

RAPID CITY AREA SCHOOL DISTRICT NO. 51-4

Financial Statements

June 30, 2023



Rapid City Area School District No. 51-4
Table of Contents
June 30, 2023

	<u>PAGE</u>
Independent Auditor’s Report	1 - 4
Management’s Discussion and Analysis (Unaudited).....	5 - 16
 BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	18 - 19
Statement of Activities.....	20 - 21
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24 - 26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	27
Statement of Net Position - Proprietary Funds	28 - 29
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	30
Reconciliation of the Enterprise Fund Statement of Revenues, Expenses, and Changes in Fund Net Position to the Statement of Activities	31
Statement of Cash Flows - Proprietary Funds	32 - 33
Statement of Fiduciary Net Position - Fiduciary Funds	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	35
Notes to the Financial Statements.....	36 - 64
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund - Budgetary Basis.....	66 - 67
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis.....	68 - 69
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis.....	70
Schedule of Changes in Total OPEB Liability and Related Ratios.....	71

Rapid City Area School District No. 51-4
Table of Contents (Continued)
June 30, 2023

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)	72
Schedule of Pension Contributions	73
Notes to the Required Supplementary Information	74 - 76
SINGLE AUDIT INFORMATION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79 - 80
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	81 - 83
Schedule of Findings and Questioned Costs	85 - 88
Schedule of Prior Audit Findings and Questioned Costs	89 - 90
Corrective Action Plan (Unaudited)	91 - 93
Schedule of Expenditures of Federal Awards	94 - 96
OTHER INFORMATION	
School District Officials	99

Independent Auditor's Report

School Board
Rapid City Area School District No. 51-4
Rapid City, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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 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 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 Management's Discussion and Analysis (Unaudited), budgetary comparison information, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and the Notes to the Required Supplementary Information 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 which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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.

The Schedule of Expenditures of Federal Awards 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Corrective Action Plan and the list of the School District officials are presented for the purposes of additional analysis and are not part of the required part of the basic financial statements. The Corrective Action Plan and the list of the School District Officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of the 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 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 District's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
December 12, 2024

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Rapid City Area School District No. 51-4's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position from governmental and business-type activities increased by \$41,216,224 or 24%. This is mainly due to revenue in excess of expenses, specifically related to federal funding used for the construction of a new school building and tax revenue increasing. During the year, cash and cash equivalents, cash designated for special purposes, restricted cash, and investments increased by \$11,844,021, or 14%, and other liabilities (consisting of accounts payable and contractual obligations) decreased by \$4,098,368 or 45%.
- During the year, the District's unrestricted revenues generated from taxes and other sources increased by \$6,947,999 or 5.5%. The District's net expenses before general revenues decreased by \$3,446,594 or 8.5%.
- The changes in District revenue are due primarily to an increase in property taxes and increased grant funding.
- The District's long-term debt decreased by \$12,429,282, or 13%, due to the repayment of capital outlay certificates that had been held in escrow and the regular payment of obligations.
- Total Governmental Fund balances increased by \$1,091,832, or 1.3%, primarily due to revenues in excess of expenses. Individual fund balance changes are as follows: the General Fund increased by \$1,985,753, or 10.9%; the Capital Outlay Fund decreased by \$2,674,670, or 5.3%; the Special Education Fund increased by \$1,266,204, or 13.2%; and the Debt Service Fund increased by \$514,545, or 11.2%.
- The District's Food Service Fund experienced an increase in net position of \$203,279, or 7.7%. Total non-operating revenue decreased 50%. Revenues from food sales were up 600% and federal cash reimbursements from free and reduced student meals were down 51%. Operating expenses were down 7%.
- The Internal Service Fund (Health Insurance Trust) experienced a \$294,039 increase in net position. Total revenue increased by \$540,049, or 3%. Total expenditures decreased by \$2,779,775, or 14%.

See independent auditor's report.

Rapid City Area School District No. 51-4 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS

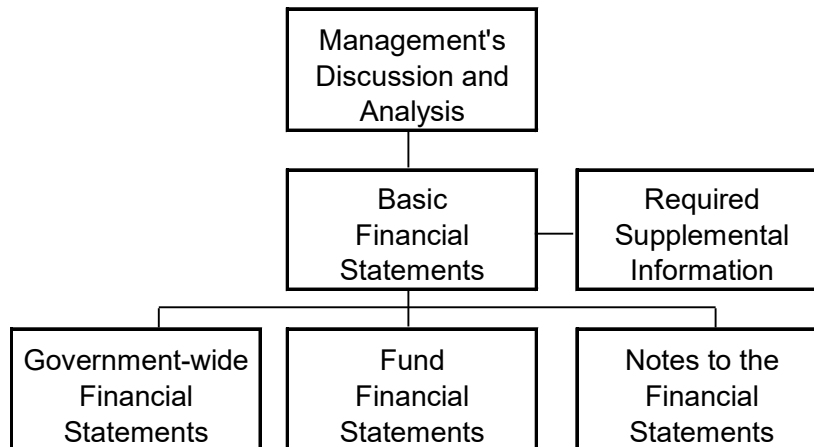
This annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements (government-wide and fund financial statements), and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Position and Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.
 - Governmental funds statements tell how general governmental services are financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities that the District operates like businesses. The only proprietary funds operated by the District are the Food Service Fund, the Self-Insurance Fund, and the Preschool Fund.
 - Fiduciary fund statements provide information about the financial relationships - like student organization club accounts - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year.

Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1
Required Components of Rapid City Area School's Financial Report



See independent auditor's report.

**Rapid City Area School District No. 51-4
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the activities reported and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2				
Major Features of Rapid City School District's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional, support and co-curricular activities.	Activities of the District operates similar to private businesses, the food services and preschool operations.	Assets held by District on behalf of someone else. Student organizations that have funds on deposit with the District are reported here.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Deferred Outflow of Resources/ Liability/ Deferred Inflow or Resources Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; all deferred outflows and inflows of resources; no capital or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

See independent auditor’s report.

Rapid City Area School District No. 51-4 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2023

Government-wide Financial Statements

The view of the District as a whole looks at all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?" The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The government-wide financial statements report information about the District as a whole using full accrual accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's overall financial health or position.

- Over time, increases or decreases in the District's net position are useful indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, additional non-financial factors such as changes in the District's property tax base, the condition of school buildings, and changes in the state school aid funding formula from the State of South Dakota need to be considered.

The Statement of Activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the government-wide financial statements, the District's activities are reported in two categories:

- Governmental Activities - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, pupil transportation, etc.), debt service payments, special education, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state aid formula, state grants, federal grants, and interest earnings finance most of these activities.
- Business-type Activities - The District has two business-type activity funds: the Food Service Fund and the Preschool Fund. The District charges a fee to students and receives federal and state reimbursement to cover the costs of providing lunch services to all students in the Food Service Fund. The District charges a fee to pupils to attend an integrated preschool program in the Preschool Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's individual funds - not the District as a whole. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Funds are accounting devices that the District uses to ensure and demonstrate compliance with finance-related legal requirements.

- State Law requires some of the funds (like the Capital Outlay Fund and Special Education Fund).
- The School Board establishes other funds to control and manage money for particular purposes (like managing medical insurance premiums and claims).

See independent auditor's report.

Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

The District has three kinds of funds:

- *Governmental Funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flows in and out and (2) the balances left at the year-end that are available for funding future basic services (an accounting method called modified accrual accounting). The governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, an explanation of additional information is included at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

The District maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, Special Education Fund, and Debt Service Fund since these are considered major funds.

- *Proprietary Funds* -
 - *Enterprise Funds* - Services for which the District charges customers a fee and for which revenues are expected to cover all expenses are generally reported in proprietary funds-enterprise funds. Enterprise funds, like the government-wide financial statements, provide both short and long-term financial information. The enterprise funds use the same basis of accounting as business-type activities. Therefore, these statements will essentially match the information provided in the statements for the District as a whole. The Food Service Fund and Preschool Fund are the only enterprise funds maintained by the District.
 - *Internal Service Funds* - A fund provided to account for monies received from other funds as payment for providing medical, hospitalization, and dental employee health benefits. The self-insurance fund makes payments for services provided to employees to a third-party administrator for claim payments, administration, stop-loss coverage, or other reinsurance. The amounts charged are intended to recoup the total costs of such services.
- *Fiduciary Funds* - The District is the trustee, or fiduciary, for external and internal parties. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes and only by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The fund-level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

See independent auditor's report.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The District's combined net position increased as follows:

Table A-1
Rapid City Area School District No. 51-4
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022 - 2023
Current and Other Assets	\$ 163,975,709	\$ 146,303,920	\$ 3,797,208	\$ 3,238,648	\$ 167,772,917	\$ 149,542,568	-10.87%
Capital Assets (Net of Depreciation)	156,983,528	182,796,624	755,004	786,414	157,738,532	183,583,038	16.38%
Total Assets	320,959,237	329,100,544	4,552,212	4,025,062	325,511,449	333,125,606	2.34%
Deferred Outflows of Resources	39,357,126	33,283,227	1,075,292	868,655	40,432,418	34,151,882	-15.53%
Total Assets and Deferred Outflows	360,316,363	362,383,771	5,627,504	4,893,717	365,943,867	367,277,488	0.36%
Long-term Liabilities Outstanding	93,009,615	80,600,404	424,172	404,101	93,433,787	81,004,505	-13.30%
Other Liabilities	8,496,310	12,611,610	534,991	518,059	9,031,301	13,129,669	45.38%
Total Liabilities	101,505,925	93,212,014	959,163	922,160	102,465,088	94,134,174	-8.13%
Deferred Inflows of Resources	92,861,087	62,241,837	1,408,599	476,160	94,269,686	62,717,997	-33.47%
Net Position							
Net Investment in Capital Assets	74,289,997	103,684,775	755,004	786,414	75,045,001	104,471,189	39.21%
Restricted	55,274,567	62,149,108	314,720	330,902	55,589,287	62,480,010	12.40%
Unrestricted	36,384,787	41,096,037	2,190,018	2,378,081	38,574,805	43,474,118	12.70%
Total Net Position	\$ 165,949,351	\$ 206,929,920	\$ 3,259,742	\$ 3,495,397	\$ 169,209,093	\$ 210,425,317	24.36%

Recall that the Statement of Net Position provides the perspective of the District as a whole. The most significant changes are a decrease in current and other assets of 11% and deferred outflows of resources of 16% offset by and increase in other liabilities of 45% and a decrease in deferred inflows of resources by 33%.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of compensated absences payable, capital outlay certificates payable, and an OPEB liability have been reported in this manner on the Statement of Net Position. The difference between the District's assets plus deferred outflows and liabilities plus deferred inflows is its net position.

See independent auditor's report.

**Rapid City Area School District No. 51-4
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

Changes in Net Position

The District’s revenues totaled \$180,692,458 (See Table A-2). Approximately 48% of the District’s revenue comes from property and other taxes with 24% coming from state aid. (See Figure A-3).

The District’s expenditures totaled \$139,476,234. The District’s expenses cover a range of services, encompassing instruction, support service, transportation, and food services. Approximately one-half of the total expenses were spent on instruction with more than one-third on support services. (See Figure A-4).

For the year ended June 30, 2023, total revenues surpassed expenses by \$41,135,471.

SOURCES OF REVENUES FOR FISCAL YEAR 2023

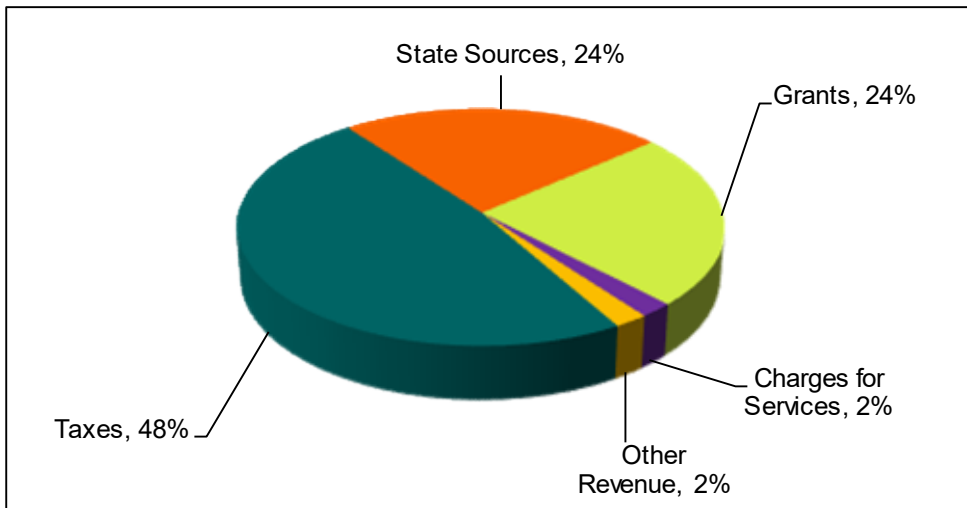


Figure A-3

FUNCTIONAL EXPENSES FOR FISCAL YEAR 2023

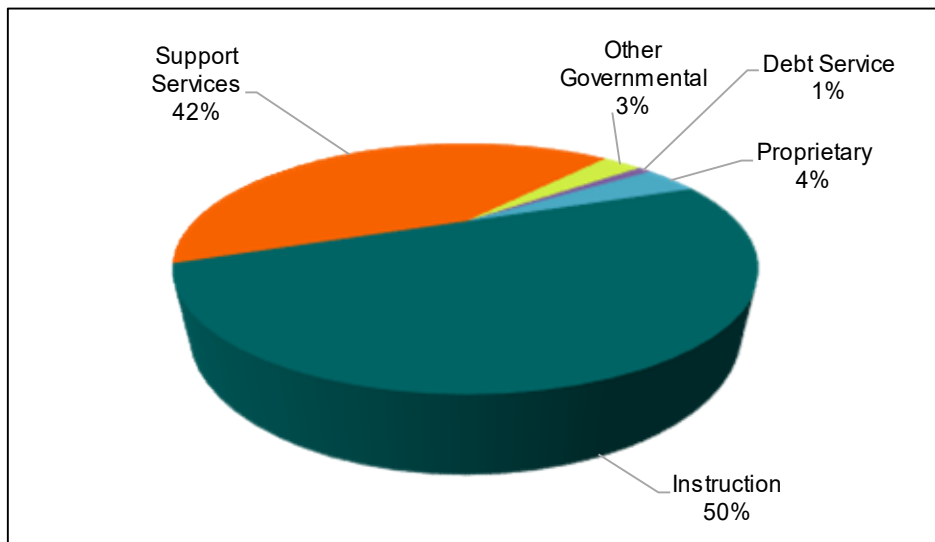


Figure A-4

See independent auditor’s report.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

Governmental Activities

Table A-2 and the narrative that follows show the changes in net position for fiscal year 2023.

Table A-2
Rapid City Area School District No. 51-4
Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2022	2023	2022	2023	2022	2023	2022 - 2023
Revenues							
Program Revenues							
Charges for Services	\$ 1,114,885	\$ 1,258,712	\$ 698,442	\$ 2,226,948	\$ 1,813,327	\$ 3,485,660	92.22%
Operating Grants and Contributions	21,142,004	13,054,302	7,491,836	3,737,759	28,633,840	16,792,061	-41.36%
Capital Grants and Contributions	3,657,565	26,647,424	-	-	3,657,565	26,647,424	100.00%
General Revenues							
Taxes	81,902,985	87,372,059	-	-	81,902,985	87,372,059	6.68%
Revenue State Sources	43,053,498	44,174,241	-	-	43,053,498	44,174,241	2.60%
Revenue Federal Sources	48,873	31,630	-	-	48,873	31,630	-35.28%
Revenue Intermediate Sources	778,986	1,407,539	-	-	778,986	1,407,539	80.69%
Revenue Local Sources	1,095,426	272,203	3,862	-	1,099,288	272,203	-75.24%
Gain (Loss) on Disposal of Assets	(276,105)	(320,072)	386	-	(275,719)	(320,072)	-16.09%
Transfers	-	(133,404)	-	133,404	-	-	0.00%
Unrestricted Earnings	211,403	829,713	-	-	211,403	829,713	292.48%
Total Revenues	152,729,520	174,594,347	8,194,526	6,098,111	160,924,046	180,692,458	12.28%
Expenses							
Instruction	71,385,298	69,136,969	-	-	71,385,298	69,136,969	-3.15%
Support Services	58,095,907	59,160,211	-	-	58,095,907	59,160,211	1.83%
Community Services	272,774	219,072	-	-	272,774	219,072	-19.69%
Nonprogrammed Charges	2,953,073	2,511	-	-	2,953,073	2,511	-99.91%
Debt Service	2,034,986	1,692,536	-	-	2,034,986	1,692,536	-16.83%
Co-curricular Activities	1,771,552	3,402,479	-	-	1,771,552	3,402,479	92.06%
Food Service	-	-	6,022,810	5,480,346	6,022,810	5,480,346	-9.01%
Preschool	-	-	386,428	382,110	386,428	382,110	-9.90%
Total Expenses	136,513,590	133,613,778	6,409,238	5,862,456	142,922,828	139,476,234	-2.41%
Excess (Deficiency) Before Special							
Items	16,215,930	40,980,569	1,785,288	235,655	18,001,218	41,216,224	128.96%
Special Item	(9,829,578)	-	-	-	(9,829,578)	-	100.00%
Change in Net Position	\$ 6,386,352	\$ 40,980,569	\$ 1,785,288	\$ 235,655	\$ 8,171,640	\$ 41,216,224	404.38%

See independent auditor's report.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$83,009,550, an increase of \$1,091,832 compared to the prior year. Of this amount, \$17,144,505 of the ending fund balance is unassigned, which is available for spending at the District's discretion. The remainder of the fund balances is non-spendable (invested in inventory and prepaid expenses) \$1,847,637, assigned for next year's budget or special purposes \$504,853, or restricted to the specific purpose of the fund \$63,512,555.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$17,117,715, while the total fund balance was \$18,175,180. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 18% of total general fund expenditures, while total fund balance represents 19% of that same amount.

Business-type Activities

Revenues of the District's business-type activities decreased by 26% to \$6,098,111, and expenses decreased by 8.5% to \$5,862,456.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial analysis of the District's funds mirrors those highlighted in the analysis of governmental and business-type activities presented above. The District maintains two business-type funds - the Food Service Fund and the Preschool Fund.

General Fund Budgetary Highlights

Original vs. Final Budget

The Board of Education approved the original budget for the fiscal year in July 2022. As a matter of practice, over the course of the year, it was revised several times. These amendments fall into two categories:

- Supplemental appropriations approved for unanticipated, yet necessary expenses to provide for items necessary for the education programs.
- Increases and decreases in federal funds to reflect changes made in grant programs.

There were significant budget variances during the 2022-23 fiscal year in the Capital Outlay Fund related to the repayment of outstanding debt obligations from escrow and the reporting of leasing obligations and rights to the use of assets.

See independent auditor's report.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2023, the District's governmental activities had invested \$182,796,624 in a broad range of capital assets, including land, buildings, improvements other than buildings, and various machinery and equipment (See Table A-3). This amount represents a net increase (including additions and deletions) of \$25,844,506.

**Table A-3
Rapid City Area School District No. 51-4
Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022 - 2023	2022 - 2023
Land	\$ 5,147,326	\$ 5,147,326	\$ -	\$ -	\$ -	0.00%
Buildings	122,402,502	118,918,127	-	-	(3,484,375)	-2.85%
Improvements	7,756,584	7,793,532	-	-	36,948	0.48%
Equipment	14,401,054	12,881,010	755,004	786,414	(1,488,634)	-9.82%
Right of Use Lease Assets	445,274	2,523,678	-	-	2,078,404	466.77%
Construction in Progress	6,830,788	35,532,951	-	-	28,702,163	420.19%
Total Capital Assets (Net)	\$ 156,983,528	\$ 182,796,624	\$ 755,004	\$ 786,414	\$ 25,844,506	16.38%

LONG-TERM DEBT

At year-end, the District had \$61,880,515 in capital outlay certificates and other long-term obligations of \$19,123,990. This is a decrease of 13% as shown in Table A-4 below.

**Table A-4
Rapid City Area School District No. 51-4
Outstanding Debt and Obligations**

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2022	2023	2022	2023	2022 - 2023	2022 - 2023
Compensated Absences	\$ 10,356,597	\$ 8,209,196	\$ 195,961	\$ 180,819	\$ (2,162,543)	-20.49%
Accrued Leave Payable	268,929	270,551	16,362	12,382	(2,358)	-0.83%
Early Retirement	13,334	-	-	-	(13,334)	-100.00%
OPEB Liability	7,755,299	7,718,199	211,849	210,900	(38,049)	-0.48%
Lease Obligation	507,629	2,521,943	-	-	2,014,314	396.81%
Capital Outlay Certificates	74,107,827	61,880,515	-	-	(12,227,312)	-16.50%
Total Outstanding Debt and Obligations	\$ 93,009,615	\$ 80,600,404	\$ 424,172	\$ 404,101	\$ (12,429,282)	-13.30%

The District retired \$11,530,000 of capital outlay certificates relating to capital projects and entered into a new lease worth \$2,746,235.

See independent auditor's report.

**Rapid City Area School District No. 51-4
Management’s Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

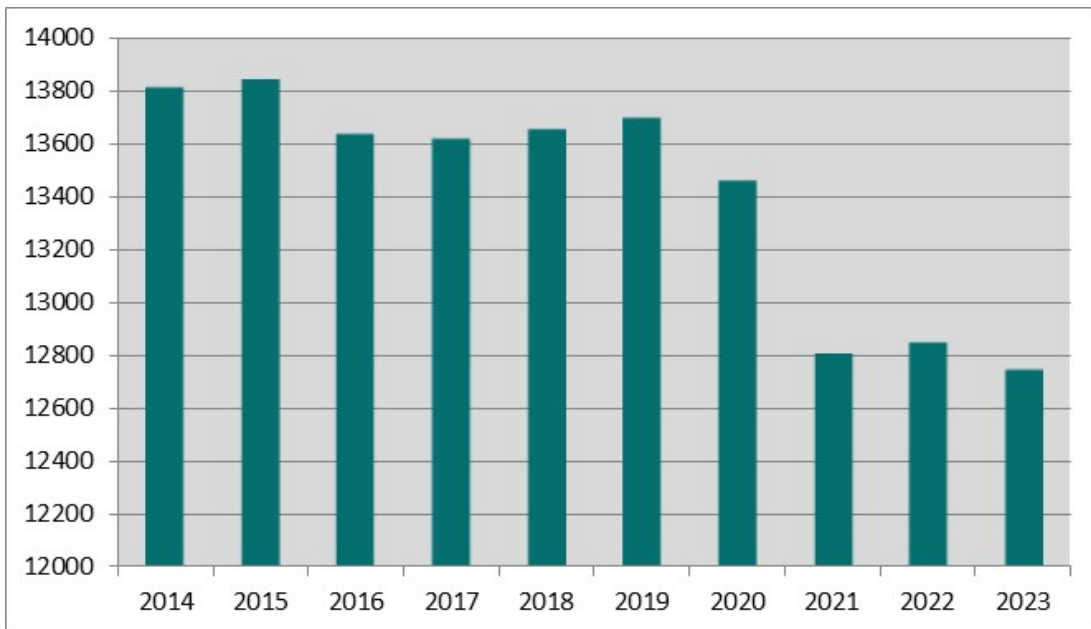
The District is liable for the accrued leave payable to various groups with 12-month employees: Secretarial, and Custodial Maintenance Union. These balances fluctuate with wage rate increases and general use by employees each year.

Prior to June 30, 2023, the District maintained an early retirement plan, which allows certified staff meeting certain qualifications, to retire early and receive a percentage of their last year’s salary spread over three to five years. The decrease this year is due to the phase-out of this program. The final payout was made July 1, 2022.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District’s current net position increased by 24% from FY 2022 to FY 2023 due to revenues in excess of expenses. Enrollment has decreased in the current year.

One of the primary sources of revenue for the District is an allocation received from the State of South Dakota. The state aid funding formula for the year ended June 30, 2023 is based on a target statewide average salary and benefits for teachers, with a target student-to-teacher ratio to determine the number of teachers funded, based on the District’s fall enrollment. Local effort is applied against this total need amount to determine the state aid.



Enrollment has declined by 6.96% over the past five years and decreased by 0.8% from 2021-22 to 2022-23. Contributing to the decline was the increase in open enrollment out of the District and homeschool.

COVID-19 has impacted the District with new challenges and demands on finances, personnel, and student performance and wellbeing. Federal Monies have assisted in meeting some of the demands for distance learning technology, additional staff requirements, and personal protective equipment.

The District keeps current with existing technology within available resources and mandates. Management by the District will continue to be challenged with balancing staffing needs, enrollment, and prudently providing the resources to meet the students’ needs.

See independent auditor’s report.

**Rapid City Area School District No. 51-4
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Coy Sasse, Director of Business and Support Services, Rapid City Area School District, 625 9th Street, Rapid City, SD 57701.

See independent auditor's report.

BASIC FINANCIAL STATEMENTS

Rapid City Area School District No. 51-4
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 68,268,536	\$ 2,368,387	\$ 70,636,923
Cash Designated for Special Purposes	504,853	-	504,853
Investments	23,635,485	-	23,635,485
Taxes Receivable	40,629,253	-	40,629,253
Inventories	264,954	69,799	334,753
Internal Balances	(487,892)	487,892	-
Other Assets	8,475,594	304,464	8,780,058
	<u>141,290,783</u>	<u>3,230,542</u>	<u>144,521,325</u>
Capital Assets:			
Land	5,147,326	-	5,147,326
Buildings	195,141,628	-	195,141,628
Improvements	14,744,075	-	14,744,075
Equipment	35,767,923	2,612,020	38,379,943
Right of Use Leased Asset	3,859,423	-	3,859,423
Construction in Progress	35,532,951	-	35,532,951
Less: Accumulated Depreciation	<u>(107,396,702)</u>	<u>(1,825,606)</u>	<u>(109,222,308)</u>
Total Capital Assets, Net of Depreciation	<u>182,796,624</u>	<u>786,414</u>	<u>183,583,038</u>
Restricted Assets:			
Net Pension Asset	314,358	8,106	322,464
Cash Restricted for Debt Service	4,603,293	-	4,603,293
Cash Restricted for Healthcare	<u>95,486</u>	<u>-</u>	<u>95,486</u>
Total Restricted Assets	<u>5,013,137</u>	<u>8,106</u>	<u>5,021,243</u>
TOTAL ASSETS	<u>329,100,544</u>	<u>4,025,062</u>	<u>333,125,606</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	30,807,839	794,328	31,602,167
OPEB-related Deferred Outflows	<u>2,475,388</u>	<u>74,327</u>	<u>2,549,715</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>33,283,227</u>	<u>868,655</u>	<u>34,151,882</u>

The accompanying notes are an integral part of this statement.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts Payable	10,252,693	11,067	10,263,760
Contracts Payables and Payroll Liabilities	379,576	25,643	405,219
Incurred But Not Reported Claims	1,248,976	-	1,248,976
Amounts Held for Others	57,378	-	57,378
Accrued Interest Payable	672,987	-	672,987
Unearned Revenue	-	481,349	481,349
Long-term Liabilities:			
Due Within One Year	6,892,720	40,307	6,933,027
Due in More than One Year	<u>73,707,684</u>	<u>363,794</u>	<u>74,071,478</u>
TOTAL LIABILITIES	<u>93,212,014</u>	<u>922,160</u>	<u>94,134,174</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	43,786,524	-	43,786,524
OPEB-related Deferred Inflows	167,040	4,628	171,668
Pension-related Deferred Inflows	<u>18,288,273</u>	<u>471,532</u>	<u>18,759,805</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>62,241,837</u>	<u>476,160</u>	<u>62,717,997</u>
NET POSITION			
Net Investment in Capital Assets	103,684,775	786,414	104,471,189
Restricted:			
Capital Outlay	36,110,254	-	36,110,254
Proportionate Share of Net Pension Asset	12,833,924	330,902	13,164,826
Special Education	8,601,637	-	8,601,637
Debt Service	4,603,293	-	4,603,293
Unrestricted	<u>41,096,037</u>	<u>2,378,081</u>	<u>43,474,118</u>
TOTAL NET POSITION	<u>\$ 206,929,920</u>	<u>\$ 3,495,397</u>	<u>\$ 210,425,317</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Charges for Services
GOVERNMENTAL ACTIVITIES		
Instruction	\$ 69,136,969	\$ 71,108
Support Services	59,160,211	794,723
Community Services	219,072	-
Cocurricular Activities	3,402,479	392,881
Nonprogrammed Charges	2,511	-
Interest on Long-term Debt *	1,692,536	-
Total Governmental Activities	<u>133,613,778</u>	<u>1,258,712</u>
BUSINESS-TYPE ACTIVITIES		
Food Service	5,480,346	1,826,420
Preschool	382,110	400,528
Total Business-type Activities	<u>5,862,456</u>	<u>2,226,948</u>
Total Primary Government	<u>\$ 139,476,234</u>	<u>\$ 3,485,660</u>

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

The accompanying notes are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities	Total
\$ 4,903,187	\$ -	\$ (64,162,674)	\$ -	\$ (64,162,674)
7,986,146	26,647,424	(23,731,918)	-	(23,731,918)
164,969	-	(54,103)	-	(54,103)
-	-	(3,009,598)	-	(3,009,598)
-	-	(2,511)	-	(2,511)
-	-	(1,692,536)	-	(1,692,536)
<u>13,054,302</u>	<u>26,647,424</u>	<u>(92,653,340)</u>	<u>-</u>	<u>(92,653,340)</u>
3,737,759	-	-	83,833	83,833
-	-	-	18,418	18,418
<u>3,737,759</u>	<u>-</u>	<u>-</u>	<u>102,251</u>	<u>102,251</u>
<u>\$ 16,792,061</u>	<u>\$ 26,647,424</u>	<u>(92,653,340)</u>	<u>102,251</u>	<u>(92,551,089)</u>
GENERAL REVENUES				
Taxes:				
Property Taxes		86,068,306	-	86,068,306
Gross Receipts Taxes		1,303,753	-	1,303,753
Revenue from State Sources:				
State Aid		40,489,749	-	40,489,749
Other		3,684,492	-	3,684,492
Revenue from Federal Sources		31,630	-	31,630
Revenue from Intermediate Sources		1,407,539	-	1,407,539
Unrestricted Investment Earnings		409,510	-	409,510
Interest Rebate		420,203	-	420,203
Loss on Disposal of Capital Assets		(320,072)	-	(320,072)
Transfers		(133,404)	133,404	-
Other General Revenues		272,203	-	272,203
Total General Revenues		<u>133,633,909</u>	<u>133,404</u>	<u>133,767,313</u>
CHANGE IN NET POSITION		40,980,569	235,655	41,216,224
NET POSITION - BEGINNING		<u>165,949,351</u>	<u>3,259,742</u>	<u>169,209,093</u>
NET POSITION - ENDING		<u>\$ 206,929,920</u>	<u>\$ 3,495,397</u>	<u>\$ 210,425,317</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 13,611,235	\$ 41,508,044	\$ 10,250,680	\$ -	\$ 65,369,959
Cash Designated for Special Purposes	504,853	-	-	-	504,853
Certificates of Deposit	5,369,555	12,888,946	-	-	18,258,501
Taxes Receivable, Current	21,234,626	11,285,431	7,976,608	-	40,496,665
Taxes Receivable, Delinquent	76,028	36,225	20,335	-	132,588
Accounts Receivable, Net	166,192	20,033	-	-	186,225
Due from Other Governments	1,976,236	4,453,726	276,724	-	6,706,686
Inventory of Supplies	264,954	-	-	-	264,954
Prepaid Expenses	260,868	1,321,815	-	-	1,582,683
Restricted Assets:					
Cash Restricted for Debt Service	-	-	-	4,603,293	4,603,293
TOTAL ASSETS	<u>\$ 43,464,547</u>	<u>\$ 71,514,220</u>	<u>\$ 18,524,347</u>	<u>\$ 4,603,293</u>	<u>\$ 138,106,407</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 1,382,096	\$ 8,586,461	\$ 254,091	\$ -	\$ 10,222,648
Contracts Payable	293,232	-	36,282	-	329,514
Payroll Deductions and Employer Matching Payable	44,234	-	5,828	-	50,062
Total Liabilities	<u>1,719,562</u>	<u>8,586,461</u>	<u>296,201</u>	<u>-</u>	<u>10,602,224</u>
Deferred Inflows of Resources:					
Property Taxes Levied for Future Periods	22,936,764	12,215,657	8,634,103	-	43,786,524
Property Taxes Received Outside the Period of Availability	76,028	36,225	20,335	-	132,588
Reimbursements Received Outside the Period of Availability	557,013	18,508	-	-	575,521
Total Deferred Inflows of Resources	<u>23,569,805</u>	<u>12,270,390</u>	<u>8,654,438</u>	<u>-</u>	<u>44,494,633</u>
Fund Balances:					
Nonspendable:					
Inventory	264,954	-	-	-	264,954
Prepaid Expenses	260,868	1,321,815	-	-	1,582,683
Restricted:					
For Capital Outlay	-	49,335,554	-	-	49,335,554
For Special Education	-	-	9,573,708	-	9,573,708
For Debt Service	-	-	-	4,603,293	4,603,293
Assigned:					
For Special Purposes	504,853	-	-	-	504,853
Unassigned	17,144,505	-	-	-	17,144,505
Total Fund Balances	<u>18,175,180</u>	<u>50,657,369</u>	<u>9,573,708</u>	<u>4,603,293</u>	<u>83,009,550</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 43,464,547</u>	<u>\$ 71,514,220</u>	<u>\$ 18,524,347</u>	<u>\$ 4,603,293</u>	<u>\$ 138,106,407</u>

The accompanying notes are an integral part of this statement.

**Rapid City Area School District No. 51-4
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2023**

Total Fund Balances - Governmental Funds	\$	83,009,550
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		182,796,624
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:		
General Obligation Debt, Net of Unamortized Premiums		(61,880,515)
Lease Obligations		(2,521,943)
Compensated Absences		(8,209,196)
Accrued Leave Payable		(270,551)
Other Post Employment Benefits (OPEB)		(7,718,199)
Accrued Interest Payable		(672,987)
Assets, including property taxes receivable, grants receivable, and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.		708,109
Pension-related balances reported in the governmental activities are not available financial resources and, therefore, are not reported in the funds.		
Net Pension Asset		314,358
Pension-related Deferred Outflows		30,807,839
Pension-related Deferred Inflows		(18,288,273)
OPEB-related balances are components of the Total OPEB Liability and are not reported in the funds.		
OPEB-related Deferred Outflows		2,475,388
OPEB-related Deferred Inflows		(167,040)
The internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.		6,546,756
Net Position - Governmental Activities	\$	206,929,920

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	\$ 25,307,403	\$ 13,400,404	\$ 9,458,816	\$ -	\$ 48,166,623
Prior Years' Ad Valorem	18,750,981	11,991,507	7,025,752	-	37,768,240
Gross Receipts Taxes	884,733	-	-	-	884,733
Penalties and Interest on Taxes	54,274	30,091	18,168	-	102,533
Tuition and Fees					
Local Sources	44,859	-	-	-	44,859
Support Services	530,950	-	263,773	-	794,723
Cocurricular Activities	392,881	-	-	-	392,881
Earnings on Deposits	75,332	193,376	-	140,434	409,142
Restricted Operating Contributions	694,621	8,956	-	-	703,577
Other Local Revenue	1,658,489	-	1,429	-	1,659,918
Total Revenue from Local Sources	<u>48,394,523</u>	<u>25,624,334</u>	<u>16,767,938</u>	<u>140,434</u>	<u>90,927,229</u>
Revenue from Intermediate Sources:					
County Sources	598,656	-	-	-	598,656
Revenue in Lieu of Taxes	413,309	178,238	105,328	-	696,875
Revenue for Joint Facilities	90,488	21,520	-	-	112,008
Total Revenue from Intermediate Sources	<u>1,102,453</u>	<u>199,758</u>	<u>105,328</u>	<u>-</u>	<u>1,407,539</u>
Revenue from State Sources:					
Unrestricted Grants-in-aid	40,489,749	-	-	-	40,489,749
Restricted Grants-in-aid	-	-	3,684,492	-	3,684,492
Other State Revenue	189,004	-	-	-	189,004
Total Revenue from State Sources	<u>40,678,753</u>	<u>-</u>	<u>3,684,492</u>	<u>-</u>	<u>44,363,245</u>
Revenue from Federal Sources:					
Unrestricted Grants-in-aid	31,662	-	-	-	31,662
Restricted Grants-in-aid	8,310,060	25,443,972	3,537,482	-	37,291,514
Total Revenue from Federal Sources	<u>8,341,722</u>	<u>25,443,972</u>	<u>3,537,482</u>	<u>-</u>	<u>37,323,176</u>
TOTAL REVENUES	<u>98,517,451</u>	<u>51,268,064</u>	<u>24,095,240</u>	<u>140,434</u>	<u>174,021,189</u>

The accompanying notes are an integral part of this statement.

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Instructional Services:					
Regular Programs	48,363,043	3,646,266	220,290	-	52,229,599
Special Programs	<u>3,966,299</u>	<u>99,953</u>	<u>14,559,339</u>	-	<u>18,625,591</u>
Total Instructional Services	<u>52,329,342</u>	<u>3,746,219</u>	<u>14,779,629</u>	-	<u>70,855,190</u>
Support Services:					
Pupils	4,116,368	19,568	5,537,149	-	9,673,085
Instructional Staff	6,174,852	1,640,792	21,107	-	7,836,751
General Administration	3,225,588	24,091	-	-	3,249,679
School Administration	8,128,233	29,150	-	-	8,157,383
Business	17,812,822	2,744,243	-	-	20,557,065
Central	1,290,985	205,676	-	-	1,496,661
Special Education	-	<u>18,849</u>	<u>2,435,355</u>	-	<u>2,454,204</u>
Total Support Services	<u>40,748,848</u>	<u>4,682,369</u>	<u>7,993,611</u>	-	<u>53,424,828</u>
Community Services:					
Custody and Care of Children	59,763	-	-	-	59,763
Nonpublic School Pupil Services	<u>154,982</u>	<u>5,389</u>	-	-	<u>160,371</u>
Total Community Services	<u>214,745</u>	<u>5,389</u>	-	-	<u>220,134</u>
Cocurricular Activities:					
Male Activities	1,135,270	79,023	-	-	1,214,293
Female Activities	1,230,507	11,247	-	-	1,241,754
Combined Activities	<u>929,641</u>	<u>271</u>	-	-	<u>929,912</u>
Total Cocurricular Activities	<u>3,295,418</u>	<u>90,541</u>	-	-	<u>3,385,959</u>
Other Nonprogrammed Costs	<u>15,845</u>	-	-	-	<u>15,845</u>
Debt Services	-	<u>13,784,475</u>	-	-	<u>13,784,475</u>
Capital Outlay	-	<u>34,480,790</u>	<u>55,796</u>	-	<u>34,536,586</u>
TOTAL EXPENDITURES	<u>96,604,198</u>	<u>56,789,783</u>	<u>22,829,036</u>	-	<u>176,223,017</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds (Continued)
For the Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Debt Service Fund	Total Governmental Funds
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,913,253</u>	<u>(5,521,719)</u>	<u>1,266,204</u>	<u>140,434</u>	<u>(2,201,828)</u>
OTHER FINANCING SOURCES					
Net Transfers In (Out)	-	(374,111)	-	374,111	-
Proceeds from Direct Financing Leases	-	2,746,235	-	-	2,746,235
Interest Rebate	-	420,203	-	-	420,203
Sale of Surplus Property	72,500	17,184	-	-	89,684
Compensation for Loss of General Capital Assets	-	37,538	-	-	37,538
TOTAL OTHER FINANCING SOURCES	<u>72,500</u>	<u>2,847,049</u>	<u>-</u>	<u>374,111</u>	<u>3,293,660</u>
NET CHANGE IN FUND BALANCES	1,985,753	(2,674,670)	1,266,204	514,545	1,091,832
FUND BALANCE - BEGINNING	<u>16,189,427</u>	<u>53,332,039</u>	<u>8,307,504</u>	<u>4,088,748</u>	<u>81,917,718</u>
FUND BALANCE - ENDING	<u>\$ 18,175,180</u>	<u>\$ 50,657,369</u>	<u>\$ 9,573,708</u>	<u>\$ 4,603,293</u>	<u>\$ 83,009,550</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 1,091,832
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	26,179,636
Governmental funds only report proceeds from the sale of capital assets. However, the Statement of Activities reports gains and losses on capital assets. This is the amount in which retired capital assets book value exceeded accumulated depreciation.	(447,293)
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available".	606,434
Governmental funds do not reflect the change in accrued leave, compensated absences, and early retirement, but the Statement of Activities reflects the change in these accruals through expenses.	2,159,113
Repayment of general obligation debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Capital Outlay Certificates	11,530,000
Lease Obligations	731,921
A lease agreement is an other financing source in the governmental funds, but an increase in long-term liabilities on the Statement of Net Position.	(2,746,235)
Unamortized premiums and the deferred amount on refunding associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which the amortization of unamortized premiums exceeded deferrals for the current period.	697,312
Pension expenses in the Statement of Activities do not provide or require use of current financial resources and are not reported in the funds.	1,243,006
OPEB-related expenses in the Statement of Activities do not require the use of current financial resources and are not reported in the funds.	(290,616)
Accrued interest expense in the Statement of Activities does not require the use of current financial resources and is not reported in the funds.	(135,375)
The internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue of the internal service funds are reported with governmental activities.	280,081
Change in Net Position of Governmental Activities	<u>\$ 40,899,816</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Net Position - Proprietary Funds
June 30, 2023

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,254,378	\$ 114,009	\$ 2,368,387	\$ 2,898,577
Restricted Cash	-	-	-	95,486
Investments	-	-	-	5,376,984
Accounts Receivable, Net	264,399	-	264,399	-
Due From Other Governments	40,065	-	40,065	-
Inventory of Supplies	47,209	-	47,209	-
Inventory of Stores Purchased for Resale	20,038	-	20,038	-
Inventory of Donated Food	2,552	-	2,552	-
	<u>2,628,641</u>	<u>114,009</u>	<u>2,742,650</u>	<u>8,371,047</u>
Total Current Assets				
Noncurrent Assets:				
Net Pension Asset	6,948	1,158	8,106	-
Machinery and Equipment - Local Funds	2,550,850	-	2,550,850	-
Machinery and Equipment - Federal Assistance	61,170	-	61,170	-
Less: Accumulated Depreciation	<u>(1,825,606)</u>	<u>-</u>	<u>(1,825,606)</u>	<u>-</u>
	<u>793,362</u>	<u>1,158</u>	<u>794,520</u>	<u>-</u>
Total Noncurrent Assets				
TOTAL ASSETS	<u>3,422,003</u>	<u>115,167</u>	<u>3,537,170</u>	<u>8,371,047</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related Deferred Outflows	680,875	113,453	794,328	-
OPEB-related Deferred Outflows	<u>65,225</u>	<u>9,102</u>	<u>74,327</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>746,100</u>	<u>122,555</u>	<u>868,655</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
LIABILITIES				
Current Liabilities:				
Accounts Payable	11,067	-	11,067	30,045
Contracts Payable	9,362	-	9,362	-
Amounts Held for Others	-	-	-	57,378
Incurred but not Reported Claims	-	-	-	1,248,976
Unearned Revenue	481,349	-	481,349	-
Payroll Deductions and Employer Matching Payable	16,281	-	16,281	-
Current Portion of Noncurrent Liabilities	40,307	-	40,307	-
Total Current Liabilities	558,366	-	558,366	1,336,399
Noncurrent Liabilities:				
Compensated Absences, Net of Current Portion	152,894	-	152,894	-
OPEB Liability	192,058	18,842	210,900	-
Total Noncurrent Liabilities	344,952	18,842	363,794	-
TOTAL LIABILITIES	903,318	18,842	922,160	1,336,399
DEFERRED INFLOWS OF RESOURCES				
Pension-related Deferred Inflows	404,183	67,349	471,532	-
OPEB-related Deferred Inflows	3,965	663	4,628	-
TOTAL DEFERRED INFLOWS OF RESOURCES	408,148	68,012	476,160	-
NET POSITION				
Net Investment in Capital Assets	786,414	-	786,414	-
Restricted for Net Pension Asset	283,640	47,262	330,902	-
Unrestricted	1,786,583	103,606	1,890,189	7,034,648
TOTAL NET POSITION	\$ 2,856,637	\$ 150,868	\$ 3,007,505	\$ 7,034,648

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Net Position are different because of the Enterprise Fund participation in the activities conducted in the internal service fund.

	<u>487,892</u>
Net Position of Business-type Activities	<u>\$ 3,495,397</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Revenues, Expenses, and Changes in Fund
Net Position - Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
OPERATING REVENUE				
Sales to Pupils	\$ 1,487,280	\$ -	\$ 1,487,280	\$ -
Sales to Adults	23,883	-	23,883	-
Sales a la Carte	306,467	-	306,467	-
Tuition	-	400,528	400,528	-
Other	7,703	-	7,703	-
Self-insurance Premiums	-	-	-	18,802,305
Total Operating Revenue	<u>1,825,333</u>	<u>400,528</u>	<u>2,225,861</u>	<u>18,802,305</u>
OPERATING EXPENSES				
Salaries	1,657,951	294,621	1,952,572	82,215
Employee Benefits	861,013	84,581	945,594	27,132
Purchased Services	174,270	-	174,270	231,406
Supplies	365,111	2,908	368,019	-
Cost of Sales - Purchased Food	1,758,092	-	1,758,092	-
Cost of Sales - Donated Food	574,580	-	574,580	-
Miscellaneous	1,293	-	1,293	-
Depreciation	101,994	-	101,994	-
Self-insurance Costs	-	-	-	19,487,962
Total Operating Expenses	<u>5,494,304</u>	<u>382,110</u>	<u>5,876,414</u>	<u>19,828,715</u>
OPERATING INCOME (LOSS)	<u>(3,668,971)</u>	<u>18,418</u>	<u>(3,650,553)</u>	<u>(1,026,410)</u>
NONOPERATING REVENUE (EXPENSES)				
Local Sources:				
Interest Earned	-	-	-	84,632
Miscellaneous	1,087	-	1,087	1,235,817
State Sources:				
Cash Reimbursements	13,843	-	13,843	-
Federal Sources:				
Cash Reimbursements	3,515,212	-	3,515,212	-
Donated Food	208,704	-	208,704	-
Total Nonoperating Revenue (Expenses)	<u>3,738,846</u>	<u>-</u>	<u>3,738,846</u>	<u>1,320,449</u>
NET INCOME BEFORE TRANSFERS/CONTRIBUTIONS	69,875	18,418	88,293	294,039
TRANSFERS/CONTRIBUTIONS				
Capital Contributions	<u>133,404</u>	<u>-</u>	<u>133,404</u>	<u>-</u>
CHANGE IN NET POSITION	203,279	18,418	221,697	294,039
NET POSITION - BEGINNING	<u>2,653,358</u>	<u>132,450</u>	<u>2,785,808</u>	<u>6,740,609</u>
NET POSITION - ENDING	<u>\$ 2,856,637</u>	<u>\$ 150,868</u>	<u>\$ 3,007,505</u>	<u>\$ 7,034,648</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Reconciliation of the Enterprise Fund Statement of Revenues,
Expenses, and Changes in Fund Net Position to the Statement of Activities
For the Year Ended June 30, 2023

Change in Net Position - Total Enterprise Funds \$ 221,697

Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. Certain amounts reported for business-type activities in the Statement of Activities are different because of the Enterprise Fund's participation in the activities conducted in the internal service fund.

13,958

Change in Net Position of Business-type Activities \$ 235,655

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Receipts from Customers	\$ 1,757,145	\$ 400,528	\$ 2,157,673	\$ -
Receipts from Interfund Services Provided	-	-	-	18,802,305
Payments to Suppliers	(2,420,081)	(3,054)	(2,423,135)	(442,302)
Payments to Employees	(2,543,716)	(380,515)	(2,924,231)	(109,347)
Claims Paid	-	-	-	(19,514,884)
Net Cash Provided (Used) by Operating Activities	<u>(3,206,652)</u>	<u>16,959</u>	<u>(3,189,693)</u>	<u>(1,264,228)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies	3,171,479	-	3,171,479	-
Other Sources	1,087	-	1,087	1,235,817
Net Cash Provided by Noncapital Financing Activities	<u>3,172,566</u>	<u>-</u>	<u>3,172,566</u>	<u>1,235,817</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES				
Deposits into Investments	-	-	-	(80,332)
Interest Earnings	-	-	-	84,632
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,300</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,086)	16,959	(17,127)	(24,111)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,288,464</u>	<u>97,050</u>	<u>2,385,514</u>	<u>2,922,688</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,254,378</u>	<u>\$ 114,009</u>	<u>\$ 2,368,387</u>	<u>\$ 2,898,577</u>

The accompanying notes are an integral part of this statement.

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Preschool Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (3,668,971)	\$ 18,418	\$ (3,650,553)	\$ (1,026,410)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	101,994	-	101,994	-
Cost of Sales - Donated Food	574,580	-	574,580	-
Change in Assets and Liabilities:				
Accounts Receivable	(167,622)	-	(167,622)	-
Inventories	(3,288)	-	(3,288)	-
Prepaid Expenses	-	-	-	(22,423)
Accounts Payable	(118,027)	(146)	(118,173)	(188,473)
Contracts Payable	1,971	-	1,971	-
Incurred But Not Reported Claims	-	-	-	(26,922)
Deferred Revenue	99,434	-	99,434	-
Payroll Deductions and Employer Matching Payable	(164)	-	(164)	-
Compensated Absences Payable	(19,122)	-	(19,122)	-
Pension Activity	(13,786)	(2,396)	(16,182)	-
OPEB Liability	6,349	1,083	7,432	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,206,652)</u>	<u>\$ 16,959</u>	<u>\$ (3,189,693)</u>	<u>\$ (1,264,228)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Value of Commodities Received	<u>\$ 208,704</u>	<u>\$ -</u>	<u>\$ 208,704</u>	<u>\$ -</u>
Equipment Purchased by Capital Outlay Fund	<u>\$ 133,404</u>	<u>\$ -</u>	<u>\$ 133,404</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2023

	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 51,986	\$ 562,332
LIABILITIES		
Accounts Payable	-	21,422
NET POSITION		
Restricted for Individuals, Organizations and Other Governments	\$ -	\$ 540,910
Restricted for Scholarships:		
Non-expendable	10,000	-
Expendable	41,986	-
TOTAL NET POSITION	<u>\$ 51,986</u>	<u>\$ 540,910</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions and Donations	\$ -	\$ 106,668
Interest	<u>891</u>	<u>-</u>
Total Additions	891	106,668
DEDUCTIONS		
Payments for Student Activities	<u>-</u>	<u>51,320</u>
CHANGE IN NET POSITION	891	55,348
NET POSITION - BEGINNING	<u>51,095</u>	<u>485,562</u>
NET POSITION - ENDING	<u>\$ 51,986</u>	<u>\$ 540,910</u>

The accompanying notes are an integral part of this statement.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles applicable to government entities in the United States of America.

A. REPORTING ENTITY

The reporting entity of Rapid City Area School District No. 51-4 (the District) is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a seven-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

B. RELATED ORGANIZATIONS

Related organizations are excluded from the financial reporting entity because the District's accountability for these organizations does not extend beyond making appointments or because management has determined the assets the District has the ability to otherwise access are not significant. Related organizations are described as follows:

Black Hills Special Services Cooperative (Co-op) - A cooperative service unit formed for the purpose of providing special educational services to member school districts. The governing board of the Co-op is comprised of one representative from each member school district, who is a school board member. The Co-op reports independently. See Note 11 entitled "Joint Ventures" for specific disclosures.

Rapid City Public School Foundation (School Foundation) - A non-profit organization. The School Foundation's mission is to enhance and enrich the educational experiences of students, to motivate and recognize those who guide student learning, and to increase community support for K-12 public education. The District's Board nominates one member of the School Foundation's twenty-five-member governing board and also has two employees that participate on the Foundation's governing board. The School Foundation reports independently.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources in 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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements:

Fund financial statements of the 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. Major individual governmental and proprietary funds are reported in separate columns.

D. FUND TYPES AND MAJOR FUNDS

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 District or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, 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, deferred outflows of resources, liabilities, 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 has elected to classify one or more governmental or enterprise funds as major for consistency in reporting year to year or because of public interest in the fund's operations.

The funds of the District are described below within their respective fund types:

Governmental Funds

General Fund - The General Fund is established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures that result in the lease of, acquisitions of, or additions to real property, plant or equipment, textbooks, and instructional software. This fund is financed by property taxes and 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 District. This fund is financed primarily by property taxes and state and federal grants. This is a major fund.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund - 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. The District's debt service fund is used to account for the accumulation of resources to meet debt sinking fund requirements related to the 2010B and 2011A Capital Outlay Certificates. This is a major fund.

Proprietary Funds

Enterprise Fund Types - 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 net revenues and charges and the full faith credit of related primary government or component unit, even if the government is not expected to make any payments, is not payable solely from fees and charges of 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). The District's enterprise funds are as follows:

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

Preschool Fund - A fund used to record financial transactions related to the preschool operations. This fund is financed by user charges. This is a major fund.

Internal Service Fund Types - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies on a cost-reimbursement basis. The Master Insurance Fund is the only internal service fund maintained by the District. Internal service funds are never considered to be major funds.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Fund Types - 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 District maintains the Cheerleader Memorial Scholarship Fund, the Surbeck Scholarship Fund, and the Vocational Scholarship Fund. The purpose of these funds is to provide scholarships to qualifying students.

Custodial Fund Types - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investments trust funds, or private purpose trust funds. The District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting

Government-wide Financial Statements:

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

Fund Financial Statements:

All governmental funds 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 will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end.

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

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. INTERFUND ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide financial statements, the District has charged certain "centralized expenses", including an administrative overhead component, as direct expenses to programs in order to show all expenses that are associated with a service, program, or department. This process minimizes the doubling-up effect on internal service fund activity.

G. CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. The District pools its cash resources for deposit purposes. Accordingly, the enterprise fund has access to its cash resources on demand. All reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

H. INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental activities and the governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are used. Inventories reported in the fund financial statements are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The non-spendable fund balance associated with inventory is reduced by the related amounts included in accounts payable, if applicable.

I. CAPITAL ASSETS

Capital assets include land, buildings, improvements, 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 of 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 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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	\$ 1,000	-----
Buildings	50,000	50 yrs
Improvements	20,000	20 yrs
Machinery and Equipment	5,000	5 - 15 yrs
Intangible Lease Assets	5,000	2 - 5 yrs
Intangible Subscription Assets	5,000	2 - 5 yrs

Depreciation and amortization expense is calculated using the straight-line and composite methods. Depreciation and amortization of exhaustible capital assets are recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated/amortized.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 financial statements.

J. 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.

Government-wide Financial Statements:

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences payable, accrued leave payable, other post-employment benefits, lease liabilities, and capital outlay certificates payable. Accounting policies related to compensated absences and accrued leave payable are as follows:

Compensated Absences Payable - Compensated absences payable is sick leave earned by employees at the rate of 13 to 16 days per year cumulative to 140 or 180 days depending on job description. Upon termination, employees are entitled to receive compensation for their accrued sick leave balance if they meet various age and years of service requirements. They will receive one-half of unused sick leave, but not in excess of 50 or 90 days, depending on job description, of their actual accumulated unused sick leave. The amount of sick leave pay is determined by the employee's basic salary. These amounts are submitted to a special pay plan that does not require the District to withhold payroll taxes. For employees normally paid out of the governmental funds these amounts are charged as an expenditure at the time of retirement. For employees normally paid out of the enterprise fund, these amounts are recorded as an expense when earned. Compensated absences for governmental activities typically have been liquidated from the General Fund.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Leave Payable - Accrued leave payable is the annual vacation earned by employees at the rate of 5 to 20 days per year depending on years of service and job description and accumulates to a maximum of one and one-half times the annual accrual. Employees are only eligible for accrued leave after the completion of one year of service. Upon termination, employees are entitled to receive compensation for their accrued annual vacation balance at their most recent hourly rate. These amounts include the employer's matching share of payroll deductions unless the employee is retiring in which case the payment is submitted to the special pay plan and taxes are not withheld. Accrued leave payable for governmental activities typically has been liquidated from the General Fund.

Fund Financial Statements:

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

K. LEASES

Lessee – The District is a lessee for a noncancellable lease of computer equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor -The District may be a lessor for noncancellable leases, though as of June 30, 2023, the District was not a lessor. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

L. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District may enter into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided technology, though as of June 30, 2023, the District had no SBITAs. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of the subscription payments made. The subscription asset is measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District will use the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option prices that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that apply to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

N. UNEARNED REVENUE

The food service fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

The governmental funds may report various grants and tuition payments received in advance of the eligibility criteria for revenue recognition as unearned revenue.

O. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

It is the District's policy to 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 positions are available. Net position on the Statement of Net Position includes the following:

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 capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - 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.

Unrestricted - Represents all other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

The fund definitions were discussed in Note 1.D. Classification of governmental fund balances is as follows:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts that are constrained by the District's intent to be used for specific purposes but are not restricted. Amounts can be assigned by the School Board or management of the District.

Unassigned - Represents positive fund balance that has not been assigned to other funds and that has not been restricted or assigned.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District uses restricted amounts first when both the restricted and the unrestricted fund balances are available unless a legal document, such as a contract or a grant agreement requiring dollar-for-dollar spending, prohibits it. Additionally, the District would use assigned amounts before unassigned amounts of unrestricted fund balance when expenditures are made.

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

P. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

In the proprietary funds' 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.

Q. PROGRAM REVENUES

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

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.

Program Revenues - 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.

Program Revenues - 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.

R. PENSIONS

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The District's policy is to report deposits at cost plus interest and credit all income from investments to the fund making the investment, with the exception of the payroll clearing account whose interest income is credited to the General Fund.

Investments - In general, SDCL 4-5-6 permits the District's 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) or in shares of an open-end, no-load mutual fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

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

Fair Value Measurement - The 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.

As of June 30, 2023, the District had the following investments and fair value measurements:

<u>Investment</u>	<u>Credit Rating</u>	<u>Level</u>	<u>Maturities Less than 1 Year</u>	<u>Maturities 1 - 5 Years</u>	<u>Total</u>
Cash and Money Market Account	N/A	1	\$ 674,671	\$ -	\$ 674,671
Treasury Bills and Notes	N/A	2	381,986	-	381,986
Government Bonds	AA+	2	10,386,331	12,192,497	22,578,828
					<u>\$ 23,635,485</u>

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

Interest Rate Risk - The 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.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments included in the fund financial statements consisted of the following as of June 30, 2023:

State of South Dakota	\$ 6,692,326
U.S. Government	<u>54,425</u>
	<u>\$ 6,746,751</u>
Reconciliation to Fund Financial Statements	
Due from Other Governments - Governmental Funds	\$ 6,706,686
Due from Other Governments - Enterprise Fund	<u>40,065</u>
	<u>\$ 6,746,751</u>

NOTE 4 - PROPERTY TAX

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable 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 District's taxes and remits them to the District. Levy amounts are established by state statute per \$1,000 of taxable valuation of property in the District. State statute allows the General Fund tax rates to be increased by special election of the voters.

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 5 - CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 5,147,326	\$ -	\$ -	\$ 5,147,326
Construction in Progress	<u>6,830,788</u>	<u>30,602,437</u>	<u>(1,900,274)</u>	<u>35,532,951</u>
Subtotal	<u>11,978,114</u>	<u>30,602,437</u>	<u>(1,900,274)</u>	<u>40,680,277</u>
Capital Assets being Depreciation/Amortized:				
Buildings	195,042,937	98,691	-	195,141,628
Improvements	14,175,628	568,447	-	14,744,075
Equipment	34,726,092	2,287,647	(1,245,816)	35,767,923
Intangible Assets, Right to Use Leases	<u>1,113,188</u>	<u>2,746,235</u>	<u>-</u>	<u>3,859,423</u>
Subtotal	<u>245,057,845</u>	<u>5,701,020</u>	<u>(1,245,816)</u>	<u>249,513,049</u>
Less Accumulated Depreciation for:				
Buildings	72,640,435	3,583,066	-	76,223,501
Improvements	6,419,044	531,499	-	6,950,543
Equipment	20,325,038	3,360,397	(798,522)	22,886,913
Intangible Assets, Right to Use Leases	<u>667,914</u>	<u>667,831</u>	<u>-</u>	<u>1,335,745</u>
Subtotal	<u>100,052,431</u>	<u>8,142,793</u>	<u>(798,522)</u>	<u>107,396,702</u>
Net Capital Assets	<u>\$ 156,983,528</u>	<u>\$ 28,160,664</u>	<u>\$ (2,347,568)</u>	<u>\$ 182,796,624</u>
Business-type Activities:				
Depreciable Capital Assets:				
Equipment	\$ 2,478,616	\$ 133,404	\$ -	\$ 2,612,020
Less: Accumulated Depreciation	<u>1,723,612</u>	<u>101,994</u>	<u>-</u>	<u>1,825,606</u>
Net Capital Assets	<u>\$ 755,004</u>	<u>\$ 31,410</u>	<u>\$ -</u>	<u>\$ 786,414</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction	\$ 880,739
Support Services	7,312,070
Cocurricular Activities	<u>30,737</u>
Total Depreciation Expense	<u>\$ 8,223,546</u>

Depreciation expense was charged to the business-type activities as follows:

Food Service	\$ 101,994
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Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Construction in progress as of June 30, 2023 includes the following:

Project	Project Authorization	Expended Through 6/30/2023	Comitted
South Middle School Building	\$ 64,451,158	\$ 34,126,151	\$ 30,325,007
South Park Roof Replacement	200,367	200,367	-
Canyon Lake Boiler	563,760	563,760	-
High School Security and Technology	293,198	293,198	-
Various Smaller Projects	349,475	349,475	-
	<u>\$ 65,857,958</u>	<u>\$ 35,532,951</u>	<u>\$ 30,325,007</u>

The South Middle School Building is expected to be placed in service for the 2024-2025 school year. All other projects are expected to be placed in services within a few months of June 30, 2023.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt:					
Capital Outlay					
Certificates	\$ 71,110,000	\$ -	\$ (11,530,000)	\$ 59,580,000	\$ 4,995,000
Related Premiums	2,997,827	-	(697,312)	2,300,515	-
Total General Obligation Debt	<u>74,107,827</u>	<u>-</u>	<u>(12,227,312)</u>	<u>61,880,515</u>	<u>4,995,000</u>
Other Liabilities:					
Leases	507,629	2,746,235	(731,921)	2,521,943	652,788
Accrued Leave Payable	268,929	252,500	(250,878)	270,551	270,551
Compensated Absences	10,356,597	763,540	(2,910,941)	8,209,196	974,381
Early Retirement Benefits	13,334	-	(13,334)	-	-
OPEB Liability	7,755,299	-	(37,100)	7,718,199	-
Total Other Liabilities	<u>18,901,788</u>	<u>3,762,275</u>	<u>(3,944,174)</u>	<u>18,719,889</u>	<u>1,897,720</u>
Total Long-term Liabilities	<u>\$ 93,009,615</u>	<u>\$ 3,762,275</u>	<u>\$ (16,171,486)</u>	<u>\$ 80,600,404</u>	<u>\$ 6,892,720</u>
Business-type Activities:					
Accrued Leave Payable	\$ 16,362	\$ 14,140	\$ (18,120)	\$ 12,382	\$ 12,382
Compensated Absences	195,961	9,895	(25,037)	180,819	27,925
OPEB Liability	211,849	-	(949)	210,900	-
Total Long-term Liabilities	<u>\$ 424,172</u>	<u>\$ 24,035</u>	<u>\$ (44,106)</u>	<u>\$ 404,101</u>	<u>\$ 40,307</u>

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Capital outlay certificates at June 30, 2023 are comprised of the following individual issues:

2010B Capital Outlay Certificates (Qualified School Construction Bonds). Bearing interest at 5.30%. Due 11/1/2029.	\$ 3,000,000
2011 A Capital Outlay Certificates. Bearing interest at 5.0%. Due 11/1/2030.	4,000,000
2017A Capital Outlay Certificates. Bearing Interest at 3.0%. Due 6/30/2030.	9,475,000
2017B Capital Outlay Certificates. Bearing Interest at fixed rates ranging from 4.0% to 5.0%. Due 7/1/2026.	7,235,000
2019 Capital Outlay Certificates. Bearing Interest at fixed rates ranging from 3.0% to 5.0%. Due 8/1/2032.	9,605,000
2020 Capital Outlay Certificates. Bearing Interest at fixed rates ranging from 0.410% to 1.78%. Due 8/1/2030.	12,155,000
2022 Capital Outlay Certificates. Bearing Interest at fixed rates ranging from 4.0% to 5.0%. Due 8/1/2041.	<u>14,110,000</u>
	59,580,000
Unamortized Premiums	<u>2,300,515</u>
	<u>\$ 61,880,515</u>

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2023, excluding compensated absences, accrued leave payable, and the OPEB liability are as follows:

Year Ending June 30,	General Obligation Debt	
	Principal	Interest
2024	\$ 4,995,000	\$ 2,098,475
2025	5,330,000	1,896,929
2026	4,735,000	1,695,995
2027	3,625,000	1,540,945
2028	8,795,000	1,388,048
2029-2033	23,950,000	3,485,004
2034-2038	4,170,000	1,226,000
2039-2043	<u>3,980,000</u>	<u>326,400</u>
	<u>\$ 59,580,000</u>	<u>\$ 13,657,796</u>

Payments of all capital outlay certificates were made from the Capital Outlay Fund during the year ended June 30, 2023.

Early retirement benefits were available to teachers and administrators who met certain criteria. Upon retirement, an eligible employee was entitled to receive a payment, which was dependent upon several criteria, one of which may include the employee's last contract salary. The final early retirement benefits were paid on the first payroll date after July 1, 2022. For the year ended June 30, 2023, payments of early retirement benefits were made from the General Fund in the amount of \$13,334.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Sinking fund provisions on the 2010B Capital Outlay Certificates - Qualified School Construction Bonds require semi-annual deposits of \$78,947 on or before May 1 and November 1 of each year through 2029, during which the fund will continue to earn interest until maturity of the debt on November 1, 2029. The current balance of the sinking fund is presented as restricted assets of the Debt Service Fund in the governmental funds balance sheet. The total amount included in the sinking fund for the 2010B Capital Outlay Certificates as of June 30, 2023 was \$2,005,697.

Sinking fund provisions on the 2011A Capital Outlay Certificates require semi-annual deposits of \$108,108 on or before May 1 and November 1 of each year through May 2030, during which the fund will continue to earn interest until maturity of the debt on November 1, 2030. The current balance of the sinking fund is presented as restricted assets of the Debt Service Fund in the governmental funds balance sheet. The total amount included in the sinking fund for the 2011A Capital Outlay Certificates as of June 30, 2023 was \$2,597,596.

During the year ended June 30, 2021, the District issued Series 2020 Limited Tax General Obligation Capital Outlay Refunding Certificates in the amount of \$14,610,000, with interest rates ranging from .041% to 1.78%, to refund the Series 2011B and Series 2014A with respective unpaid principal at the time of refunding of \$6,500,000 and \$8,110,000 with interest rates ranging from 3.00% to 4.00%. The District refunded the debt to reduce total debt service payments over the next 10 years by \$1,378,458 and to obtain an economic gain of \$1,061,713. During the year ended June 30, 2022, the Series 2011B Certificates were repaid and defeased in the amount of \$6,215,000. The Series 2014A Certificates were repaid and defeased in July 2022 in the amount of \$7,040,000.

NOTE 7 - LEASES

The District entered into a five-year lease agreement for computers and equipment in August 2019. An initial lease liability was determined to be \$1,113,188. As of June 30, 2023, the value of the lease liability was \$278,742. The District is required to make monthly fixed payments of \$20,404. The lease has an interest rate of 3.94%. The value of the right-to-use asset as of June 30, 2022 was \$1,113,188 with accumulated amortization of \$890,550.

The District leases various technology equipment for instruction and support of students. The lease requires annual payments of \$488,035 through July 1, 2027 with an interest rate of 3.94%. An initial lease liability was recorded in the amount of \$2,664,345. As of June 30, 2023, the value of the lease liability was \$2,176,311. The value of the right-to-use asset as of June 30, 2023 was \$2,664,345 with accumulated amortization of \$444,058.

The District leases turf equipment for athletic facilities. The lease requires annual payments of \$15,000 through June 1, 2028 with an interest rate of 3.94%. An initial lease liability was recorded in the amount of \$81,890. As of June 30, 2023, the value of the lease liability was \$66,890. The value of the right-to-use asset as of June 30, 2023 was \$81,890 with accumulated amortization of \$1,137.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 7 - LEASES (CONTINUED)

Future payments under the leases are as follows:

Year Ending June 30,	Principal	Interest	Totals
2024	\$ 652,788	\$ 99,095	\$ 751,883
2025	471,598	72,244	543,842
2026	447,971	55,064	503,035
2027	465,621	37,414	503,035
2028	483,965	19,069	503,034
	<u>\$ 2,521,943</u>	<u>\$ 282,886</u>	<u>\$ 2,804,829</u>

NOTE 8 - INDIVIDUAL FUND INTERFUND BALANCES AND TRANSFERS

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

<u>Transfers From:</u>	<u>Transfers To:</u>		Total
	Debt Service Fund	Food Service Fund	
Capital Outlay Fund	<u>\$ 374,111</u>	<u>\$ 133,404</u>	<u>\$ 507,515</u>

Transfers were made for the following purposes:

- The District also purchased a convection steamer, dish machine with booster heater, and 2 combi ovens with Capital Outlay Funds, which were transferred to and capitalized in the Food Service Fund in the amount of \$133,404.
- The District transferred funds from the Capital Outlay Fund to the Debt Service Fund to make required sinking fund deposits related to the 2010B and 2011A Capital Outlay Certificates.

NOTE 9 - RESTRICTED NET POSITION

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

<u>Major Purposes:</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay Purposes	State Law	\$ 36,110,254
Special Education Purposes	State Law	8,601,637
Proportionate Share of Net Pension Asset	State Law	13,164,826
Debt Service Purpose	Debt Covenants	4,603,293
		<u>\$ 62,480,010</u>

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 10 - PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions is 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, Class C Cement Plant Retirement fund members, and Class D Department of Labor and Regulation members.

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

Members who 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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 10 - PENSION PLAN (CONTINUED)

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

- Baseline actuarial 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%.

All benefits except those depending on the member's accumulated contributions are annually increased by the Cost-of-living Adjustment.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022, and 2021 were \$4,648,017, \$4,884,239, and \$5,258,937, respectively, equal to the required contributions each year.

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

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

Proportionate Share of Pension Liability	\$ 481,670,906
Less: Proportionate Share of Net Pension Restricted for Pension Benefit	<u>481,993,370</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (322,464)</u>

At June 30, 2023, the District reported a liability (asset) of \$(322,464) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the District's proportion was 3.41208400%, which is an increase (decrease) of (0.1746767)% from its proportion measured as of June 30, 2021.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 10 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized pension expense (reduction of pension expense) of (\$1,259,187). At June 30, 2023, the 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	\$ 6,138,334	\$ 20,933
Changes in Assumption	20,494,783	17,960,936
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	772,774
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	321,033	5,162
District Contributions Subsequent to the Measurement Date	4,648,017	-
Total	\$ 31,602,167	\$ 18,759,805

\$4,648,017 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,		
2024	\$	2,241,027
2025		4,564,912
2026		(5,030,423)
2027		6,418,829
2028		-
Thereafter		-
	\$	8,194,345

Actuarial Assumptions

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

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 10 - PENSION PLAN (CONTINUED)

Mortality Rates

All mortality rates are based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scaled 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 or above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries: PubG-2010 contingent survivor mortality table

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed-income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
	<u>100%</u>	

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 10 - PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 66,965,547	\$ (322,464)	\$ (55,307,191)

Pension Plan Fiduciary Net Position

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

NOTE 11 - JOINT VENTURES

Black Hills Special Services Cooperative

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special educational services to the member school districts. During the year ended June 30, 2023, the District paid \$134,761 for services provided by the Co-op.

The members of the Co-op and their relative percentage participation in the Co-op are as follows:

Spearfish School District No. 40-2	8.33%
Lead/Deadwood School District No. 40-1	8.33%
Oelrichs School District No. 23-3	8.33%
Meade School District No. 46-1	8.33%
Rapid City School District No. 51-4	8.33%
Belle Fourche School District No. 9-1	8.33%
Custer School District No. 16-1	8.33%
Douglas School District No. 51-1	8.33%
Edgemont School District No. 23-1	8.33%
Haakon School District No. 27-1	8.33%
Hill City School District No. 51-2	8.33%
Hot Springs School District No. 23-2	8.33%

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 11 - JOINT VENTURES (CONTINUED)

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

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

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

At June 30, 2023, this joint venture had assets of \$11,372,190, deferred outflows of \$6,812,950, liabilities of \$2,737,979, deferred inflows of \$4,008,857, and net position of \$11,438,304.

Rapid City Performing Arts Center

During the year ended June 30, 2010, the District entered into an agreement with the City of Rapid City (City) and the Rapid City Performing Arts Coalition (Coalition) to construct and renovate a Performing Arts Center owned by the District. The District retains all ownership of the Rapid City Performing Arts Center (RCPAC).

A Board of Directors was established to set policies and procedures for the management and operation of the RCPAC. Board members are appointed by the City, the District, and the Coalition. Proceeds from the sale of tickets and concessions will be retained by the organization holding the event at the RCPAC.

Rapid City Education Center

The District has a joint tenancy arrangement with the YMCA of Rapid City for the building that houses the District's administrative offices. The Rapid City Education Center (RCEC) is shared equally by both occupants. The District pays for all maintenance and utilities and bills the Rapid City YMCA each month for their share.

NOTE 12 - RISK MANAGEMENT

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

Employee Health Insurance

During the year ended June 30, 2023, employees of the District were covered by a self-insured health and dental insurance plan. The self-insured health plan has been in place since September 1993 and the self-insured dental plan was established during the year ended June 30, 2010. The District pays approximately 65% of the family premium and 85% of the single premium. The coverage provides various deductibles per calendar year. After the deductibles of \$2,000 per individual or \$3,600 per family for the health insurance plan and \$50 per individual and \$150 per family for the dental insurance plan are met, the plan has a 30% coinsurance up to an out-of-pocket limit of \$4,000 single or \$6,800 family after which 100% is paid. Included in the group insurance premium is also a \$10,000 life insurance and accidental death insurance policy. Claims are paid by a third-party administrator (Wellmark) acting on behalf of the District. The administrative contract between the District and Wellmark is renewable annually and administrative fees and stop-loss premiums are included in the contractual provision. The District is covered by stop-loss coverage for individual claims exceeding \$175,000.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 13 - RISK MANAGEMENT (CONTINUED)

In accordance with the District's self-insured health insurance plan agreement, retired employees of the District may elect to continue their participation in the plan. Retired employees must pay 100% of the premiums for coverage. As of June 30, 2023, there were approximately 87 retirees eligible to receive benefits.

The District estimates the liabilities for claims based on claims paid out subsequent to year-end. Changes in the claims liability for the years ended June 30, 2023, 2022, and 2021 were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-end
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2020 - 2021	\$ 1,201,438	\$ 18,995,180	\$ 19,073,261	\$ 1,123,357
2021 - 2022	1,123,357	19,156,988	19,004,447	1,275,898
2022 - 2023	1,275,898	19,612,329	19,639,251	1,248,976

As of June 30, 2023, the District had accumulated \$7,034,648 in the Master Insurance Fund, which is available to fund claims incurred in future years.

Liability Insurance

The District purchases insurance for risks related to theft or damage to property, general liability, educators' legal liability, automobile and crime, and fidelity from a commercial carrier, Liberty Mutual Group, through Western Dakota Insurors.

The policy provides that the above coverage will be provided with a \$3,000,000 limit on liability coverage and a \$10,000,000 limit on umbrella coverage. As of June 30, 2023, the District carried the following deductibles related to insurance coverage:

General Liability	\$ -
Educators Legal Liability	10,000
Property	50,000
Automobile	3,000
Crime	1,000

In prior years, settled claims resulting from these risks have not exceeded the District's liability coverage.

Workmen's Compensation

The District purchases liability insurance for worker's compensation from a commercial carrier.

Unemployment Benefits

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

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Pending Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying financial statements and accordingly, no provisions for losses have been recorded.

Federal Funds

The District receives a significant amount of funds from the federal government. These funds are subject to federal regulations, as such these funds may need to be repaid if regulations are not followed.

NOTE 15 - INTERNAL BALANCES

Internal balances of \$487,892 between governmental and business-type activities shown on the Statement of Net Position are related to the allocation of the net position of the Internal Service Fund as of June 30, 2023.

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The Rapid City Area School District offers a self-insured health insurance plan. Claims are paid by a third-party administrator (Wellmark) acting on behalf of the District. Retired employees of the District may elect to continue their participation in the plan. The self-insured health insurance plan is a single-employer plan, established under SDCL 13-10-3. Coverage ceases when the retiree attains the age of 65. Retired employees must pay 100% of the premiums for coverage. The contribution rates of the covered retirees are established by, and may be amended by, the School Board. The self-insured health plan does not have separately stated stand-alone financial statements.

Funding Policy

Retired employees must pay 100% of the premiums for coverage. Under GASB 45, the District incurs an expense due to the implicit rate subsidy for retirees.

Changes in Liability

For the year ended June 30, 2023, the beginning balance of the OPEB liability was \$7,967,148. Total OPEB liability was determined as the measurement date, which is June 30, 2022. The changes in the total OPEB liability for 2023 were as follows:

Total OPEB Liability - June 30, 2022	\$ 7,967,148
Changes for the Year:	
Service Cost	457,901
Interest on Total OPEB Liability	285,442
Differences Between Actual and Expected	-
Effect on Assumption Changes or Inputs	(57,937)
Benefit Payments	<u>(723,455)</u>
Net OPEB Obligation - June 30, 2023	<u>\$ 7,929,099</u>

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,021,509. OPEB expense was determined as follows:

Service Costs	\$ 457,901
Interest on Total OPEB Liability	285,442
Recognition of Deferred Inflows/Outflows of Resources:	
Differences Between Actual and Expected	125,865
Recognition of Assumption Changes	<u>152,301</u>
OPEB Expense	<u>\$ 1,021,509</u>

As of June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,153,051	\$ -
Changes in Assumptions/Inputs	1,396,664	(171,668)
Net Difference Between Projected and Actual Investments	<u>-</u>	<u>-</u>
	<u>\$ 2,549,715</u>	<u>\$ (171,668)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (revenue) expense as follows:

Year Ended June 30,	
2024	\$ 278,166
2025	278,166
2026	278,166
2027	278,166
2028	281,083
Thereafter	<u>984,300</u>
	<u>\$ 2,378,047</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The state prohibits local governments from separately rating active employees and retirees, therefore both groups are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated based on the discount rate and actuarial assumptions below and projected forward to the measurement date.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions:

- The expected claims costs were developed using historical claim experience from September 2020 through June 2023.
- Healthcare cost trend rates were 6.75% for pre-Medicare medical and RX benefits and stop loss fees and 4.0% for administrative fees for 2023, decreasing 0.25% per year until an ultimate healthcare cost trend rate of 4.0% is reached.
- The discount rate used was 3.65% as of June 30, 2023. Discount rate was based on the Bond Buyer 20-Bond General Obligation index.
- Salary increases were calculated at 3.5% per year.
- Mortality rates were according to Pub-2010 mortality table project forward using SOA scale MP-2021.
- Retiree participation rate was assumed to be 60% and initial spouse participation rate was assumed to be 20% for both male and female employees.
- The rate of withdrawal is based on the withdrawal assumption used in the 2021 South Dakota Retirement System Actuarial Valuation. The rate of withdrawal for reasons other than death and retirement is dependent on the employee's age and years of service. Sample rates vary by age:

Select Termination

Credited Service	Rate			
	Class A Teachers		Class A Non-teachers	
	Male	Female	Male	Female
0	20.00%	20.00%	17.25%	23.00%
1	16.50%	15.50%	15.00%	18.75%
2	14.00%	13.00%	13.00%	15.75%
3	12.00%	11.00%	12.00%	13.00%
4	10.00%	9.00%	10.50%	11.50%

Ultimate Termination

Age	Rate			
	Class A Teachers		Class A Non-teachers	
	Male	Female	Male	Female
25	8.50%	7.25%	9.00%	9.75%
30	7.60%	6.35%	7.95%	8.55%
35	5.80%	4.55%	6.05%	6.70%
40	4.40%	3.60%	4.65%	5.25%
45	3.70%	3.50%	3.95%	4.30%
50	3.50%	3.50%	3.60%	4.00%
55	3.50%	3.50%	3.50%	4.00%

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

- Retirement rates vary by age, as follows, and were based on the South Dakota Retirement System actuarial valuation as of June 30, 2023:

Age	Rate			
	Class A Teachers		Class A Non-teachers	
	Male	Female	Male	Female
55-56	10.0%	8.0%	6.0%	7.0%
57	11.0%	10.0%	6.0%	7.0%
58	13.5%	9.0%	6.0%	7.0%
59	17.0%	10.0%	6.0%	7.0%
60	20.0%	10.5%	6.0%	7.0%
61	25.0%	17.5%	9.0%	11.5%
62	25.0%	19.0%	12.5%	12.5%
63	25.0%	17.5%	13.0%	12.5%
64	25.0%	22.5%	18.0%	20.0%
65	35.0%	50.0%	30.0%	30.0%
66	35.0%	35.0%	30.0%	30.0%
67	30.0%	35.0%	25.0%	25.0%
68-69	25.0%	35.0%	25.0%	25.0%
70-76	100.0%	100.0%	25.0%	25.0%
77-79	100.0%	100.0%	35.0%	25.0%
80	100.0%	100.0%	100.0%	100.0%

Sensitivity Analysis

The following represents the District's total OPEB liability, calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease 2.65%	Current Discount Rate	1% Increase 4.65%
Total OPEB Liability	<u>\$ 8,465,000</u>	<u>\$ 7,929,099</u>	<u>\$ 7,436,000</u>

The following represents the District's total OPEB liability, calculated using the current healthcare cost trend rates as well as the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates:

	1% Decrease	Current Trend	1% Increase
Total OPEB Liability	<u>\$ 7,231,000</u>	<u>\$ 7,929,099</u>	<u>\$ 8,742,000</u>

NOTE 17 - CONCENTRATIONS

The District is dependent upon program revenues and operating revenues from the State of South Dakota for its primary existence.

Rapid City Area School District No. 51-4
Notes to the Financial Statements
June 30, 2023

NOTE 18 - IMPLEMENTATION OF ACCOUNTING STANDARDS

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 affects any government entity that enters into a subscription agreement. The main difference between previous GAAP and GASB 96 is the recognition of subscription assets and subscription liabilities for the user and the recognition of a subscription receivable and deferred inflow of resources for the vendor. The District has determined that there are no subscriptions that meet the requirements of recognition under GASB 96 during the year ended June 30, 2023.

NOTE 19 - SUBSEQUENT EVENTS

The District has considered subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Rapid City Area School District No. 51-4
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 20,733,596	\$ 20,733,596	\$ 25,307,403	\$ 4,573,807
Prior Years' Ad Valorem	20,347,251	20,347,251	18,750,981	(1,596,270)
Gross Receipts Taxes	900,000	900,000	884,733	(15,267)
Penalties and Interest on Taxes	75,000	75,000	54,274	(20,726)
Tuition and Fees:				
Local Sources	125,000	125,000	44,859	(80,141)
Support Services	403,500	403,500	530,950	127,450
Cocurricular Activities	214,500	214,500	392,881	178,381
Earnings on Deposits	75,000	75,000	75,332	332
Restricted Operating Contributions	430,000	430,000	694,621	264,621
Other Local Revenue	62,000	62,000	1,658,489	1,596,489
Total Revenue from Local Sources	<u>43,365,847</u>	<u>43,365,847</u>	<u>48,394,523</u>	<u>5,028,676</u>
Revenue from Intermediate Sources:				
County Sources	750,000	750,000	598,656	(151,344)
Revenue in Lieu of Taxes	75,000	75,000	413,309	338,309
Revenue for Joint Facilities	100,000	100,000	90,488	(9,512)
Total Revenue from Intermediate Sources	<u>925,000</u>	<u>925,000</u>	<u>1,102,453</u>	<u>177,453</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	43,534,716	43,534,716	40,489,749	(3,044,967)
Other State Revenue	10,000	10,000	189,004	179,004
Total Revenue from State Sources	<u>43,544,716</u>	<u>43,544,716</u>	<u>40,678,753</u>	<u>(2,865,963)</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	1,500	1,500	31,662	30,162
Restricted Grants-in-aid	603,618	525,041	8,310,060	7,785,019
Total Revenue from Federal Sources	<u>605,118</u>	<u>526,541</u>	<u>8,341,722</u>	<u>7,815,181</u>
TOTAL REVENUES	<u>88,440,681</u>	<u>88,362,104</u>	<u>98,517,451</u>	<u>10,155,347</u>

See independent auditor's report and notes to required supplementary information.

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	48,124,101	48,393,066	48,619,951	(226,885)
Special Programs	<u>6,979,908</u>	<u>7,478,835</u>	<u>3,966,299</u>	<u>3,512,536</u>
Total Instructional Services	<u>55,104,009</u>	<u>55,871,901</u>	<u>52,586,250</u>	<u>3,285,651</u>
Support Services:				
Pupils	5,574,710	4,792,234	4,116,368	675,866
Instructional Staff	7,024,164	8,268,743	6,186,954	2,081,789
General Administration	3,535,707	3,591,168	3,225,588	365,580
School Administration	8,180,078	8,248,021	8,128,233	119,788
Business	18,085,943	18,085,943	17,812,822	273,121
Central	<u>1,440,609</u>	<u>1,318,751</u>	<u>1,290,985</u>	<u>27,766</u>
Total Support Services	<u>43,841,211</u>	<u>44,304,860</u>	<u>40,760,950</u>	<u>3,543,910</u>
Community Services:				
Community Recreation Services	62,198	62,198	-	62,198
Custody and Care of Children	70,000	70,000	59,763	10,237
Nonpublic School Pupil Services	<u>154,476</u>	<u>249,790</u>	<u>154,982</u>	<u>94,808</u>
Total Community Services	<u>286,674</u>	<u>381,988</u>	<u>214,745</u>	<u>167,243</u>
Cocurricular Activities:				
Male Activities	1,095,563	1,095,563	1,149,920	(54,357)
Female Activities	1,092,851	1,092,851	1,230,507	(137,656)
Combined Activities	<u>952,410</u>	<u>952,410</u>	<u>938,635</u>	<u>13,775</u>
Total Cocurricular Activities	<u>3,140,824</u>	<u>3,140,824</u>	<u>3,319,062</u>	<u>(178,238)</u>
Other Nonprogrammed Costs	<u>29,500</u>	<u>29,500</u>	<u>15,845</u>	<u>13,655</u>
TOTAL EXPENDITURES	<u>102,402,218</u>	<u>103,729,073</u>	<u>96,896,852</u>	<u>6,832,221</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(13,961,537)	(15,366,969)	1,620,599	16,987,568
OTHER FINANCING SOURCES				
Net Transfers In (Out)	1,693,281	1,693,281	-	(1,693,281)
Sale of Surplus Property	10,000	10,000	72,500	62,500
Fund Balance Carryover	<u>617,128</u>	<u>617,128</u>	<u>-</u>	<u>(617,128)</u>
TOTAL OTHER FINANCING SOURCES	<u>2,320,409</u>	<u>2,320,409</u>	<u>72,500</u>	<u>(2,247,909)</u>
NET CHANGE IN FUND BALANCES	(11,641,128)	(13,046,560)	1,693,099	14,739,659
FUND BALANCE - BEGINNING	<u>16,189,427</u>	<u>16,189,427</u>	<u>16,189,427</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,548,299</u>	<u>\$ 3,142,867</u>	<u>\$ 17,882,526</u>	<u>\$ 14,739,659</u>

See independent auditor's report and notes to required supplementary information.

Rapid City Area School District No. 51-4
Budgetary Comparison Schedule - Capital Outlay Fund -
Budgetary Basis
For the Year Ended June 30, 2023

	<u>Budgeted Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 13,493,527	\$ 13,493,527	\$ 13,400,404	\$ (93,123)
Prior Years' Ad Valorem	13,118,084	13,118,084	11,991,507	(1,126,577)
Gross Receipts Taxes	8,000	8,000	-	(8,000)
Penalties and Interest on Taxes	30,000	30,000	30,091	91
Earnings on Deposits	<u>150,000</u>	<u>150,000</u>	<u>193,376</u>	<u>43,376</u>
Total Revenue from Local Sources	<u>26,799,611</u>	<u>26,799,611</u>	<u>25,615,378</u>	<u>(1,184,233)</u>
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	10,000	10,000	178,238	168,238
Revenue for Joint Facilities	<u>-</u>	<u>-</u>	<u>21,520</u>	<u>21,520</u>
Total Revenue from Intermediate Sources	<u>10,000</u>	<u>10,000</u>	<u>199,758</u>	<u>189,758</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	<u>54,390,696</u>	<u>54,249,590</u>	<u>25,443,972</u>	<u>(28,805,618)</u>
TOTAL REVENUES	<u>81,200,307</u>	<u>81,059,201</u>	<u>51,259,108</u>	<u>(29,800,093)</u>

See independent auditor's report and notes to required supplementary information.

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
EXPENDITURES				
Instructional Services:				
Regular Programs	4,213,016	4,213,016	3,700,635	512,381
Special Programs	6,508,177	6,398,777	99,953	6,298,824
Total Instructional Services	<u>10,721,193</u>	<u>10,611,793</u>	<u>3,800,588</u>	<u>6,811,205</u>
Support Services:				
Pupils	19,384	20,354	19,568	786
Instructional Staff	2,211,978	2,211,978	2,002,477	209,501
General Administration	20,000	20,000	24,091	(4,091)
School Administration	9,800	9,800	29,150	(19,350)
Business	55,484,254	55,504,362	36,383,157	19,121,205
Central	195,000	195,000	205,676	(10,676)
Special Education	30,499	30,499	18,849	11,650
Total Support Services	<u>57,970,915</u>	<u>57,991,993</u>	<u>38,682,968</u>	<u>19,309,025</u>
Community Services:				
Nonpublic School Pupil Services	50,000	50,000	5,389	44,611
Cocurricular Activities:				
Male Activities	104,516	104,516	150,859	(46,343)
Female Activities	27,759	27,759	59,728	(31,969)
Combined Activities	134,652	134,652	13,122	121,530
Total Cocurricular Activities	<u>266,927</u>	<u>266,927</u>	<u>223,709</u>	<u>43,218</u>
Debt Services	6,156,220	6,156,220	13,784,475	(7,628,255)
TOTAL EXPENDITURES	<u>75,165,255</u>	<u>75,076,933</u>	<u>56,497,129</u>	<u>18,579,804</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES				
	6,035,052	5,982,268	(5,238,021)	(11,220,289)
OTHER FINANCING SOURCES				
Net Transfers	(2,067,391)	(2,067,391)	(374,111)	1,693,280
Proceeds from Direct Financing Leases	-	-	2,746,235	2,746,235
Interest Rebate	230,000	230,000	420,203	190,203
Sale of Surplus Property	250,000	250,000	17,184	(232,816)
Compensation for Loss of General Capital Assets	-	-	37,538	37,538
TOTAL OTHER FINANCING SOURCES	<u>(1,587,391)</u>	<u>(1,587,391)</u>	<u>2,847,049</u>	<u>4,434,440</u>
NET CHANGE IN FUND BALANCES	4,447,661	4,394,877	(2,390,972)	(6,785,849)
FUND BALANCE - BEGINNING	<u>53,332,039</u>	<u>53,332,039</u>	<u>53,332,039</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 57,779,700</u>	<u>\$ 57,726,916</u>	<u>\$ 50,941,067</u>	<u>\$ (6,785,849)</u>

See independent auditor's report and notes to required supplementary information.

Rapid City Area School District No. 51-4
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2023

	Budgeted Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance Positive (Negative)
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 7,682,812	\$ 7,682,812	\$ 9,458,816	\$ 1,776,004
Prior Years' Ad Valorem	7,541,189	7,541,189	7,025,752	(515,437)
Gross Receipts Taxes	5,000	5,000	-	(5,000)
Tax Deed Revenue	3,000	3,000	-	(3,000)
Penalties and Interest on Taxes	13,000	13,000	18,168	5,168
Tuition and Fees:				
Support Services	145,000	145,000	263,773	118,773
Other Local Revenue	5,000	5,000	1,429	(3,571)
Total Revenue from Local Sources	<u>15,395,001</u>	<u>15,395,001</u>	<u>16,767,938</u>	<u>1,372,937</u>
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	5,000	5,000	105,328	100,328
Revenue from State Sources:				
Restricted Grants-in-aid	6,077,903	6,077,903	3,684,492	(2,393,411)
Revenue from Federal Sources:				
Restricted Grants-in-aid	3,508,225	4,331,266	3,537,482	(793,784)
TOTAL REVENUES	<u>24,986,129</u>	<u>25,809,170</u>	<u>24,095,240</u>	<u>(1,713,930)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	265,000	265,000	220,290	44,710
Special Programs	16,884,325	16,841,917	14,559,339	2,282,578
Total Instructional Services	<u>17,149,325</u>	<u>17,106,917</u>	<u>14,779,629</u>	<u>2,327,288</u>
Support Services:				
Pupils	5,318,490	5,541,559	5,592,945	(51,386)
Instructional Staff	-	-	21,107	(21,107)
Business	11,880	11,880	-	11,880
Special Education	3,083,299	3,520,379	2,435,355	1,085,024
Total Support Services	<u>8,413,669</u>	<u>9,073,818</u>	<u>8,049,407</u>	<u>1,024,411</u>
TOTAL EXPENDITURES	<u>25,562,994</u>	<u>26,180,735</u>	<u>22,829,036</u>	<u>3,351,699</u>
OTHER FINANCING SOURCES				
Fund Balance Carryover	576,865	576,865	-	(576,865)
NET CHANGE IN FUND BALANCES	-	205,300	1,266,204	1,060,904
FUND BALANCE - BEGINNING	<u>8,307,504</u>	<u>8,307,504</u>	<u>8,307,504</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 8,307,504</u>	<u>\$ 8,512,804</u>	<u>\$ 9,573,708</u>	<u>\$ 1,060,904</u>

See independent auditor's report and notes to required supplementary information.

Rapid City Area School District No. 51-4
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service Cost	\$ 457,901	\$ 461,539	\$ 448,226	\$ 256,497	\$ 233,846
Interest on Total OPEB Liability	285,442	155,992	158,637	161,019	175,185
Differences Between Expected and Actual Experience	-	979,909	-	509,095	-
Effect of Assumption Changes or Inputs	(57,937)	(73,296)	24,027	1,962,485	121,994
Benefit Payments	<u>(723,455)</u>	<u>(634,574)</u>	<u>(566,505)</u>	<u>(439,909)</u>	<u>(520,377)</u>
Net Change in Total OPEB Liability	(38,049)	889,570	64,385	2,449,187	10,648
Total OPEB Liability, Beginning	<u>7,967,148</u>	<u>7,077,578</u>	<u>7,013,193</u>	<u>4,564,006</u>	<u>4,553,358</u>
Total OPEB Liability, Ending	<u>\$ 7,929,099</u>	<u>\$ 7,967,148</u>	<u>\$ 7,077,578</u>	<u>\$ 7,013,193</u>	<u>\$ 4,564,006</u>
District's Covered-employee Payroll	<u>\$ 96,762,000</u>	<u>\$ 93,489,480</u>	<u>\$ 89,894,000</u>	<u>\$ 86,854,000</u>	<u>\$ 83,917,253</u>
Total OPEB Liability as a Percentage of Covered-employee Payroll	8.19%	8.52%	7.87%	8.07%	5.44%

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

See independent auditor's report.

**Rapid City Area School District No. 51-4
Schedule of the District's Proportionate Share
of the Net Pension Liability (Asset)
South Dakota Retirement System**

Year*	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Total Pension Liability (Asset)
2023	3.4120840%	\$ (322,464)	\$ 80,510,513	0.40%	100.10%
2022	3.5867607%	\$ (27,468,448)	\$ 85,904,065	31.98%	105.52%
2021	3.9030322%	\$ (169,509)	\$ 84,833,022	0.20%	100.04%
2020	3.9762208%	\$ (421,371)	\$ 84,464,002	0.50%	100.09%
2019	4.0020823%	\$ (93,337)	\$ 83,118,457	0.11%	100.02%
2018	3.8610217%	\$ (350,392)	\$ 78,267,895	0.45%	100.10%
2017	3.7005170%	\$ 12,499,983	\$ 70,329,411	17.77%	96.89%
2016	3.8704467%	\$ (16,415,670)	\$ 70,622,542	23.24%	104.10%
2015	4.0386593%	\$ (29,096,889)	\$ 70,732,350	41.14%	107.30%

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

See independent auditor's report.

**Rapid City Area School District No. 51-4
Schedule of Pension Contributions
South Dakota Retirement System**

Year*	Contractually- required Contribution	Contributions in Relation to the Contractually- required Contribution	Contribution Deficiency (Excess)	District's Covered- employee Payroll	Contributions as a Percentage of Covered- employee Payroll
2023	\$ 4,648,017	\$ 4,648,017	\$ -	\$ 77,471,194	6.00%
2022	4,884,239	4,884,239	-	80,510,513	6.07%
2021	5,258,937	5,258,937	-	85,904,065	6.12%
2020	5,134,814	5,134,814	-	84,833,022	6.05%
2019	5,067,639	5,067,639	-	84,464,002	6.00%
2018	4,987,020	4,987,020	-	83,118,457	6.00%
2017	4,696,367	4,696,367	-	78,267,895	6.00%
2016	4,219,783	4,219,783	-	70,329,411	6.00%
2015	4,243,941	4,243,941	-	70,622,542	6.01%

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

See independent auditor's report.

Rapid City Area School District No. 51-4
Notes to the Required Supplementary Information
June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds present capital outlay expenditures as a separate function.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The 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 May of each year.
3. The proposed budget is published for public review no later than July 15 of 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 the 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 District budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies 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. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

See independent auditor's report.

Rapid City Area School District No. 51-4
Notes to the Required Supplementary Information
June 30, 2023

NOTE 3 - PENSION PLAN

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.50%. 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 an FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.50% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

See independent auditor's report.

Rapid City Area School District No. 51-4
Notes to the Required Supplementary Information (Continued)
June 30, 2023

NOTE 3 - PENSION PLAN (CONTINUED)

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

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

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

See independent auditor's report.

SINGLE AUDIT INFORMATION

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*

School Board
Rapid City Area School District No. 51-4
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rapid City Area School District No. 51-4 (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-003.

Rapid City Area School District No. 51-4's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

December 12, 2024

Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control
over Compliance in Accordance with the Uniform Guidance

School Board
Rapid City Area School District No. 51-4
Rapid City, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rapid City Area School District No. 51-4's (the District) compliance with the types of compliance requirements as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The 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 District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 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 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 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 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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-004 to be a material weakness.

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 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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

December 12, 2024

Rapid City Area School District No. 51-4
Schedule of Findings and Questioned Costs
June 30, 2023

SUMMARY OF THE INDEPENDENT AUDITOR’S RESULTS

- a. The Independent Auditor’s Report expressed an unmodified opinion on the financial statements of Rapid City Area School District No. 51-4.
- b. Two material weaknesses were disclosed in the 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*.
- c. An instance of noncompliance material to the financial statements of the District was reported in accordance with *Government Auditing Standards*.
- d. The Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance for the District expresses an unmodified opinion on all major federal programs.
- e. A material weaknesses in internal control related to major federal award programs was reported in the Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance.
- f. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- g. The federal awards tested as major programs were:

<u>Assistance Listing (AL) Numbers</u>	<u>Name of Federal Program</u>
84.010	Title I Grants to Local Educational Agencies
84.010A	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants
84.425	COVID-19 Education Stabilization Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)
84.425U	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)
84.425W	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth

- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$1,234,130.
- i. Rapid City Area School District No. 51-4 did not qualify as a low-risk entity.

Rapid City Area School District No. 51-4
Schedule of Findings and Questioned Costs
June 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

Internal Control over Financial Reporting

Reconciliation of Accounts

2023-001 *Condition:* During the course of the audit, material audit adjustments to the District's recorded account balances were proposed which, if not recorded, would have resulted in a material misstatement of the District's financial statements.

Criteria: A system of internal controls contemplates accurate recording, reconciliation, and presentation of amounts and disclosures in the financial statements in accordance with GAAP. The District should have an internal control system designed to oversee and review account reconciliations and adjustments.

Cause: There was significant turnover in Business Office personnel during the year ended June 30, 2022 which resulted in weaknesses in the internal reconciliation and review process. In addition, the accounting was not being performed timely due to the training of new employees.

Effect: Material audit adjustments were proposed to the District's accounts.

Repeat of Prior Year Finding: Yes

Auditor's Recommendation: We recommend that Business Office staff receive training on proper account reconciliation procedures. In addition, all reconciliations and adjustments proposed as a result of those reconciliations should be reviewed by someone with the knowledge, skills, and experience to determine whether such reconciliations are materially correct.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Material Weakness

Internal Control over Financial Reporting

Drafting the Statements and Related Notes

2023-002 *Condition:* The District requests its auditor to draft the year-end financial statements and accompanying notes.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statement is the responsibility of management. The District should have an internal control system in place related to oversight and review of the preparation of the financial statements.

Cause: The District does not have an internal control system in place to prepare the financial statements and related notes. This condition is common as the District does not employ a CPA with experience in the preparation of financial statements.

Effect: The District engages its auditor to draft the financial statements and related notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present.

Repeat of Prior Year Finding: Yes

Rapid City Area School District No. 51 - 4
Schedule of Findings and Questioned Costs
June 30, 2023

Auditor's Recommendation: We recommend that management develop a system of internal controls to ensure proper reporting of the financial statements and notes to the financial statements. If management does not have the resources or expertise to prepare the financial statements, we recommend that a qualified CPA be engaged to mitigate or eliminate this control weakness.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Noncompliance

Late Filing of Audit with Federal Audit Clearinghouse

2023-003 *Condition:* The Uniform Guidance requires that audits be submitted to the federal audit clearinghouse within the earlier of 30 days of completion of the audit or 9 months of year-end. The District's audit was not filed within 9 months of year-end.

Criteria: The Uniform Guidance at 2CFR Part 200 Subpart F section 200.507(c) requires that an audit must be completed and the reporting required under this section submitted within the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Cause: The District had a significant turnover in Business Office personnel during the year ended June 30, 2022, resulting in the 2022 and 2023 audits being delayed.

Effect: The District's submission of the audit was late. The District cannot be considered a low-risk auditee for the next audit period. The District's federal funding may also be at risk related to the late reporting to various federal agencies.

Repeat of Prior Year Finding: Yes

Auditor's Recommendation: We recommend that management work on improving internal control systems and processes in order to complete future audits within the required time frame.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Material Weakness

Internal Control over Compliance

Federal Programs Impacted: Education Stabilization Funds (84.425D, 84.425U) and Supporting Effective Instruction State Grant (84.367)

2023-004 *Condition:* Wages and benefits charged to federal grant programs were not properly supported with documentation of the employee's job functions and allowability for the program. Discrepancies were identified between employee contracts, employee time and effort documentation, and actual coding of wages and benefits. The wages and benefits that lacked supporting documentation were determined to be allowable to the programs tested.

Criteria: A strong system of internal control includes proper maintenance of all payroll amendments and addendums for all periods in which employees are paid. Documentation of employee wage agreements and time and effort reporting should be maintained and updated as staffing assignments are revised.

Rapid City Area School District No. 51 - 4
Schedule of Findings and Questioned Costs
June 30, 2023

Cause: The District had a significant turnover in Business Office and Human Resources personnel.

Effect: Employees may be paid in a manner that is not consistent with wage agreements and time and effort documentation. In addition to possible questioned costs for federal programs.

Repeat of Prior Year Finding: Yes, a similar finding was reported for the year ending June 30, 2021.

Auditor's Recommendation: We recommend that management implement a process to ensure that all employees have current wage agreements. In addition, the wage agreements, time and effort reporting, and actual recording of wages and benefits should be reviewed periodically to confirm agreement of documentation.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness
Internal Control over Financial Reporting
Reconciliation of Accounts

2022-001 Condition: During the course of the audit, material audit adjustments to the District's recorded account balances were proposed which, if not recorded, would have resulted in a material misstatement of the District's financial statements.

Criteria: A system of internal controls contemplates accurate recording, reconciliation, and presentation of amounts and disclosures in the financial statements in accordance with GAAP. The District should have an internal control system designed to oversee and review account reconciliations and adjustments.

Cause: There was significant turnover in Business Office personnel during the year ended June 30, 2022 which resulted in weaknesses in the internal reconciliation and review process.

Auditor's Recommendation: We recommend that new business office staff receive training on proper account reconciliation procedures. In addition, all reconciliations and adjustments proposed as a result of those reconciliations should be reviewed by someone with the knowledge, skills, and experience to determine whether such reconciliations are materially correct.

Current Status: This matter is reported again as finding 2023-001.

Material Weakness
Internal Control over Financial Reporting
Drafting the Statements and Related Notes

2022-002 Condition: The District requests its auditor to draft the year-end financial statements and accompanying notes.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statement is the responsibility of management. The District should have an internal control system in place related to oversight and review of the preparation of the financial statements.

Cause: The District does not have an internal control system in place to prepare the financial statements and related notes. This condition is common as the District does not employ a CPA with experience in the preparation of financial statements.

Auditor's Recommendation: We recommend that management develop a system of internal controls to ensure proper reporting of the financial statements and notes to the financial statements. If management does not have the resources or expertise to prepare the financial statements, we recommend that a qualified CPA be engaged to mitigate or eliminate this control weakness.

Current Status: This matter is reported again as finding 2023-002.



PRIOR AUDIT FINDINGS AND QUESTIONED COSTS (CONTINUED)

Noncompliance

Late Filing of Audit with Federal Audit Clearinghouse

2022-003 Condition: The Uniform Guidance requires that audits be submitted to the federal audit clearinghouse within the earlier of 30 days of completion of the audit or 9 months of year-end. The District's audit was not filed within 9 months of year-end.

Criteria: The Uniform Guidance at 2CFR Part 200 Subpart F section 200.507(c) requires that an audit must be completed and the reporting required under this section submitted within the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Cause: The District had a significant turnover in Business Office personnel during the year ended June 30, 2022.

Auditor's Recommendation: We recommend that management work on improving internal control systems and processes in order to complete future audits within the required time frame.

Current Status: This matter is reported again as finding 2023-003.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings related to the major federal program audit were reported in the prior year.



CORRECTIVE ACTION PLAN (UNAUDITED)

Rapid City Area School District No. 51-4 respectfully submits the following Corrective Action Plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

Casey Peterson, LTD
909 St. Joseph Street, Ste 101
Rapid City, SD 57701

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness
Internal Control over Financial Reporting
Reconciliation of Accounts

2023-001 *Condition:* During the course of the audit, material audit adjustments to the District's recorded account balances were proposed which, if not recorded, would have resulted in a material misstatement of the District's financial statements.

Criteria: A system of internal controls contemplates accurate recording, reconciliation, and presentation of amounts and disclosures in the financial statements in accordance with GAAP. The District should have an internal control system designed to oversee and review account reconciliations and adjustments.

Auditor's Recommendation: We recommend that Business Office staff receive training on proper account reconciliation procedures. In addition, all reconciliations and adjustments proposed as a result of those reconciliations should be reviewed by someone with the knowledge, skills, and experience to determine whether such reconciliations are materially correct.

Management's Response: The Business Office experienced a 100% turnover rate in the 2022 Fiscal Year. This turnover included the Accounting Manager and several other long-term staff members and resulted in accounting activities not being performed timely causing audits to be delayed. The District has stabilized the personnel situation in that office and has hired an experienced Accounting Manager. New staff members have been trained accordingly and are following District-established procedures around monthly reconciliations and adjustments. All adjustments are reviewed by the Accounting Manager. The District will continue to make improvements to this process to ensure consistency and accuracy. The Accounting Manager holds primary responsibility for this action plan.

Material Weakness
Internal Control over Financial Reporting
Drafting the Statements and Related Notes

2023-002 *Condition:* The District requests its auditor to draft the year-end financial statements and accompanying notes.

Criteria: Establishing internal controls over the preparation of the financial statements and drafting the financial statement is the responsibility of management. The District should have an internal control system in place related to oversight and review of the preparation of the financial statements.



CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)

Auditor's Recommendation: We recommend that management develop a system of internal controls to ensure proper reporting of the financial statements and notes to the financial statements. If management does not have the resources or expertise to prepare the financial statements, we recommend that a qualified CPA be engaged to mitigate or eliminate this control weakness.

Management's Response: The District will explore options for engaging a qualified CPA firm to assist in the preparation of financial statements for the audit process. If it is determined to be a fiscally feasible option, the District will engage the firm for that purpose. This will also serve as a training experience for current staff members to learn the process of financial statement preparation and be able to bring the process back "in-house" at a future date. Due to the timing of the FY 22 and FY 23 audit fieldwork, if feasible, this process would begin with the preparation for the FY 24 audit. The Accounting Manager holds primary responsibility for this action plan.

Noncompliance

Late Filing of Audit with Federal Audit Clearinghouse

2023-003 *Condition:* The Uniform Guidance requires that audits be submitted to the federal audit clearinghouse within the earlier of 30 days of completion of the audit or 9 months of year-end. The District's audit was not filed within 9 months of year-end.

Criteria: The Uniform Guidance at 2CFR Part 200 Subpart F section 200.507(c) requires that an audit must be completed and the reporting required under this section submitted within the earlier of 30 calendar days after the receipt of the auditor's report, or nine months after the end of the audit period.

Auditor's Recommendation: We recommend that management work on improving internal control systems and processes in order to complete future audits within the required time frame.

Management's Response: As discussed in Finding 2023-001, the turnover in the Business Office was the root cause of the delay in being able to complete the audit in accordance with the Uniform Guidance. Unfortunately, the delay in completing the FY 22 audit impacted the FY 23 audit process and caused repeated late filing. The District believes stabilizing the personnel situation will allow the Business Office to be prepared to have the FY 24 audit completed and filed in a timely manner. The Chief Financial and Operations Officer holds primary responsibility for this action plan.



CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Material Weakness

Internal Control over Compliance

Federal Programs Impacted: Education Stabilization Funds (84.425D, 84.425U) and Supporting Effective Instruction State Grant (84.367)

2023-004 *Condition:* Wages and benefits charged to federal grant programs were not properly supported with documentation of the employee's job functions and allowability for the program. Discrepancies were identified between employee contracts, employee time and effort documentation, and actual coding of wages and benefits. The wages and benefits that lacked supporting documentation were determined to be allowable to the programs tested.

Criteria: A strong system of internal control includes proper maintenance of all payroll amendments and addendums for all periods in which employees are paid. Documentation of employee wage agreements and time and effort reporting should be maintained and updated as staffing assignments are revised.

Auditor's Recommendation: We recommend that management implement a process to ensure that all employees have current wage agreements. In addition, the wage agreements, time and effort reporting, and actual recording of wages and benefits should be reviewed periodically to confirm agreement of documentation.

Management's Response: Management is aware of this issue and is working on revisions to the internal process and control procedure to address it. Part of this issue is due to limitations in the District's contract-issuing system. An additional system was developed to be able to electronically issue contract addendums to employees. However, due to extremely high turnover throughout the year, that system has not been implemented. As the District stabilizes its turnover, the system will be implemented and should address all issues with this finding. Gary Manuel, Director of Human Resources, is responsible for the corrective action. Implementation will be completed by June 30, 2025.

If there are any questions regarding this plan, please contact Coy Sasse, Director of Business and Support Services, at (605) 394-4026.

Sincerely,

Coy Sasse, Director of Business and Support Services
Rapid City Area School District No. 51-4
Pennington County, South Dakota

**Rapid City Area School District No. 51-4
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Assistance Listing (AL)	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<i>Child Nutrition Cluster:</i>				
<u>U.S. Department of Agriculture</u>				
Non-Cash Assistance (Commodities):				
10 . 555	National School Lunch Program (Note 4)	South Dakota Department of Education	2023G-CANS51004	\$ 208,704
Cash Assistance:				
10 . 553	School Breakfast Program (Note 4)	South Dakota Department of Education	2023G-CANS51004	627,900
10 . 555	National School Lunch Program (Note 4)	South Dakota Department of Education	2023G-CANS51004	319,801
10 . 555	National School Lunch Program (Note 4)	South Dakota Department of Education	2023G-CANS51004	2,573,690
10 . 555	National School Lunch Program (Note 4)	South Dakota Department of Education	2023G-CANS51004	16,293
10 . 559	Summer Food Service Program for Children (Note 4)	South Dakota Department of Education	2023G-SFSP1004	67,180
10 . 582	Fresh Fruit and Vegetable Program	South Dakota Department of Education	2023G-FFVP51004	332,019
Total Child Nutrition Cluster				<u>4,145,587</u>
<i>Forest Service Schools and Roads Cluster:</i>				
<u>U.S. Department of Agriculture</u>				
10 . 575	Farm to School Grant Program	Pennington County	NA	2,100
10 . 665	Schools and Roads - Grants to States (Note 4)	Pennington County	NA	28,506
Total Forest Service Schools and Roads Cluster				<u>30,606</u>
Total Department of Agriculture				<u>4,176,193</u>
<i>Special Education Cluster:</i>				
<u>U.S. Department of Education</u>				
84 . 027	Special Education - Grants to States	South Dakota Department of Education	2023G-IDEA51004	3,358,102
84 . 027	Special Education - Grants to States	South Dakota Department of Education	2023G-IDEA51004	28,226
84 . 173	Special Education - Preschool Grants	South Dakota Department of Education	2023G-IDEA51004	151,154
Total Special Education Cluster				<u>3,537,482</u>

See independent auditor's report.

Assistance Listing (AL)	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
Other Programs:				
<u>U.S. Department of Defense</u>				
12 . 000	Reserve Officer Training Corp		NA	64,756
	Total Department of Defense			64,756
<u>U.S. Department of Interior</u>				
15 . 227	Distribution of Receipts to State and Local Governments (Note 4)	South Dakota Department of Education	NA	3,124
	Total Department of Interior			3,124
<u>National Foundation on the Arts and Humanities</u>				
45 . 025	Promotion of the Arts Partnership Agreements	South Dakota Department of Tourism	NA	847
	Total National Foundation on the Arts and Humanities			847
<u>U.S. Department of Education</u>				
84 . 010	Title I Grants to Local Educational Agencies (Note 3)	South Dakota Department of Education	S010A220041	4,457,919
84 . 010	Title I Grants to Local Educational Agencies (Note 3)	South Dakota Department of Education	S010A220041	163,054
84 . 010A	Title I Grants to Local Educational Agencies (Note 3)	South Dakota Department of Education	S010A220041	78,646
84 . 048	Career and Technical Education - Basic Grants to States	South Dakota Department of Education	2023G-PERK800601	236,960
84 . 060	Indian Education Grants to Local Education Agencies			488,841
84 . 196	Education for Homeless Children and Youth	South Dakota Department of Education	2023G-MVH51004	141,243
84 . 323A	Special Education- State Personnel Development Grant	South Dakota Department of Education	2018G-633	1,439
84 . 367	Supporting Effective Instruction State Grant (Note 3)	South Dakota Department of Education	S367A220039	963,619
84 . 424A	Student Support and Academic Enrichment Program	South Dakota Department of Education	2023G-CA51004	511,027
Education Stabilization Funds				
84 . 425D	COVID-19 ESSER (Note 3)	South Dakota Department of Education	2021G-CARE51004	14,210,771
84 . 425U	COVID-19 ARP ESSER (Note 3)	South Dakota Department of Education	2021G-ARP51004	11,989,494
84 . 425W	COVID-19 ARP ESSER Homeless Children and Youth II Formula Grant (Note 3)	South Dakota Department of Education	2021G-ARP51004	109,909
	Total Education Stabilization Funds			26,310,174
	Total Department of Education			36,890,404

See independent auditor's report.

**Rapid City Area School District No. 51-4
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2023**

Assistance Listing	Cluster/Program Name	Pass-through Entity, if Applicable	Pass-through ID	Amount
<u>U.S. Department of Health and Human Services</u>				
93 . 991	Preventive Health and Health Services Block Grant	SD Federal Property Agency	NA	<u>2,336</u>
	Total Department of Health and Human Services			<u>2,336</u>
	Total Federal Financial Assistance			<u>\$ 41,137,660</u>

NOTE 1: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2: 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 District has not elected to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 3: This represents a major federal financial assistance program.

NOTE 4: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 5: The District has no amounts passed through to subrecipients.

See independent auditor's report.

OTHER INFORMATION

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Rapid City Area School District No. 51-4
School District Officials
June 30, 2023

BOARD MEMBERS

Curt Pochardt, Board President
Matt Stephens, 1st Vice President
Jim Hansen, 2nd Vice President
Clay Colombe
Amy Policky
Kate Thomas
Kara Flynn

SUPERINTENDENT

Dr. Lori Simon

DIRECTOR OF BUSINESS AND SUPPORT SERVICES

Coy Sasse

See independent auditor's report.