	7,500	7,500	7,414	(86)
Other	(9,000)	(9,000)	21,822	30,822
Revenues from state sources:				
Grants-in-aid:				
Unrestricted	2,547,802	2,547,802	2,270,322	(277,480)
Other state revenue	19,220	19,220	-	(19,220)
Revenues from federal sources:				
Grants-in-aid:				
Unrestricted	23,300	23,300	32,714	9,414
Restricted	618,929	618,929	565,792	(53,137)
Revenue in lieu of taxes	<u>12,344</u>	<u>12,344</u>	<u>12,344</u>	<u>-</u>
Total revenues	<u>6,364,309</u>	<u>6,364,309</u>	<u>5,918,792</u>	<u>(445,517)</u>
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	1,265,111	1,265,111	1,307,754	(42,643)
Middle school	690,316	690,316	681,580	8,736
High school	1,175,126	1,175,126	946,149	228,977
Other regular programs	20,220	20,220	19,828	392
Special programs:				
Culturally different	34,298	34,298	109,260	(74,962)
Educationally deprived	295,538	295,538	230,479	65,059
Other special programs	12,794	12,794	-	12,794

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - PAGE 2 OF 2
 YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary - Modified Accrual Basis)</u>	<u>Final Budget Positive (Negative)</u>
Support services:				
Students:				
Guidance	85,799	85,799	28,821	56,978
Health	57,098	57,098	57,870	(772)
Instructional staff:				
Improvement of instruction	83,910	83,910	61,568	22,342
Educational media	171,867	171,867	179,639	(7,772)
General administration:				
Board of education	85,518	85,518	90,246	(4,728)
Executive administration	158,106	158,106	145,145	12,961
School administration:				
Office of principal	473,896	473,896	440,209	33,687
Title I administration	12,502	12,502	13,216	(714)
Other	2,000	2,000	1,400	600
Business:				
Fiscal services	182,177	182,177	297,478	(115,301)
Operations and maintenance of plant	983,462	983,462	943,101	40,361
Pupil transportation	289,303	289,303	140,111	149,192
Food services	22,000	22,000	14,725	7,275
Internal services	13,000	13,000	9,536	3,464
Central:				
Staff	7,600	7,600	12,679	(5,079)
Community services:				
Other community services	31,698	31,698	-	31,698
Nonprogrammed charges:				
Payments to State - unemployment	2,000	2,000	-	2,000
Cocurricular activities:				
Male activities	162,399	162,399	148,452	13,947
Female activities	144,499	144,499	126,207	18,292
Transportation	46,298	46,298	39,368	6,930
Combined activities	198,774	198,774	169,681	29,093
Contingencies	-	-	-	-
Amount transferred	-	-	-	-
Total expenditures	<u>6,707,309</u>	<u>6,707,309</u>	<u>6,214,502</u>	<u>492,807</u>
Excess (deficiency) of revenues over expenditures	<u>(343,000)</u>	<u>(343,000)</u>	<u>(295,710)</u>	<u>47,290</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>343,000</u>	<u>343,000</u>	<u>(3,933)</u>	<u>(346,933)</u>
Total other financing sources (uses)	<u>343,000</u>	<u>343,000</u>	<u>(3,933)</u>	<u>(346,933)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(299,643)</u>	<u>(299,643)</u>
Fund balances - beginning	<u>941,864</u>	<u>941,864</u>	<u>941,864</u>	<u>-</u>
Fund balances - ending	<u>\$ 941,864</u>	<u>\$ 941,864</u>	<u>\$ 642,221</u>	<u>\$ (299,643)</u>

See Independent Auditor's Report

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	(Budgetary - Modified Accrual Basis)	Final Budget Positive (Negative)
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 1,522,965	\$ 1,522,965	\$ 1,558,990	\$ 36,025
Prior years ad valorem taxes	55,000	55,000	34,918	(20,082)
Other taxes	500	500	2,773	2,273
Penalties and interest	7,000	7,000	8,212	1,212
Other revenue from federal sources:				
Restricted	1,925,672	1,925,672	1,683,150	(242,522)
Other	203,360	203,360	-	(203,360)
Total revenues	<u>3,714,497</u>	<u>3,714,497</u>	<u>3,288,043</u>	<u>(426,454)</u>
EXPENDITURES				
Instruction:				
Regular programs:				
Elementary	74,934	74,934	199,727	(124,793)
Middle school	53,026	53,026	46,276	6,750
High school	226,107	226,107	145,290	80,817
Special programs:				
Programs for educationally deprived	-	-	-	-
Support services:				
Students:				
Guidance services	-	-	-	-
Health services	-	-	-	-
Instructional staff:				
Improvement of instruction	-	-	-	-
Educational media	452,087	452,087	68,819	383,268
General administration:				
Board of education	6,500	6,500	2,400	4,100
Executive administration	-	-	-	-
School administration:				
Office of the principal	4,500	4,500	178	4,322
Business:				
Fiscal services	2,000	2,000	-	2,000
Facilities acquisition and construction	2,991,537	2,991,537	3,299,733	(308,196)
Operations and maintenance of plant	489,655	489,655	216,935	272,720
Pupil transportation	114,872	114,872	-	114,872
Food services	41,500	41,500	-	41,500
Internal services	15,500	15,500	9,813	5,687
Debt service	562,047	562,047	586,563	(24,516)
Cocurricular activities	45,850	45,850	40,366	5,484
Total expenditures	<u>5,080,115</u>	<u>5,080,115</u>	<u>4,616,100</u>	<u>464,015</u>
Excess (deficiency) of revenues over expenditures	(1,365,618)	(1,365,618)	(1,328,057)	37,561
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(2,662,831)	(2,662,831)
Capital outlay certificates issued	-	-	2,545,000	2,545,000
Premium on debt issued	-	-	-	-
Interest rebate	-	-	-	-
Insurance proceeds	1,289,604	1,289,604	1,289,604	-
Sale of surplus property	29,327	29,327	38,889	9,562
Total other financing sources (uses)	<u>1,318,931</u>	<u>1,318,931</u>	<u>1,210,662</u>	<u>(108,269)</u>
Net change in fund balances	(46,687)	(46,687)	(117,395)	(70,708)
Fund balances - beginning	<u>3,019,782</u>	<u>3,019,782</u>	<u>3,019,782</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,973,095</u>	<u>\$ 2,973,095</u>	<u>\$ 2,902,387</u>	<u>\$ (70,708)</u>

See Independent Auditor's Report

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	(Budgetary - Modified Accrual Basis)	Final Budget Positive (Negative)
REVENUES				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 781,846	\$ 781,846	\$ 1,029,293	\$ 247,447
Prior years ad valorem taxes	35,000	35,000	41,462	6,462
Other taxes	1,500	1,500	1,711	211
Penalties and interest	2,500	2,500	2,972	472
Other revenue from local sources:				
Charges for services	12,500	12,500	8,470	(4,030)
Revenues from state sources:				
Grants-in-aid:				
Restricted	261,314	261,314	-	(261,314)
Revenues from federal sources:				
Grants-in-aid:				
Restricted	<u>250,300</u>	<u>250,300</u>	<u>148,093</u>	<u>(102,207)</u>
Total revenues	<u>1,344,960</u>	<u>1,344,960</u>	<u>1,232,001</u>	<u>(112,959)</u>
EXPENDITURES				
Instruction:				
Special programs:				
Special education	847,120	847,120	704,659	142,461
Support services:				
Students:				
Guidance services	-	-	-	-
Psychological services	56,000	56,000	65,830	(9,830)
Speech pathology	128,105	128,105	93,151	34,954
Student therapy	86,750	86,750	71,054	15,696
Instructional staff:				
Improvement of instruction	58,619	58,619	17,011	41,608
Special education:				
Administrative costs	149,356	149,356	132,539	16,817
Transportation costs	19,510	19,510	15,968	3,542
Other costs	<u>500</u>	<u>500</u>	<u>8,511</u>	<u>(8,011)</u>
Total expenditures	<u>1,345,960</u>	<u>1,345,960</u>	<u>1,108,723</u>	<u>237,237</u>
Excess (deficiency) of revenues over expenditures	<u>(1,000)</u>	<u>(1,000)</u>	<u>123,278</u>	<u>124,278</u>
Net change in fund balances	(1,000)	(1,000)	123,278	124,278
Fund balances - beginning	<u>527,361</u>	<u>527,361</u>	<u>527,361</u>	<u>-</u>
Fund balances - ending	<u>\$ 526,361</u>	<u>\$ 526,361</u>	<u>\$ 650,639</u>	<u>\$ 124,278</u>

See Independent Auditor's Report

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS JUNE 30, 2023

1. BASIS OF PRESENTATION

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

2. BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS - continued
JUNE 30, 2023

2. BUDGETS AND BUDGETARY ACCOUNTING, continued

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.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with US GAAP.
12. The following reconciles the US GAAP Basis fund balance to the budgetary basis fund balance for the General Fund as of June 30, 2023:

US GAAP basis fund balance	\$ 1,199,458
Less: portion comprised of unspent Impact Aid revenue	<u>(557,237)</u>
Budgetary basis fund balance	<u>\$ 642,221</u>

HOT SPRNGS SCHOOL DISTRICT NO. 23-2

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY (ASSET)
 JUNE 30, 2023

South Dakota Retirement System

* Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
School District's proportion of the net pension liability (asset)	0.2042718%	0.2085702%	0.2114752%	0.2163506%	0.1960448%
School District's proportionate share of net pension liability (asset)	\$ (1,471,695)	\$ (884,606)	\$ 714,342	\$ (19,634)	\$ (4,572)
School District's covered-employee payroll	\$ 3,572,150	\$ 3,807,900	\$ 4,023,423	\$ 4,402,309	\$ 3,787,688
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-41.20%	-23.23%	17.75%	-0.45%	-0.12%
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.29%	104.10%	96.89%	100.10%	100.02%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
School District's proportion of the net pension liability (asset)	0.1738754%	0.1703114%	0.1792250%	0.1770930%	
School District's proportionate share of net pension liability (asset)	\$ (18,426)	\$ (7,397)	\$ (1,372,557)	\$ (16,736)	
School District's covered-employee payroll	\$ 3,698,002	\$ 3,737,818	\$ 4,067,187	\$ 4,229,577	
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.50%	0.20%	33.75%	0.40%	
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.04%	105.52%	100.10%	

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS
 JUNE 30, 2023

South Dakota Retirement System
 * Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 228,474	\$ 241,272	\$ 263,748	\$ 244,108	\$ 221,817
Contributions in relation to the contractually required contribution	<u>228,474</u>	<u>241,272</u>	<u>263,748</u>	<u>244,108</u>	<u>221,817</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 3,807,900	\$ 4,023,423	\$ 4,402,309	\$ 3,787,688	\$ 3,698,002
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
Contractually required contribution	\$ 224,269	\$ 244,031	\$ 253,723	\$ 270,407	
Contributions in relation to the contractually required contribution	<u>224,269</u>	<u>244,031</u>	<u>253,723</u>	<u>270,407</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
School District's covered-employee payroll	\$ 3,737,818	\$ 4,067,187	\$ 4,229,577	\$ 4,506,784	
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	

* Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – RETIREMENT SCHEDULES JUNE 30, 2023

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – RETIREMENT SCHEDULES – continued

JUNE 30, 2023

Actuarial Assumption Changes, continued

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Disbursements/ Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through the South Dakota Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program (Note 3) Cash Reimbursement	10.553	2023G-CANS23002	\$ 22,428
National School Lunch Program (Note 3) Cash Reimbursement	10.555	2023G-CANS23002	144,379
Fresh Fruit and Vegetable Program	10.582	2023G-FFVP23002	<u>18,081</u>
Total Child Nutrition Cluster			184,888
Forest Service Schools and Roads Cluster:			
Pass-Through Fall River County:			
Schools and Roads - Grants to States (Note 3)	10.665	***	<u>15,281</u>
Total U.S. Department of Agriculture			<u>200,169</u>
U.S. DEPARTMENT OF INTERIOR			
Pass-Through the South Dakota Department of Education:			
Payments in Lieu of Taxes (Note 3)	15.227	***	\$ 17,435
Pass-Through Fall River County Payments in Lieu of Taxes (Note 3)	15.226	***	<u>(12,344)</u>
Total U.S. Department of Interior			<u>5,091</u>
FEDERAL COMMUNICATIONS COMMISSION			
Direct Funding:			
Emergency Connectivity Fund Program	32.009		<u>172,184</u>
Total Federal Communications Commission			<u>172,184</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Funding:			
Indian Education Grants to Local Educational Agencies	84.060	S060A220151	31,175
Pass-Through the South Dakota Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2023G-CA23002	286,432
Career and Technical Education Perkins	84.048	2023G-CA23002	3,592
Special Education Cluster:			
Special Education - Grants to States (Note 3)	84.027	2022G-IDEA23002	148,093
Supporting Effective Instruction State Grants	84.367	2023G-CA23002	61,660
School Support and Academic Enrichment Program	84.424	2023G-CA23002	13,852
State Personnel Development Grants Program	84.323A	2022G-632	5,037
Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief (ESSER) Fund - Covid 19	84.425D	2021G-CARE23002	130,527
Elementary and Secondary School Emergency Relief (ARP ESSER) - Covid 19	84.425U	2021G-ARP23002	<u>1,297,124</u>
Total U.S. Department of Education			<u>1,977,492</u>
Total Expenditures			<u>\$ 2,354,936</u>

*** - Pass-Through Entity Identifying Number not available.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

Note 1: Basis of Presentation

This accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to, and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The School District has not elected to use the 10% de minimis cost rate.

Note 3: Federal Reimbursement

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



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
Hot Springs School District No. 23-2
Fall River County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hot Springs School District No. 23-2 (the School District)** as of and for the year ended June 30, 2023, 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 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: Findings 2023-001, 2023-02, and 2023-03.

Report on Compliance and Other Matters

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

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. 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 report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Wohlberg Ritzman + Co., LLC

Yankton, South Dakota
March 27, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the School Board
Hot Springs School District No. 23-2
Fall River County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Hot Springs School District No. 23-2's (the School District)** compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Uhlenberg Ritzman + Co., LLC

Yankton, South Dakota
March 27, 2024

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023**

SECTION II. FINDINGS - FINANCIAL STATEMENT AUDIT

**Finding 2022-001 – Cash Reconciliations (Repeat Finding)
Significant Deficiency**

Condition:

The School District did not regularly and timely reconcile cash accounts during the 2021-2022 School Year. A reconciliation was performed subsequent to year end; however, it did not accurately reconcile cash balances. The auditors proposed adjusting journal entries affecting cash balances.

Recommendation:

The auditors recommended the School District ensure appropriate internal controls are in place and a system of monitoring exists to ensure the implementation of these controls.

Current Status:

Repeated as Finding 2023-001.

**Finding 2022-002 – Preparation of Financial Statements (Repeat Finding)
Significant Deficiency**

Condition:

The auditors were requested to draft the audited financial statements and related footnote disclosures for the year ended June 30, 2022. The School District does not have a documented internal control system over financial reporting to provide for the preparation of the financial statements, including the accompanying footnote disclosures as required by US GAAP.

Recommendation:

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. The auditors recommended the School District establish appropriate internal controls over financial reporting and the auditee person responsible for the preparation of financial statements and related footnote disclosures receive appropriate training in order that management can take responsibility for the preparation of its financial statements and related footnote disclosures.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, Continued
JUNE 30, 2023**

SECTION II. FINDINGS - FINANCIAL STATEMENT AUDIT, Continued

Finding 2022-002 – Preparation of Financial Statements, continued

Current Status:

Repeated as Finding 2023-002.

**Finding 2022-003 – Internal Control Over Significant Accounts (Repeat Finding)
Significant Deficiency**

Condition:

During the course of the prior year engagement, the auditors noted the School District did not have an adequately designed system of internal controls over significant accounts and processes. General ledger accounts are not reconciled to underlying subsidiary records on a regular basis by internal staff members. The auditors proposed material adjustments to taxes receivable, capital assets and pension related liabilities.

Recommendation:

The auditors recommended management take steps to possess the necessary knowledge and accounting expertise to appropriately design and implement an effective system of internal controls that will prevent, detect and correct potential misstatements of significant accounts.

Current Status:

Repeated as Finding 2023-003.

SECTION III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

**Finding 2022-004 – Reporting
Significant Deficiency**

Condition:

The School District did not complete and submit their audit to the Federal Audit Clearinghouse by the due date of March 31, 2023. This affects all federal programs.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, Continued
JUNE 30, 2023**

**SECTION III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT,
continued**

**Finding 2022-004 – Reporting, continued
Significant Deficiency**

Recommendation:

The auditors recommended the School District become familiar with reporting requirements for each award and implement procedures to begin audit preparation work earlier in the fiscal year to ensure reports are filed within the nine-month reporting deadline set forth by the Uniform Guidance.

Current Status:

Corrected.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiencies identified? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

**Finding 2023-001 – Cash Reconciliations (Repeat Finding)
Significant Deficiency**

Condition:

The School District did not regularly and timely reconcile cash accounts during the 2022-2023 School Year. A reconciliation was performed subsequent to year end; however, it did not accurately reconcile cash balances.

Questioned Costs: None.

Criteria:

An effective internal control system requires regular and timely reconciliation of all cash accounts.

Cause:

The School District has not properly associated all bank accounts to the correct general ledger accounts within their accounting software.

Effect:

The School District could be at risk for misappropriation of assets and misstatements of revenues and expenditures.

Recommendation:

We recommend the School District ensure appropriate internal controls are in place and a system of monitoring exists to ensure the implementation of these controls.

Views of Responsible Officials:

Management agrees with the finding. Please refer to the Corrective Action Plan for management's views and planned corrective action.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT, continued

**Finding 2023-002 – Preparation of Financial Statements (Repeat Finding)
Significant Deficiency**

Condition:

We, as auditors, were requested to draft the audited financial statements and related footnote disclosures for the year ended June 30, 2023. The School District does not have a documented internal control system over financial reporting to provide for the preparation of the financial statements, including the accompanying financial statement disclosures as required by US GAAP.

Questioned Costs: None.

Criteria:

It is management's responsibility to provide for the preparation of the School District's financial statements and related financial statement disclosures, which includes having an adequately designed and implemented system of internal controls over financial reporting. It is the responsibility of the auditor to determine the fairness of the presentation of those statements.

Cause:

The School District's current resources and staff expertise do not allow for the preparation of full disclosure financial statements.

Effect:

This condition may affect the School District's ability to record, process, summarize, and report financial data that is timely, accurate, and consistent with the assertions of management in the financial statements.

Recommendation:

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. We recommend the School District establish appropriate internal controls over financial reporting and the auditee person responsible for the preparation of financial statements and related footnote disclosures receive appropriate training in order that management can take responsibility for the preparation of its financial statements and related footnote disclosures.

Views of Responsible Officials:

Management agrees with the finding. Please refer to the Corrective Action Plan for management's views and planned corrective action.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT, continued

**Finding 2023-003 – Internal Control Over Significant Accounts (Repeat Finding)
Significant Deficiency**

Condition:

During the course of our engagement, we noted the School District did not have an adequately designed system of internal controls over significant accounts and processes. General ledger accounts are not reconciled to underlying subsidiary records on a regular basis by internal staff members. We, as auditors, proposed material adjustments to taxes receivable, capital assets and pension related liabilities.

Questioned Costs: None.

Criteria:

Effective internal controls have specific criteria established for financial reporting and compliance, including the necessity for the reconciliation of general ledger accounts on a regular basis.

Cause:

Staff members did not have sufficient knowledge and expertise of these criteria to provide timely and accurate financial reporting.

Effect:

The School District's lack of effective internal controls does not allow for control or monitoring of financial information on an ongoing basis.

Recommendation:

We recommend management take steps to possess the necessary knowledge and accounting expertise to appropriately design and implement an effective system of internal controls that will prevent, detect and correct potential misstatements of significant accounts.

Views of Responsible Officials:

Management agrees with the finding. Please refer to the Corrective Action Plan for management's views and planned corrective action.

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

There are no major federal award program audit findings noted.

HOT SPRINGS SCHOOL DISTRICT 23-2

1747 Lincoln Avenue, Hot Springs, SD 57747

Dennis Fischer, Superintendent
605-745-4159
Wendy Bilbruck, Business Manager
605-745-4145
Kristin Knutson, Special Services Director
605-745-5028
Mike Deming, Activities Director
605-745-4183



Kain Klinkhammer, Secondary School Principa
605-745-4147
Acacia Trevillyan, Elementary Principal
605-745-4149
Eric Roberts, Secondary School Asst Principal
605-745-4092

Corrective Action Plan Year Ended June 30, 2023

2023-001. Finding: Cash Reconciliations

Response: The Superintendent is the contact person at this entity responsible for the corrective action plan for this finding and expects to have the plan implemented by the end of the 2023-2024 School Year. The School District has hired new staff and expanded the duties of existing staff to improve performance and monitoring of the reconciliation process.

2023-002. Finding: Financial Statement Preparation

Response: The Superintendent is the contact person at this entity responsible for the corrective action plan for this finding, and there is no anticipated completion date. The School District has accepted the risk associated with requesting the auditors to prepare the financial statements and continues to plan for the auditors to prepare the reports. Planned actions include management to annually review the draft financial statements and related notes prepared by the auditor and to review all recommended adjusting journal entries proposed by the auditor.

2023-003. Finding: Internal Control Over Significant Accounts

Response: The Superintendent is the contact person at this entity responsible for the corrective action plan for this finding and expects to have the plan implemented over the course of the coming 3 to 5 years. The School District has hired new staff and expanded the duties of existing staff to improve performance and monitoring of control functions.

Very truly yours,

HOT SPRINGS SCHOOL DISTRICT NO. 23-2

Dennis Fischer
Superintendent