

**HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

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

**JUNE 30, 2024**

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

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## INDEPENDENT AUDITOR'S REPORT

To the School Board  
Hot Springs School District No. 23-2  
Hot Springs, 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, 2024, 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, 2024, 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 18, 2025, 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.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
March 18, 2025

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

STATEMENT OF NET POSITION  
JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,351,439	\$ 96,568	\$ 7,448,007
Inventory	-	10,958	10,958
Investments	3,125,955	-	3,125,955
Accounts receivable, net of allowance	50,169	-	50,169
Taxes receivable	2,892,268	-	2,892,268
Due from other governments	558,700	7,079	565,779
Internal balances	(15,232)	15,232	-
Advance to imprest fund	25,000	-	25,000
Prepaid expenses	121,945	2,588	124,533
Net pension asset	16,940	116	17,056
Capital assets:			
Not being depreciated	321,027	-	321,027
Being depreciated, net of depreciation	15,223,784	26,981	15,250,765
Total capital assets	15,544,811	26,981	15,571,792
Total assets	29,671,995	159,522	29,831,517
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	1,451,034	9,953	1,460,987
<b>LIABILITIES</b>			
Accounts payable	21,404	-	21,404
Contracts payable	519,739	1,713	521,452
Due to other governments	17,045	-	17,045
Accrued expenses	331,915	4,704	336,619
Unearned revenue	-	33,664	33,664
Long-term liabilities:			
Portion due or payable within one year:			
Debt payable	199,531	-	199,531
Finance acquisition lease payable	27,825	-	27,825
Compensated absences	12,168	-	12,168
Portion due or payable after one year:			
Debt payable	8,232,419	-	8,232,419
Finance acquisition lease payable	28,883	-	28,883
Compensated absences	12,168	-	12,168
Total liabilities	9,403,097	40,081	9,443,178
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	846,602	5,800	852,402
Taxes levied for future period	3,306,911	-	3,306,911
Total deferred inflows of resources	4,153,513	5,800	4,159,313
<b>NET POSITION</b>			
Net investment in capital assets	7,056,153	26,981	7,083,134
Restricted for:			
Capital outlay	4,333,293	-	4,333,293
Special education	1,023,534	-	1,023,534
Bond redemption	2,361,204	-	2,361,204
Capital projects	954,712	-	954,712
SDRS pension purposes	621,372	4,269	625,641
Unrestricted	1,216,151	92,344	1,308,495
Total net position	\$ 17,566,419	\$ 123,594	\$ 17,690,013

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, 2024

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	\$ 4,633,935	\$ -	\$ 720,539	\$ -	\$ (3,913,396)		\$ (3,913,396)
Support services	3,492,208	324	308,803	-	(3,183,081)		(3,183,081)
Cocurricular activities	590,893	64,243	-	-	(526,650)		(526,650)
Interest and fiscal charges	344,001	-	-	-	(344,001)		(344,001)
Total governmental activities	<u>9,061,037</u>	<u>64,567</u>	<u>1,029,342</u>	<u>-</u>	<u>(7,967,128)</u>		<u>(7,967,128)</u>
Business-type activities:							
Food service	<u>340,256</u>	<u>136,170</u>	<u>169,502</u>	<u>-</u>		\$ (34,584)	<u>(34,584)</u>
Total Business-type activities:	<u>340,256</u>	<u>136,170</u>	<u>169,502</u>	<u>-</u>		<u>(34,584)</u>	<u>(34,584)</u>
Total School District	<u>\$ 9,401,293</u>	<u>\$ 200,737</u>	<u>\$ 1,198,844</u>	<u>\$ -</u>	<u>(7,967,128)</u>	<u>(34,584)</u>	<u>(8,001,712)</u>
General revenues:							
Taxes:							
Property taxes					6,154,168	-	6,154,168
Gross receipts tax					246,884	-	246,884
Revenue from state sources:							
State aid					1,883,636	-	1,883,636
Other					44,997	-	44,997
Revenue from federal sources					129,864	-	129,864
Earnings on investments					319,037	-	319,037
Miscellaneous					153,828	-	153,828
Insurance proceeds					<u>1,315,429</u>	<u>-</u>	<u>1,315,429</u>
Total general revenues and transfers					<u>10,247,843</u>	<u>-</u>	<u>10,247,843</u>
Change in net position					2,280,715	(34,584)	2,246,131
Net position - beginning					15,159,366	158,178	15,317,544
Error correction					<u>126,338</u>	<u>-</u>	<u>126,338</u>
Net position - beginning - restated					<u>15,285,704</u>	<u>158,178</u>	<u>15,443,882</u>
Net position - ending					<u>\$ 17,566,419</u>	<u>\$ 123,594</u>	<u>\$ 17,690,013</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, 2024

	<b>Major Funds</b>					
		<b>Special Revenue Funds</b>		<b>Bond</b>	<b>Capital</b>	<b>Total</b>
	<b>General</b>	<b>Capital Outlay</b>	<b>Special Education</b>	<b>Redemption Fund</b>	<b>Projects Fund</b>	<b>Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,019,899	\$ 4,004,661	\$ 1,165,114	\$ 161,765	\$ -	\$ 7,351,439
Investments	-	-	-	2,171,243	954,712	3,125,955
Accounts receivable, net of allowance	50,169	-	-	-	-	50,169
Taxes receivable	1,548,539	754,070	589,659	-	-	2,892,268
Due from other governments	479,913	13,163	65,624	-	-	558,700
Due from other funds	-	469,369	16,066	28,196	-	513,631
Advance to imprest fund	25,000	-	-	-	-	25,000
Prepaid expenses	105,841	2,050	14,054	-	-	121,945
<b>Total assets</b>	<b>\$ 4,229,361</b>	<b>\$ 5,243,313</b>	<b>\$ 1,850,517</b>	<b>\$ 2,361,204</b>	<b>\$ 954,712</b>	<b>\$ 14,639,107</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 8,138	\$ 10,932	\$ 2,334	\$ -	\$ -	\$ 21,404
Contracts payable	468,670	-	51,069	-	-	519,739
Due to other funds	528,863	-	-	-	-	528,863
Due to other governments	17,045	-	-	-	-	17,045
Accrued expenses	275,461	-	56,454	-	-	331,915
<b>Total liabilities</b>	<b>1,298,177</b>	<b>10,932</b>	<b>109,857</b>	<b>-</b>	<b>-</b>	<b>1,418,966</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue - property taxes	67,367	34,183	22,643	-	-	124,193
Taxes levied for future period	1,763,627	862,855	680,429	-	-	3,306,911
<b>Total deferred inflows of resources</b>	<b>1,830,994</b>	<b>897,038</b>	<b>703,072</b>	<b>-</b>	<b>-</b>	<b>3,431,104</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Prepaid expenses	105,841	2,050	14,054	-	-	121,945
<b>Restricted:</b>						
Capital outlay	-	4,333,293	-	-	-	4,333,293
Special education	-	-	1,023,534	-	-	1,023,534
Bond redemption	-	-	-	2,361,204	-	2,361,204
Capital projects	-	-	-	-	954,712	954,712
Unassigned	994,349	-	-	-	-	994,349
<b>Total fund balances</b>	<b>1,100,190</b>	<b>4,335,343</b>	<b>1,037,588</b>	<b>2,361,204</b>	<b>954,712</b>	<b>9,789,037</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,229,361</b>	<b>\$ 5,243,313</b>	<b>\$ 1,850,517</b>	<b>\$ 2,361,204</b>	<b>\$ 954,712</b>	<b>\$ 14,639,107</b>

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, 2024**

Total fund balances for governmental funds \$ 9,789,037

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 \$3,791,584 accumulated depreciation	14,151,746	
Improvements, net of \$295,792 accumulated depreciation	87,558	
Equipment, net of \$1,675,624 accumulated depreciation	<u>984,480</u>	
Total capital assets		15,544,811

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. 124,193

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 16,940

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 1,451,034

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	8,380,516	
Premium on long-term debt	58,592	
Discount on long-term debt	(7,158)	
Financed acquisition lease	56,708	
Compensated absences	<u>24,336</u>	
Total long-term liabilities		(8,512,994)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (846,602)

Total net position of governmental activities \$ 17,566,419

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, 2024

	<b>Major Funds</b>					
		<b>Special Revenue Funds</b>		<b>Bond</b>	<b>Capital</b>	<b>Total</b>
	<b>General</b>	<b>Capital Outlay</b>	<b>Special Education</b>	<b>Redemption Fund</b>	<b>Projects Fund</b>	<b>Governmental Funds</b>
<b>REVENUES</b>						
Local sources:						
Taxes	\$ 3,463,580	\$ 1,678,268	\$ 1,244,217	\$ -	\$ -	\$ 6,386,065
Interest	61,141	-	-	109,738	148,158	319,037
Cocurricular activities	64,243	-	-	-	-	64,243
Other local revenue	12,382	9,754	4,691	-	-	26,827
Intergovernmental:						
County sources	127,474	-	450	-	-	127,924
State sources	1,928,633	-	-	-	-	1,928,633
Federal sources	637,409	247,949	273,848	-	-	1,159,206
Total revenues	<u>6,294,862</u>	<u>1,935,971</u>	<u>1,523,206</u>	<u>109,738</u>	<u>148,158</u>	<u>10,011,935</u>
<b>EXPENDITURES</b>						
Instruction:						
Regular programs	3,160,912	238,534	-	-	-	3,399,446
Special programs	333,165	2,200	604,374	-	-	939,739
Support services:						
Students	161,032	-	342,901	-	-	503,933
Instructional staff	254,284	71,704	24,833	-	-	350,821
General administration	237,974	2,300	-	-	-	240,274
School administration	428,522	795	-	-	-	429,317
Business	1,346,165	300,131	-	-	-	1,646,296
Central	9,885	-	-	-	-	9,885
Special education	-	-	145,222	-	-	145,222
Cocurricular activities:						
Male activities	167,969	16,265	-	-	-	184,234
Female activities	134,870	4,861	-	-	-	139,731
Transportation	39,054	-	-	-	-	39,054
Combined activities	169,867	3,026	-	-	-	172,893
Debt service:						
Principal	-	325,376	-	-	-	325,376
Interest and fiscal charges	-	344,463	-	-	-	344,463
Issuance costs	-	500	-	-	-	500
Capital outlay	-	371,103	-	-	4,762,535	5,133,638
Total expenditures	<u>6,443,699</u>	<u>1,681,258</u>	<u>1,117,330</u>	<u>-</u>	<u>4,762,535</u>	<u>14,004,822</u>
Excess (deficiency) of revenues over expenditures	<u>(148,837)</u>	<u>254,713</u>	<u>405,876</u>	<u>109,738</u>	<u>(4,614,377)</u>	<u>(3,992,887)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	161,765	-	161,765
Transfers out	-	(161,765)	-	-	-	(161,765)
Insurance proceeds	-	1,315,429	-	-	-	1,315,429
Sale of surplus property	-	827	-	-	-	827
Total other financing sources (uses)	<u>-</u>	<u>1,154,491</u>	<u>-</u>	<u>161,765</u>	<u>-</u>	<u>1,316,256</u>
Net change in fund balances	(148,837)	1,409,204	405,876	271,503	(4,614,377)	(2,676,631)
Fund balances - beginning	1,199,458	2,902,387	650,639	2,089,701	5,497,145	12,339,330
Error correction	49,569	23,752	(18,927)	-	71,944	126,338
Fund balances - beginning - restated	<u>1,249,027</u>	<u>2,926,139</u>	<u>631,712</u>	<u>2,089,701</u>	<u>5,569,089</u>	<u>12,465,668</u>
Fund balances - ending	<u>\$ 1,100,190</u>	<u>\$ 4,335,343</u>	<u>\$ 1,037,588</u>	<u>\$ 2,361,204</u>	<u>\$ 954,712</u>	<u>\$ 9,789,037</u>

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, 2024**

Net change in fund balances - total governmental funds	\$ (2,676,631)
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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 (\$5,133,638) exceeded depreciation (\$458,175) in the current period.	4,675,463
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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".	14,990
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In the statement of activities, gains and losses (\$600) on disposal of capital assets are reported, where as, in the governmental funds, the proceeds (\$827) from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(1,427)
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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.	(86,516)
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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	\$ 325,376
Accretion of discount	(2,386)
Amortization of bond premium	<u>3,348</u>
	326,338

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>28,498</u>	
Total		<u>28,498</u>

Change in net position of governmental activities	\$ <u>2,280,715</u>
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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, 2024**

	<b>Enterprise Fund Major Fund Food Service</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 96,568
Inventory	10,958
Due from other funds	15,232
Due from other governments	7,079
Prepaid insurance	2,588
Total current assets	<u>132,425</u>
Noncurrent assets:	
Net pension asset	116
Capital assets:	
Machinery and equipment	178,211
Less accumulated depreciation	<u>(151,230)</u>
Total noncurrent assets	<u>27,097</u>
Total assets	<u>159,522</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	<u>9,953</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued expenses	4,704
Contracts payable	1,713
Unearned revenue	33,664
Total current liabilities	<u>40,081</u>
Total liabilities	<u>40,081</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	<u>5,800</u>
<b>NET POSITION</b>	
Investment in capital assets	26,981
Restricted for:	
SDRS pension purposes	4,269
Unrestricted	<u>92,344</u>
Total net position	<u>\$ 123,594</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, 2024**

	<b>Enterprise Fund Major Fund Food Service</b>
<b>OPERATING REVENUES</b>	
Charges for goods and services	\$ 128,960
Other operating revenue	7,210
Total operating revenues	<u>136,170</u>
<b>OPERATING EXPENSES</b>	
Salaries and employee benefits	133,522
Purchased services	21,925
Cost of materials	15,672
Cost of sales - purchases	136,876
Cost of sales - donated food	22,520
Miscellaneous	4,721
Depreciation	<u>5,020</u>
Total operating expenses	<u>340,256</u>
Operating (loss)	<u>(204,086)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State sources:	
Cash reimbursements	572
Federal sources:	
Cash reimbursements	154,382
Donated food	<u>14,548</u>
Total nonoperating revenues	<u>169,502</u>
Income (loss) before contributions, special items, extraordinary items and transfers	<u>(34,584)</u>
Change in net position	<u>(34,584)</u>
Total net position - beginning	<u>158,178</u>
Total net position - ending	<u>\$ 123,594</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, 2024

	<b>Enterprise Fund Nonmajor Fund Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 131,612
Other operating cash receipts	7,210
Payments to suppliers	(186,439)
Payments to employees	<u>(128,847)</u>
Net cash provided by (used in) operating activities	<u>(176,464)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash reimbursements - state sources	572
Cash reimbursements - federal sources	<u>154,257</u>
Net cash provided by (used in) noncapital financing activities	<u>154,829</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of capital assets	<u>(17,170)</u>
Net cash provided by (used in) capital and related financing activities	<u>(17,170)</u>
Net change in cash and cash equivalents	(38,805)
Balances - beginning of year	<u>135,373</u>
Balances - end of year	<u><u>\$ 96,568</u></u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Value of commodities received	<u>\$ 14,548</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating (loss)	\$ (204,086)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	5,020
Value of donated commodities used	14,548
Change in assets and liabilities:	
(Increase) decrease in:	
Inventory	4,233
Prepays	(1,507)
Pension related asset	592
Increase (decrease) in:	
Accounts payable	(1,999)
Accrued expenses	3,922
Contracts payable	161
Unearned revenue	<u>2,652</u>
Net cash provided by (used in) operating activities	<u><u>\$ (176,464)</u></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, 2024**

	<b>Custodial Funds</b>	<b>Private-Purpose Trust Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 270,052	\$ 53,118	\$ 323,170
Accounts receivable, net of allowance	<u>10,932</u>	<u>-</u>	<u>10,932</u>
Total assets	<u>280,984</u>	<u>53,118</u>	<u>334,102</u>
<b>LIABILITIES</b>			
Accounts payable	50,169	-	50,169
Advance from general fund	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total liabilities	<u>75,169</u>	<u>-</u>	<u>75,169</u>
<b>NET POSITION</b>			
Restricted for:			
Individuals and organizations	205,815	-	205,815
Scholarships	<u>-</u>	<u>53,118</u>	<u>53,118</u>
Total net position	<u>\$ 205,815</u>	<u>\$ 53,118</u>	<u>\$ 258,933</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, 2024**

	<b>Custodial Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Total</b>
<b>ADDITIONS:</b>			
Donations	\$ 7,532	\$ 804	\$ 8,336
Collections for student activities	294,725	-	294,725
Total additions	<u>302,257</u>	<u>804</u>	<u>303,061</u>
<b>DEDUCTIONS:</b>			
Payments for student activities	<u>266,455</u>	<u>-</u>	<u>266,455</u>
Total deductions	<u>266,455</u>	<u>-</u>	<u>266,455</u>
Change in net position	35,802	804	36,606
Net position - beginning	181,403	52,314	233,717
Error correction	<u>(11,390)</u>	<u>-</u>	<u>(11,390)</u>
Net position - beginning - restated	<u>170,013</u>	<u>52,314</u>	<u>222,327</u>
Net position - ending	<u>\$ 205,815</u>	<u>\$ 53,118</u>	<u>\$ 258,933</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, 2024**

#### **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.

##### **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 revenues. 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, 2024

#### 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2024

#### 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, 2024

#### 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, 2024

#### 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, 2024 are property taxes.

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

#### **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, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary 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, if any.

##### **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, 2024**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Investments**

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

##### **Inventory**

Inventory held for consumption is stated at cost.

Inventory for resale is stated at the lower of cost or market. The cost valuation method is the first-in, first-out method. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide and enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

##### **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.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Capital Assets, continued**

For governmental and business-type activities capital assets, construction-period interest is not capitalized, in accordance with GAAP.

The total June 30, 2024, 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, 2024, 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:

	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.

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Long-Term Liabilities, continued**

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 and debt payable.

In the fund financial statements, debt proceeds are reported as another financing source, 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 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 (expenses) until the applicable future period. Deferred outflows consist of pension activity.

##### **Deferred Inflows of Resources**

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 (revenue) 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), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **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.

##### **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.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Equity Classifications, continued**

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 definitions above.

##### *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.

##### **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.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

- 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 nonspendable fund balance in the General Fund, Capital Outlay Fund, and the Special Education Fund are comprised of prepaids which are in a nonspendable form.

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 for expenditures where all three types are available.

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

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

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

##### **Property Taxes**

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

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

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

#### 2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

**Deposits** - The School District 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.

**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, 2024, the School District's deposits were fully insured or collateralized and were not exposed to custodial credit risk.

**Custodial Credit Risk – Investments** – The risk that, in the event of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

#### 2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, continued

##### Investments

As of June 30, 2024, the School District had the following investments:

Investment	Credit Rating	Maturities	Fair Value
External Investment Pools:			
SDFIT	Unrated	\$ 3,125,955	\$ 3,125,955

The South Dakota Fund Investment Trust (SDFIT) 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 SDFIT money market account (GCR) 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, 2024.

**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. As of June 30, 2024, the School District's investments were with SDFIT.



## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK, 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 receivables, if any, are calculated based on historical trend data. For the year ended June 30, 2024, 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, 2024, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Governmental Activities:</i>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 321,027	\$ -	\$ -	\$ -	\$ 321,027
Construction in progress	2,541,253	4,839,356	-	(7,380,609)	-
Total capital assets not being depreciated	2,862,280	4,839,356	-	(7,380,609)	321,027
<i>Capital assets being depreciated:</i>					
Buildings	10,402,575	160,146	-	7,380,609	17,943,330
Improvements	383,350	-	-	-	383,350
Equipment	2,678,205	134,136	(152,237)	-	2,660,104
Total capital assets being depreciated	13,464,130	294,282	(152,237)	7,380,609	20,986,784
<i>Less accumulated depreciation for:</i>					
Buildings	3,521,305	270,279	-	-	3,791,584
Improvements	287,447	8,345	-	-	295,792
Equipment	1,646,883	179,551	(150,810)	-	1,675,624
Total accumulated depreciation	5,455,635	458,175	(150,810)	-	5,763,000
Total capital assets being depreciated, net	8,008,495	(163,893)	(1,427)	7,380,609	15,223,784
<i>Capital assets, net - Governmental Activities</i>	<u>\$ 10,870,775</u>	<u>\$ 4,675,463</u>	<u>\$ (1,427)</u>	<u>\$ -</u>	<u>\$ 15,544,811</u>

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 4. CAPITAL ASSETS, continued

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

Instruction	\$ 265,742
Support Services	137,452
Cocurricular Activities	<u>54,981</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 458,175</u>
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A summary of changes in business-type activities' capital assets for the year ended June 30, 2024, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 161,041	\$ 17,170	\$ -	\$ 178,211
Total capital assets being depreciated	<u>161,041</u>	<u>17,170</u>	<u>-</u>	<u>178,211</u>
Less accumulated depreciation for:				
Equipment	146,210	5,020	-	151,230
Total accumulated depreciation	<u>146,210</u>	<u>5,020</u>	<u>-</u>	<u>151,230</u>
Total capital assets being depreciated, net	<u>14,831</u>	<u>12,150</u>	<u>-</u>	<u>26,981</u>
<i>Capital assets, net - Business-Type Activities</i>	<u>\$ 14,831</u>	<u>\$ 12,150</u>	<u>\$ -</u>	<u>\$ 26,981</u>

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

Food Service Fund	<u>\$ 5,020</u>
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## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2024, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Capital outlay certificates-Series 2018	\$ 105,000	\$ -	\$ (105,000)	\$ -	\$ -
General obligation certificates-Series 2021	3,025,000	-	(130,000)	2,895,000	135,000
General obligation certificates-Series 2021	2,545,000	-	-	2,545,000	-
Qualified school construction bond	2,750,000	-	-	2,750,000	-
Lighting project bonds	254,085	-	(63,569)	190,516	63,569
Leases payable	83,515	-	(26,807)	56,708	27,825
Total debt payable	8,762,600	-	(325,376)	8,437,224	226,394
QZAB discount	(9,544)	-	2,386	(7,158)	(2,386)
G.O. Certificates premium	61,940	-	(3,348)	58,592	3,348
Debt payable, net	8,814,996	-	(326,338)	8,488,658	227,356
Compensated absences	52,834	19,786	(48,284)	24,336	12,168
<i>Total Governmental Activities</i>	<u>8,867,830</u>	<u>19,786</u>	<u>(374,622)</u>	<u>8,512,994</u>	<u>239,524</u>
<i>Total Primary Government</i>	<u>\$ 8,867,830</u>	<u>\$ 19,786</u>	<u>\$ (374,622)</u>	<u>\$ 8,512,994</u>	<u>\$ 239,524</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 lease payable is related to the School District 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, 2024

#### 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, 2024, except for compensated absences are as follows:

Year Ending June 30,	Total Debt Payable		
	Principal	Interest	Total
2025	\$ 226,394	\$ 332,875	\$ 559,269
2026	322,452	326,773	649,225
2027	298,378	318,157	616,535
2028	2,990,000	238,275	3,228,275
2029	250,000	158,088	408,088
2030 - 2034	1,380,000	657,573	2,037,573
2035 - 2039	1,635,000	400,993	2,035,993
2040 - 2042	1,335,000	98,960	1,433,960
Total	<u>\$ 8,437,224</u>	<u>\$ 2,531,694</u>	<u>\$ 10,968,918</u>

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 6. INDIVIDUAL INTERFUND TRANSACTIONS

A summary of amounts due from and due to other funds as of June 30, 2024, 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
	<u>497,565</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>
<i>Total governmental activities</i>	<u>541,827</u>	<u>557,059</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>\$ 557,059</u>	<u>\$ 557,059</u>

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 6. INDIVIDUAL INTERFUND TRANSACTIONS, continued

Interfund transfers for the year ended June 30, 2024, were as follows:

	Transfers From	Transfers To
<i>Governmental activities:</i>		
Capital Outlay Fund:		
Bond Redemption Fund	\$ -	\$ 161,765
Bond Redemption Fund:		
Capital Outlay Fund	161,765	-
<i>Total governmental activities</i>	<u>161,765</u>	<u>161,765</u>
<i>Total primary government</i>	<u>\$ 161,765</u>	<u>\$ 161,765</u>

The transfer from the Capital Outlay Fund to the Bond Redemption Fund is required by a debt covenant with the Qualified School Construction Bonds.

#### 7. RESTRICTED NET POSITION

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

Purpose	Restricted By	Amount
Capital Outlay Fund	Law	\$ 4,333,293
Special Education Fund	Law	1,023,534
Bond Redemption Fund	Covenant	2,361,204
Capital Projects Fund	Law	954,712
SDRS Pension Related Assets	Law	<u>625,641</u>
Total Restricted Net Position		<u>\$ 9,298,384</u>

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

#### **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). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions.. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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.

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.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 8. PENSION PLAN, continued

##### **Benefits Provided, continued**

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%.
- 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.



## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 8. PENSION PLAN, continued

##### **Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B 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, 2024, 2023, and 2022 were \$273,602, \$270,407, and \$253,723, 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, 2023, 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, 2023, and reported by the School District as of June 30, 2024, are as follows:

Proportionate share of pension liability	\$ 25,322,196
Less proportionate share of net pension restricted for pension benefits	<u>25,339,252</u>
Proportionate share of net pension liability (asset)	<u>\$ (17,056)</u>

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

At June 30, 2024, the School District reported a liability (asset) of (\$17,056) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, 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, 2023, the School District's proportion was 0.17474800%, which is an increase (decrease) of (0.002345%) from its proportion measured as of June 30, 2022.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 8. PENSION PLAN, continued

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

For the year ended June 30, 2024, the School District recognized pension expense (reduction of pension expense) of \$87,106. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 483,466	\$ -
Changes in assumption.	583,127	852,402
Net difference between projected and actual earnings on pension plan investments.	113,554	-
Changes in proportion and difference between School District contributions and proportionate share of contributions.	7,238	-
School District contributions subsequent to the measurement date.	273,602	-
	<u>\$ 1,460,987</u>	<u>\$ 852,402</u>

\$273,602 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	
2025	\$ 235,152
2026	(256,376)
2027	331,788
2028	24,419
Total	<u>\$ 334,983</u>

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 8. PENSION PLAN, continued

##### **Actuarial Assumptions:**

The total pension liability (asset) in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 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	1.91 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
- 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, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

#### 8. PENSION PLAN, continued

##### **Actuarial Assumptions, continued:**

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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
	<u>100.0%</u>	

##### **Discount Rate**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that 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).

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

#### 8. PENSION PLAN, continued

##### **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 Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 3,495,919	\$ (17,056)	\$ (2,890,000)

##### **Pension Plan Fiduciary Net Position**

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

#### 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.

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**9. JOINT VENTURE, continued**

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, 2024, this joint venture had total assets and deferred outflows of \$18,165,137, total liabilities and deferred inflows of \$5,908,471 and net position of \$12,256,666.

**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, 2024, the School District managed its risks as follows:

**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.

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

#### **10. RISK MANAGEMENT, continued**

##### **Liability Insurance, continued**

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.

##### **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.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

#### 10. RISK MANAGEMENT, continued

##### **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, 2024, 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.

#### 11. ERROR CORRECTION

The School District has determined that transactions in prior years were recorded in error. Unreconciled differences in cash and due from other governments has resulted in an increase in net position in the governmental activities and fund balance in the governmental funds of \$126,338. The decrease in Fiduciary fund net position is related to unreconciled differences in cash. The changes in net position in the governmental activities and fund balance is comprised of the following:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances					
	Funds				Government-Wide	
	General	Capital Outlay	Special Education	Capital Projects	Governmental Activities	Fiduciary Funds
6/30/2024, as previously reported	\$ 1,199,458	\$ 2,902,387	\$ 650,639	\$ 5,497,145	\$ 15,159,366	\$ 181,403
Error Correction	49,569	23,752	(18,927)	71,944	126,338	(11,390)
06/30/2024, as restated	<u>\$ 1,249,027</u>	<u>\$ 2,926,139</u>	<u>\$ 631,712</u>	<u>\$ 5,569,089</u>	<u>\$ 15,285,704</u>	<u>\$ 170,013</u>



## REQUIRED SUPPLEMENTARY INFORMATION

**HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - PAGE 1 OF 2  
YEAR ENDED JUNE 30, 2024

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary - Modified Accrual Basis)</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 3,059,799	\$ 3,059,799	\$ 3,144,463	\$ 84,664
Prior years ad valorem taxes	82,698	82,698	49,766	(32,932)
Gross receipts tax	251,895	251,895	246,884	(5,011)
Tax Deed Property	40,000	40,000	-	(40,000)
Penalties and interest	15,000	15,000	22,468	7,468
Tuition and fees	20,000	20,000	-	(20,000)
Earning on investments and deposits	40,000	40,000	61,141	21,141
Cocurricular activities:				
Admissions	35,000	35,000	54,281	19,281
Other pupil activity income	3,500	3,500	9,962	6,462
Other revenue from local sources:				
Rentals	500	500	498	(2)
Donations	500	500	400	(100)
Other	15,500	15,500	11,484	(4,016)
Revenues from intermediate sources:				
County sources:				
County apportionment	75,000	75,000	76,270	1,270
Revenue in lieu of taxes	7,414	7,414	34,090	26,676
Other	5,000	5,000	17,114	12,114
Revenues from state sources:				
Grants-in-aid:				
Unrestricted	2,376,680	2,376,680	1,906,639	(470,041)
Other state revenue	42,481	42,481	21,994	(20,487)
Revenues from federal sources:				
Grants-in-aid:				
Unrestricted	28,300	28,300	26,449	(1,851)
Restricted	576,411	576,411	494,388	(82,023)
Revenue in lieu of taxes	13,000	13,000	13,157	157
Total revenues	<u>6,688,678</u>	<u>6,688,678</u>	<u>6,191,447</u>	<u>(497,230)</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs:				
Elementary	1,282,638	1,282,638	1,268,022	14,616
Middle school	704,398	704,398	708,054	(3,656)
High school	1,135,745	1,135,745	1,109,544	26,201
Other regular programs	81,337	81,337	75,292	6,045
Special programs:				
Culturally different	34,183	34,183	42,597	(8,414)
Educationally deprived	333,192	333,192	290,568	42,624
Other special programs	11,324	11,324	-	11,324

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND - PAGE 2 OF 2  
YEAR ENDED JUNE 30, 2024

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary - Modified Accrual Basis)</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Support services:				
Students:				
Guidance	99,519	99,519	94,365	5,154
Health	71,897	71,897	66,667	5,230
Instructional staff:				
Improvement of instruction	116,176	116,176	87,821	28,355
Educational media	186,529	186,529	166,463	20,066
General administration:				
Board of education	66,115	66,115	60,738	5,377
Executive administration	181,001	181,001	177,236	3,765
School administration:				
Office of principal	485,268	485,268	416,021	69,247
Title I administration	12,503	12,503	12,501	2
Other	1,700	1,700	-	1,700
Business:				
Fiscal services	225,106	225,106	220,885	4,221
Operations and maintenance of plant	1,069,515	1,069,515	852,744	216,771
Pupil transportation	241,163	241,163	230,786	10,377
Food services	24,850	24,850	22,566	2,284
Internal services	24,000	24,000	19,096	4,904
Central:				
Staff	8,500	8,500	5,698	2,802
Community services:				
Other community services	25,345	25,345	4,187	21,158
Nonprogrammed charges:				
Payments to State - unemployment	1,000	1,000	88	912
Cocurricular activities:				
Male activities	157,018	157,018	167,969	(10,951)
Female activities	144,738	144,738	134,870	9,868
Transportation	53,511	53,511	39,054	14,457
Combined activities	194,057	194,057	169,867	24,190
Contingencies	16,350	16,350	-	16,350
Amount transferred	-	-	-	-
Total expenditures	<u>6,988,678</u>	<u>6,988,678</u>	<u>6,443,699</u>	<u>544,979</u>
Excess (deficiency) of revenues over expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>(252,252)</u>	<u>47,749</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(252,252)</u>	<u>(252,251)</u>
Fund balances - beginning	<u>569,342</u>	<u>569,342</u>	<u>569,342</u>	<u>-</u>
Fund balances - ending	<u>\$ 569,342</u>	<u>\$ 569,342</u>	<u>\$ 317,090</u>	<u>\$ (252,251)</u>

See Independent Auditor's Report

**HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

BUDGETARY COMPARISON SCHEDULE  
CAPITAL OUTLAY FUND  
YEAR ENDED JUNE 30, 2024

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary - Modified Accrual Basis)</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 1,646,947	\$ 1,646,947	\$ 1,643,975	\$ (2,972)
Prior years ad valorem taxes	40,000	40,000	24,658	(15,342)
Other taxes	2,500	2,500	1,872	(628)
Penalties and interest	7,000	7,000	7,763	763
Other local revenue	-	-	9,754	9,754
Other revenue from federal sources:				
Restricted	210,082	210,082	209,827	(255)
Other	38,122	38,122	38,122	-
Total revenues	<u>1,944,651</u>	<u>1,944,651</u>	<u>1,935,971</u>	<u>(8,680)</u>
<b>EXPENDITURES</b>				
Instruction:				
Regular programs:				
Elementary	66,200	66,200	31,696	34,504
Middle school	57,550	57,550	32,159	25,391
High school	215,013	215,013	167,146	47,867
Special programs:				
Programs for educationally deprived	-	-	2,200	(2,200)
Support services:				
Students:				
Guidance services	1,000	1,000	-	1,000
Health services	1,500	1,500	-	1,500
Instructional staff:				
Educational media	165,622	165,622	71,554	94,068
General administration:				
Board of education	2,300	2,300	2,300	-
School administration:				
Office of the principal	5,000	5,000	795	4,205
Business:				
Fiscal services	2,000	2,000	1,835	165
Facilities acquisition and construction	642,812	642,812	577,622	65,190
Operations and maintenance of plant	406,000	406,000	1,837	404,163
Pupil transportation	161,500	161,500	78,081	83,419
Food services	6,500	6,500	1,285	5,215
Internal services	14,150	14,150	11,926	2,224
Debt service	675,503	675,503	669,139	6,364
Cocurricular activities	52,000	52,000	24,151	27,849
Total expenditures	<u>2,474,650</u>	<u>2,474,650</u>	<u>1,673,726</u>	<u>800,924</u>
Excess (deficiency) of revenues over expenditures	(529,999)	(529,999)	262,245	792,244
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(161,765)	(161,765)
Transfers out to fiduciary funds	-	-	(7,532)	(7,532)
Insurance proceeds	-	-	1,315,429	1,315,429
Sale of surplus property	30,000	30,000	827	(29,173)
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>1,146,959</u>	<u>1,116,959</u>
Net change in fund balances	(499,999)	(499,999)	1,409,204	1,909,203
Fund balances - beginning	<u>2,926,139</u>	<u>2,926,139</u>	<u>2,926,139</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,426,140</u>	<u>\$ 2,426,140</u>	<u>\$ 4,335,343</u>	<u>\$ 1,909,203</u>

See Independent Auditor's Report

**HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

BUDGETARY COMPARISON SCHEDULE  
SPECIAL EDUCATION FUND  
YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary -</u> <u>Modified</u> <u>Accrual Basis)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenues from local sources:				
Taxes:				
Ad valorem taxes	\$ 928,469	\$ 928,469	\$ 1,223,186	\$ 294,717
Prior years ad valorem taxes	15,000	15,000	15,922	922
Other taxes	1,500	1,500	-	(1,500)
Penalties and interest	3,000	3,000	5,109	2,109
Other revenue from local sources:				
Charges for services	12,500	12,500	4,691	(7,809)
Revenues from intermediate sources:				
County sources:				
County apportionment	-	-	450	450
Revenues from state sources:				
Grants-in-aid:				
Restricted	213,344	213,344	-	(213,344)
Revenues from federal sources:				
Grants-in-aid:				
Restricted	304,138	304,138	273,848	(30,290)
Total revenues	<u>1,477,951</u>	<u>1,477,951</u>	<u>1,523,206</u>	<u>45,255</u>
<b>EXPENDITURES</b>				
Instruction:				
Special programs:				
Special education	673,039	673,039	604,374	68,665
Support services:				
Students:				
Psychological services	120,000	120,000	129,191	(9,191)
Speech pathology	152,899	152,899	132,253	20,646
Student therapy	86,813	86,813	81,457	5,356
Instructional staff:				
Improvement of instruction	41,826	41,826	24,833	16,993
Special education:				
Administrative costs	137,001	137,001	128,502	8,499
Transportation costs	18,572	18,572	15,747	2,825
Other costs	5,072	5,072	973	4,099
Total expenditures	<u>1,235,222</u>	<u>1,235,222</u>	<u>1,117,330</u>	<u>117,892</u>
Excess (deficiency) of revenues over expenditures	<u>242,729</u>	<u>242,729</u>	<u>405,876</u>	<u>163,147</u>
Net change in fund balances	242,729	242,729	405,876	163,147
Fund balances - beginning	<u>631,712</u>	<u>631,712</u>	<u>631,712</u>	<u>-</u>
Fund balances - ending	<u>\$ 874,441</u>	<u>\$ 874,441</u>	<u>\$ 1,037,588</u>	<u>\$ 163,147</u>

See Independent Auditor's Report

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS JUNE 30, 2024**

#### **1. BASIS OF PRESENTATION**

The Budgetary Comparison Schedules have been prepared on the modified accrual basis. The Budgetary Comparison Schedule presents expenditures for capital outlay purposes within each function while the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances present capital outlay expenditures as a separate function.

#### **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 fiduciary 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. No amount of expenditures may be charged directly to the contingency line item in the budget.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS - continued JUNE 30, 2024

#### 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 generally accepted accounting principles (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, 2024:

US GAAP basis fund balance	\$ 1,100,190
Less: portion comprised of unspent Impact Aid revenue	<u>(783,100)</u>
Budgetary basis fund balance	<u>\$ 317,090</u>

#### 3. US GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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.

**HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)  
JUNE 30, 2024

**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>	<u>2024</u>
School District's proportion of the net pension liability (asset)	0.1738754%	0.1703114%	0.1792250%	0.1770930%	0.1747480%
School District's proportionate share of net pension liability (asset)	\$ (18,426)	\$ (7,397)	\$ (1,372,557)	\$ (16,736)	\$ (17,056)
School District's covered-employee payroll	\$ 3,698,002	\$ 3,737,818	\$ 4,067,187	\$ 4,229,577	\$ 4,506,784
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%	-0.38%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.09%	100.04%	105.52%	100.10%	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.

See Independent Auditor's Report



# **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE SCHOOL DISTRICT'S PENSION CONTRIBUTIONS JUNE 30, 2024

### **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%	5.99%	6.44%	6.00%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contribution	\$ 224,269	\$ 244,031	\$ 253,723	\$ 270,407	\$ 273,602
Contributions in relation to the contractually required contribution	<u>224,269</u>	<u>244,031</u>	<u>253,723</u>	<u>270,407</u>	<u>273,602</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 4,560,025
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

See Independent Auditor's Report

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – RETIREMENT SCHEDULES JUNE 30, 2024**

#### **Changes from Prior Valuation**

The June 30, 2023, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

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

#### **Benefit Provision Changes**

During the 2023 Legislative Session, no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

#### **Actuarial Assumption Changes**

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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.

## SUPPLEMENTARY INFORMATION

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Child Nutrition Cluster:</b>			
US Department of Agriculture Pass-Through Programs From:			
South Dakota Department of Education:			
No-Cash Assistance (Commodities):			
National School Lunch Program (Note 3)	10.555	2024G-CANS24002	\$ 22,520
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	2024G-CANS24002	23,619
National School Lunch Program (Note 3)	10.555	2024G-CANS24002	119,036
Summer Food Service Program for Children	10.559	2024G-CANS24002	11,727
Fresh Fruit and Vegetable Program	10.582	2024G-FFVP24002	22,053
<b>Total Child Nutrition Cluster</b>			<u>198,955</u>
<b>Forest Service Schools and Roads Cluster:</b>			
Pass-Through Fall River County:			
Schools and Roads - Grants to States (Note 3)	10.665	***	13,021
Schools and Roads - Grants to States (Note 3)	10.666	***	457
<b>Total Forest Service Schools and Roads Cluster</b>			<u>13,478</u>
<b>Total U.S. Department of Agriculture</b>			<u>212,433</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
US Department of Interior Pass-Through Programs From:			
South Dakota Department of Education:			
Distribution of Receipts to State and Local Governments (Note 3)	15.227	***	12,971
Fall River County:			
Payments in Lieu of Taxes (Note 3)	15.226	***	13,157
<b>Total U.S. Department of Interior</b>			<u>26,128</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Special Education Cluster</b>			
US Department of Education Pass-Through Programs From:			
South Dakota Department of Education:			
Special Education - Grants to States (IDEA, Part B) (Note 3)	84.027	H173A230091	271,248
Special Education - Grants to States (IDEA Preschool) (Note 3)	84.173	H173A230091	2,600
<b>Total Special Education Cluster</b>			<u>273,848</u>
US Department of Education - Direct Programs:			
Indian Education - Grants to Local Education Agencies	84.060		30,989
<b>Subtotal for US Department of Education Direct Programs</b>			<u>30,989</u>
US Department of Education Pass-Through Programs From:			
South Dakota Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2024G-CA24002	310,211
Career and Technical Education - Basic Grants to States	84.048	2024G-CA24002	5,312
Supporting Effective Instruction State Grants	84.367	2024G-CA24002	61,860
School Support and Academic Enrichment Program	84.424	2024G-CA24002	32,517
Education Stabilization Fund:			
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425U	2021G-ARP23002	114,819
<b>Subtotal for US Department of Education - Pass-Through Programs</b>			<u>524,719</u>
<b>Total U.S. Department of Education</b>			<u>829,556</u>
<b>GRAND TOTAL</b>			<u>\$ 1,068,117</u>

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

See Independent Auditor's Report

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2024**

#### **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, 2024. 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.

See Independent Auditor's Report

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  
Hot Springs, 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, 2024, 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 18, 2025.

### 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 deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: Findings 2024-001 and 2024-002.

## **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 18, 2025

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

To the School Board  
Hot Springs School District No. 23-2  
Hot Springs, 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, 2024. 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, 2024.

***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 governance 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.

*Wohlenberg Ritzman + Co., LLC*

Yankton, South Dakota  
March 18, 2025

**HOT SPRINGS SCHOOL DISTRICT NO. 23-2**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2024**

**SECTION II. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Finding 2023-001 – Cash Reconciliations**  
**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.

**Recommendation:**

The auditors recommend 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:**

Corrected.

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

**Condition:**

The School District requested the auditors 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.

**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.

**Current Status:**

Repeated as Finding 2024-001.

## **HOT SPRINGS SCHOOL DISTRICT NO. 23-2**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, Continued JUNE 30, 2024**

#### **SECTION II. FINDINGS - FINANCIAL STATEMENT AUDIT, Continued**

##### **Finding 2022-003 – Internal Control Over Significant Accounts Significant Deficiency**

###### **Condition:**

During the course of their 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:**

Revised and repeated as Finding 2024-002.

#### **SECTION III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no prior major federal award program findings reported.

## HOT SPRINGS SCHOOL DISTRICT NO. 23-2

### SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS JUNE 30, 2024

#### 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 X 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:

##### Assistance Listing Numbers

84.027  
84.173  
84.010

##### Name of Federal Program or Cluster

Special Education Cluster:  
Special Education – Grants to States (IDEA, Part B)  
Special Education – Grants to States (IDEA, Preschool)  
Title I Grants to Local Educational Agencies

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, 2024**

#### **SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT**

##### **Finding 2024-001 – 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, 2024. 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, 2024**

#### **SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT, continued**

##### **Finding 2024-002 – 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 cash, 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, 2024**

**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, 2024

### 2024-001. 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.

### 2024-002. 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

Dr. Kyley Cumbow  
Superintendent