

Chester Area School District No. 39-1

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2024**

Chester Area School District No. 39-1

School District Officials

June 30, 2024

Board Members

Darin Seeley ----- Board President

Keith Alverson -----Vice President

Ann Frankenhoff ----- Member

Leon Gerry ----- Member

Brett Bauman ----- Member

Heidi Benson ----- Member

Kim Hansen ----- Member

Heath Larson -----Superintendent

Kristi Lewis-----Business Manager

Chester Area School District No. 39-1

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**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
Chester Area School District No. 39-1
Lake County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester Area School District No. 39-1, South Dakota (School District), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 School 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 entity'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.

A handwritten signature in cursive script that reads "CLO Prof LHC".

Elk Point, South Dakota
January 26, 2025

Chester Area School District No. 39-1
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2024

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

The current audit report contained no written audit comments.



Independent Auditor's Report

School Board
Chester Area School District No. 39-1
Lake County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester Area School District No. 39-1, South Dakota (School District), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester Area School District No. 39-1 as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, Schedule of Changes in Total OPEB Liability, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CIO Prof LRC". The signature is written in a cursive, somewhat stylized font.

Elk Point, South Dakota
January 26, 2025

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

This section of Chester Area School District No. 39-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2024. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the district's revenues generated from taxes and other revenues of the governmental and business-type programs were \$387,963 more than the \$6,662,971 governmental and business-type program expenditures.
- The School's net position increased by 3.93% during the year which was primarily due to increased unrestricted investment earnings and other general revenues.
- For FY 2024, the district adopted a balanced general fund budget with the use of \$0 of fund balance. However, the general fund ended the year with a \$219,778 decrease in fund balance with an ending fund balance of \$790,228.

Overview of the Financial Statements

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were 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 school operates like businesses. The proprietary funds operated by the school which are the Food Service Operation, Preschool, and Driver's Education.
- Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School 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 explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Figure A-1 summarizes the major features of the School’s financial statements, including the portion of the School government covered and the types of information contained. The reminder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Chester School's Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation.	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Changes in 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/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School'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 year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government'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 statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch and breakfast services to all students. The Food Service Fund, Preschool and Driver's education are the business-type activities of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes:

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and the Other Enterprise Fund (two types of proprietary funds) are the only proprietary funds maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Chester School District 39-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	2023-2024
Current and Other Assets	\$ 7,388,484	\$ 8,085,259	\$ 198,975	\$ 192,678	\$ 7,587,459	\$ 8,277,937	9.10%
Capital Assets (Net of Depreciation)	4,248,320	4,114,439	88,107	80,977	4,336,427	4,195,416	-3.25%
Total Assets	<u>11,636,804</u>	<u>12,199,698</u>	<u>287,082</u>	<u>273,655</u>	<u>11,923,886</u>	<u>12,473,353</u>	<u>4.61%</u>
OPEB Related Deferred Outflows	42,176	151,913	--	--	42,176	151,913	260.19%
Pension Related Deferred Outflows	1,291,828	1,151,781	--	--	1,291,828	1,151,781	-10.84%
Total Deferred Outflows or Resources	<u>1,334,004</u>	<u>1,303,694</u>	<u>--</u>	<u>--</u>	<u>1,334,004</u>	<u>1,303,694</u>	<u>-2.27%</u>
Long-Term Liabilities Outstanding	341,922	320,920	--	--	341,922	320,920	-6.14%
Other Liabilities	640,464	693,635	61,338	56,509	701,802	750,144	6.89%
Total Liabilities	<u>982,386</u>	<u>1,014,555</u>	<u>61,338</u>	<u>56,509</u>	<u>1,043,724</u>	<u>1,071,064</u>	<u>2.62%</u>
Taxes Levied for Future Period	1,401,967	1,544,823	--	--	1,401,967	1,544,823	10.19%
OPEB Related Deferred Inflows	189,048	250,386	--	--	189,048	250,386	32.45%
Pension Related Deferred Inflows	756,151	655,706	--	--	756,151	655,706	-13.28%
Total Deferred Inflows of Resources	<u>2,347,166</u>	<u>2,450,915</u>	<u>--</u>	<u>--</u>	<u>2,347,166</u>	<u>2,450,915</u>	<u>4.42%</u>
Net Investment in Capital Assets	4,129,818	4,024,619	88,107	80,977	4,217,925	4,105,596	-2.66%
Restricted	4,852,301	5,529,661	--	--	4,852,301	5,529,661	13.96%
Unrestricted	659,137	483,642	137,637	136,169	796,774	619,811	-22.21%
Total Net Position	<u>9,641,256</u>	<u>10,037,922</u>	<u>225,744</u>	<u>217,146</u>	<u>9,867,000</u>	<u>10,255,068</u>	<u>3.93%</u>
Beginning Net Position	<u>9,033,915</u>	<u>9,641,256</u>	<u>272,581</u>	<u>225,744</u>	<u>9,306,496</u>	<u>9,867,000</u>	<u>6.02%</u>
Increase (Decrease) in Net Position	<u>\$ 607,341</u>	<u>\$ 396,666</u>	<u>\$ (46,837)</u>	<u>\$ (8,598)</u>	<u>\$ 560,504</u>	<u>\$ 388,068</u>	<u>30.76%</u>
Percentage of Increase (Decrease) in Net Position	<u>6.72%</u>	<u>4.11%</u>	<u>-17.18%</u>	<u>-3.81%</u>	<u>6.02%</u>	<u>3.93%</u>	

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 School, consisting of direct borrowings, other post-employment benefits and early retirement payable have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

The School's combined net position of \$10,254,963 is approximately \$388,068 or 3.93% larger than on June 30, 2023. The increase in the School's financial position was primarily in its governmental activities due in part to taxes, and state sources.

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Changes in Net Position

The Chester Area School District’s total revenues (excluding transfers and extraordinary items) in FY24 were \$7,051,039. More than 53% of the School’s revenue comes from property and other taxes, with approximately 30% coming from state aid. (See Table A-2).

Table A-2
Chester School District 39-1
Sources of Revenues
Fiscal Year 2023-2024

Taxes	\$ 3,785,366	53.68%
State Sources	2,108,985	29.91%
Operating Grants & Contributions	350,842	4.98%
Charges For Services	489,469	6.94%
Other General Revenues	119,168	1.69%
Unrestricted Investment Earnings	197,209	2.80%
Total Revenue	\$ 7,051,039	100.00%

The Chester Area School District expenses totaled \$6,662,971 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, community service, food services, and OST/preschool. (See Table A-3).

Table A-3
Chester School District 39-1
Statement of Expenditures
Fiscal Year 2023-2024

Instruction	\$ 3,531,738	53.00%
Support Services	2,538,966	38.11%
Cocurricular Activities	288,739	4.33%
Food Service	227,028	3.41%
OST/Preschool	55,757	0.84%
Interest on Long-Term Debt	4,463	0.07%
Community Services	16,280	0.24%
Total Expenditures	\$ 6,662,971	100.00%

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4
Chester School District No. 41-4
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	
Revenues							
Program Revenues							
Charge for Services	\$ 356,811	\$ 339,568	\$ 128,153	\$ 149,901	\$ 484,964	\$ 489,469	0.93%
Operating Grants/ Contributions	464,793	267,747	96,018	83,095	560,811	350,842	-37.44%
General Revenues							
Taxes	3,505,042	3,785,366	--	--	3,505,042	3,785,366	8.00%
Revenue State Sources	2,157,293	2,108,985	--	--	2,157,293	2,108,985	-2.24%
Other							
Other general revenues	73,084	112,977	675	6,191	73,759	119,168	61.56%
Unrestricted Investment Earnings	24,332	197,209	--	--	24,332	197,209	710.49%
	<u>6,581,355</u>	<u>6,811,852</u>	<u>224,846</u>	<u>239,187</u>	<u>6,806,201</u>	<u>7,051,039</u>	<u>3.60%</u>
Expenses							
Instruction	3,332,542	3,531,738	--	--	3,332,542	3,531,738	5.98%
Support Services	2,309,922	2,538,966	--	--	2,309,922	2,538,966	9.92%
Community Services	782	16,280			782	16,280	1981.84%
Interest on long-term debt	3,623	4,463	--	--	3,623	4,463	23.19%
Co-curricular Activities	292,145	288,739	--	--	292,145	288,739	-1.17%
Food Service	--	--	245,269	227,028	245,269	227,028	-7.44%
Other Enterprise	--	--	61,414	55,757	61,414	55,757	-9.21%
	<u>5,939,014</u>	<u>6,380,186</u>	<u>306,683</u>	<u>282,785</u>	<u>6,245,697</u>	<u>6,662,971</u>	<u>6.68%</u>
Excess (Deficiency)							
Before Transfers	642,341	431,666	(81,837)	(43,598)	560,504	388,068	-30.76%
Transfers	<u>(35,000)</u>	<u>(35,000)</u>	<u>35,000</u>	<u>35,000</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	607,341	396,666	(46,837)	(8,598)	560,504	388,068	-30.76%
Beginning Net Position	<u>9,033,915</u>	<u>9,641,256</u>	<u>272,581</u>	<u>225,744</u>	<u>9,306,496</u>	<u>9,867,000</u>	<u>6.02%</u>
Ending Net Position	<u>\$ 9,641,256</u>	<u>\$ 10,037,922</u>	<u>\$ 225,744</u>	<u>\$ 217,146</u>	<u>\$ 9,867,000</u>	<u>\$ 10,255,068</u>	<u>3.93%</u>

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Governmental Activities

Revenues for the governmental activities increased by 3.50% due to an increase in unrestricted investment earnings and other general revenues. Expenses increased by approximately 7.43%.

Business-Type Activities

Revenues for the business-type activities increased by approximately 6.38% due to an increase in charges for services and other general revenues. Expenses decreased by approximately 7.79%.

Financial Analysis of the School’s Funds

The district’s General Fund’s balance decreased from FY23, while the Capital Outlay and Special Education fund balances increased.

Budgetary Highlights

Over the course of the year there were no budget supplements.

Capital Asset Administration

By the end of 2024, the school had invested \$4,195,416 (net of depreciation) across a broad range of capital assets, including, land, buildings, improvements, and various machinery and equipment. (See Table A-5). This amount represents a net decrease (including additions and deductions) of \$141,011 or approximately 3.25%.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2023	2024	2023	2024		
Land	\$ 306,162	\$ 306,162	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	3,551,655	3,418,795	--	--	(132,860)	-3.74%
Machinery & Equipment	273,049	300,717	88,107	80,977	20,538	5.69%
Intangible Lease Assets	117,454	87,491	--	--	(29,963)	-25.51%
Library Books	--	1,274	--	--	1,274	100.00%
Total Capital Assets	\$ 4,248,320	\$ 4,114,439	\$ 88,107	\$ 80,977	\$ (141,011)	-3.25%

Chester Area School District No. 39-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Long-Term Debt

At year-end, the school had \$320,920 in direct borrowings, other post-employment benefits, and early retirement payables. This is a decrease of 6.14% as shown on Table A-6 below which is due primarily to the early retirement payable this year.

Table A-6
Outstanding Debt and Obligations

	<u>Governmental Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2023</u>	<u>2024</u>		
Other Post Employment Benefits	\$ 204,861	\$ 231,100	\$ 26,239	12.81%
Early Retirement Payable	18,559	--	(18,559)	-100.00%
Copier Lease	118,502	89,820	(28,682)	-24.20%
Total Outstanding Debt	<u>\$ 341,922</u>	<u>\$ 320,920</u>	<u>\$ (21,002)</u>	<u>-6.14%</u>

The school also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 70% of their last year's salary in equal payments spread over the next two years. This plan allows the school to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers. The plan will be phased out after the next three early retirements. There was \$0 in early retirement obligations as of June 30, 2024.

Economic Factors And Next Year's Budgets And Rates

The School's current economic position has shown little change. The School did experience a slight increase in net position from the prior year primarily due to an increase in charges for services and managing costs.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Chester Area School Business Office, 102 2nd Avenue, PO Box 159, Chester, SD 57016.

Chester Area School District No. 39-1
Statement of Net Position – Government-Wide
June 30, 2024

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Assets:			
Cash and cash equivalents	\$ 6,045,182	\$ 176,318	\$ 6,221,500
Accounts receivable	394,468	981	395,449
Taxes receivable	1,566,158	--	1,566,158
Inventories		12,762	12,762
Other assets	66,331	2,617	68,948
Net pension asset	13,120	--	13,120
Capital assets:			
Land and construction in progress	306,162	--	306,162
Other capital assets, net of depreciation	<u>3,808,277</u>	<u>80,977</u>	<u>3,889,254</u>
Total Assets	<u>12,199,698</u>	<u>273,655</u>	<u>12,473,353</u>
Deferred Outflows of Resources:			
OPEB-related deferred outflows	151,913		151,913
Pension-related deferred outflows	<u>1,151,781</u>	--	<u>1,151,781</u>
Total Deferred Outflows of Resources	<u>1,303,694</u>	--	<u>1,303,694</u>
Liabilities:			
Unearned revenue	--	22,087	22,087
Other current liabilities	693,635	34,422	728,057
Long-term liabilities:			
Due within one year	29,302	--	29,302
Due in more than one year	<u>291,618</u>	--	<u>291,618</u>
Total Liabilities	<u>1,014,555</u>	<u>56,509</u>	<u>1,071,064</u>
Deferred Inflows of Resources:			
Taxes levied for future periods	1,544,823	--	1,544,823
Pension related deferred inflows	655,706	--	655,706
OPEB-related deferred inflows	<u>250,386</u>	--	<u>250,386</u>
Total Deferred Inflows of Resources	<u>2,450,915</u>	--	<u>2,450,915</u>
Net Position:			
Net investment in capital assets	4,024,619	80,977	4,105,596
Restricted for:			
Capital outlay	3,226,047	--	3,226,047
Special education	1,262,317	--	1,262,317
Debt service	532,102	--	532,102
SDRS pension purposes	509,195	--	509,195
Unrestricted	<u>483,642</u>	<u>136,169</u>	<u>619,811</u>
Total Net Position	<u>\$ 10,037,922</u>	<u>\$ 217,146</u>	<u>\$ 10,255,068</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Activities – Government-Wide
June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 3,531,738	\$ --	\$ 214,457	\$ (3,317,281)	\$ --	\$ (3,317,281)
Support services	2,538,966	299,729	53,290	(2,185,947)	--	(2,185,947)
Community services	16,280	--	--	(16,280)	--	(16,280)
Interest on long-term debt*	4,463	--	--	(4,463)	--	(4,463)
Cocurricular activities	288,739	39,839	--	(248,900)	--	(248,900)
Total Governmental Activities	6,380,186	339,568	267,747	(5,772,871)	--	(5,772,871)
Business-Type Activities:						
Food service	227,028	111,686	83,095	--	(32,247)	(32,247)
Other enterprise	55,757	38,215	--	--	(17,542)	(17,542)
Total Business Type Activities	282,785	149,901	83,095	--	(49,789)	(49,789)
Total Primary Government	\$ 6,662,971	\$ 489,469	\$ 350,842	(5,772,871)	(49,789)	(5,822,660)
General Revenues:						
Taxes:						
		Property taxes		3,530,007	--	3,530,007
		Gross receipts taxes		255,359	--	255,359
Revenue from State sources:						
		State aid		2,101,308	--	2,101,308
		Other		7,677	--	7,677
		Unrestricted investment earnings		197,209	--	197,209
		Other general revenues		112,977	6,191	119,168
		Transfers		(35,000)	35,000	--
		Total General Revenues and Transfers		6,169,537	41,191	6,210,728
		Change in Net Position		396,666	(8,598)	388,068
		Net Position - Beginning of Year		9,641,256	225,744	9,867,000
		Net Position - End of Year		\$ 10,037,922	\$ 217,146	\$ 10,255,068

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

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Balance Sheet – Governmental Funds
June 30, 2024

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 955,315	\$ 3,219,003	\$ 1,338,772	\$ 532,092	\$ 6,045,182
Accounts receivable	1,643	--	--	--	1,643
Taxes receivable - current	685,064	523,796	335,963	--	1,544,823
Taxes receivable - delinquent	10,051	7,044	4,230	10	21,335
Due from other governments	337,345	--	55,480	--	392,825
Prepaid items	53,395	--	12,936	--	66,331
Total Assets	<u>\$ 2,042,813</u>	<u>\$ 3,749,843</u>	<u>\$ 1,747,381</u>	<u>\$ 532,102</u>	<u>\$ 8,072,139</u>
Liabilities, Deferred Outflows of Resources and Fund Balances:					
Liabilities:					
Contracts payable	\$ 399,751	\$ --	\$ 81,679	\$ --	\$ 481,430
Payroll deductions and withholding and employer matching payable	157,719	--	54,486	--	212,205
Total Liabilities	<u>557,470</u>	<u>--</u>	<u>136,165</u>	<u>--</u>	<u>693,635</u>
Deferred Inflows of Resources:					
Taxes levied for future period	685,064	523,796	335,963	--	1,544,823
Delinquent taxes not available	10,051	7,044	4,230	10	21,335
Total Deferred Inflows of Resources	<u>695,115</u>	<u>530,840</u>	<u>340,193</u>	<u>10</u>	<u>1,566,158</u>
Fund Balances:					
Nonspendable - prepaid items	53,395	--	12,936	--	66,331
Restricted:					
For capital outlay	--	3,219,003	--	--	3,219,003
For special education	--	--	1,258,087	--	1,258,087
For debt service	--	--	--	532,092	532,092
For student activities	12,116	--	--	--	12,116
Assigned	134,791	--	--	--	134,791
Unassigned	589,926	--	--	--	589,926
Total Fund Balances	<u>790,228</u>	<u>3,219,003</u>	<u>1,271,023</u>	<u>532,092</u>	<u>5,812,346</u>
Total Liabilities, Deferred Outflows of Resources and Fund Balances	<u>\$ 2,042,813</u>	<u>\$ 3,749,843</u>	<u>\$ 1,747,381</u>	<u>\$ 532,102</u>	<u>\$ 8,072,139</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2024

Total Fund Balances - Governmental Funds \$ 5,812,346

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 4,114,439

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Lease payables	(89,820)	
Other Postemployment Benefits Payable	<u>(231,100)</u>	(320,920)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. 21,335

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 13,120

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (906,092)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,303,694

Net Position - Governmental Activities \$ 10,037,922

Chester Area School District No. 39-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2024

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,537,610	\$ 1,204,044	\$ 753,385	\$ --	\$ 3,495,039
Prior years' ad valorem taxes	7,150	4,656	2,806	--	14,612
Utility taxes	255,359	--	--	--	255,359
Penalties and interest on taxes	8,906	2,013	1,215	--	12,134
Earnings on Investments and Deposits	41,203	88,156	32,192	35,658	197,209
Tuition and Fees:					
Regular day school transportation fees	50,750	--	--	--	50,750
Cocurricular Activities:					
Admissions	26,516	--	--	--	26,516
Rentals	1,998	--	--	--	1,998
Other student activity income	11,325	--	--	--	11,325
Other Revenue from Local Sources:					
Rentals	4,104	--	--	--	4,104
Contributions and donations	15,605	--	--	--	15,605
Services provided other school districts	--	--	248,979	--	248,979
Charges for services	2,296	--	11,467	--	13,763
Other	59,399	9,467	--	--	68,866
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	10,639	--	--	--	10,639
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	2,101,308	--	--	--	2,101,308
Restricted grants-in-aid	7,677	--	--	--	7,677
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	7,461	362	218	--	8,041
Restricted grants-in-aid received directly from federal government	53,290	--	--	--	53,290
Restricted grants-in-aid received from federal government through the state	82,786	--	123,630	--	206,416
Total Revenues	<u>\$ 4,285,382</u>	<u>\$ 1,308,698</u>	<u>\$ 1,173,892</u>	<u>\$ 35,658</u>	<u>\$ 6,803,630</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2024 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	\$ 956,503	\$ 119,525	\$ --	\$ --	\$ 1,076,028
Middle/junior high	434,104	29,976	--	--	464,080
High school	1,234,194	26,775	--	--	1,260,969
Special Programs:					
Programs for special education	--	--	607,609	--	607,609
Educationally deprived	71,408	--	--	--	71,408
Support Services:					
Students:					
Guidance	149,904	--	--	--	149,904
Health	3,410	--	--	--	3,410
Psychological	--	--	17,121	--	17,121
Speech pathology	--	--	101,382	--	101,382
Student therapy services	--	--	332,288	--	332,288
Instructional Staff:					
Improvement of instruction	9,279	--	640	--	9,919
Educational media	124,559	21,593	--	--	146,152
General Administration:					
Board of education	94,602	831	--	--	95,433
Executive administration	175,065	--	--	--	175,065
School Administration:					
Office of the principal	289,466	--	--	--	289,466
Other	263	--	--	--	263
Business:					
Fiscal services	286,699	13,684	--	--	300,383
Operation and maintenance of plant	407,445	23,920	--	--	431,365
Student transportation	198,191	600	--	--	198,791
Food services	12,078	4,513	--	--	16,591
Special Education:					
Administrative costs	--	--	39,214	--	39,214
Transportation costs	--	--	5,847	--	5,847

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2024 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Community Services:					
Welfare activities	16,280	--	--	--	16,280
Nonprogrammed Charges:					
Early retirement payments	18,559	--	--	--	18,559
Debt Services	--	33,145	--	--	33,145
Cocurricular Activities:					
Male activities	47,910	8,811	--	--	56,721
Female activities	51,430	13,344	--	--	64,774
Combined activities	125,400	9,275	--	--	134,675
Capital Outlay	--	159,402	--	--	159,402
Total Expenditures	<u>4,706,749</u>	<u>465,394</u>	<u>1,104,101</u>	<u>--</u>	<u>6,276,244</u>
Excess of Revenue Over (Under) Expenditures	(421,367)	843,304	69,791	35,658	527,386
Other Financing Sources (Uses):					
Transfer in	236,589	--	--	--	236,589
Transfer out	<u>(35,000)</u>	<u>(236,589)</u>	<u>--</u>	<u>--</u>	<u>(271,589)</u>
Total Other Financing Sources (Uses)	<u>201,589</u>	<u>(236,589)</u>	<u>--</u>	<u>--</u>	<u>(35,000)</u>
Net Change in Fund Balances	(219,778)	606,715	69,791	35,658	492,386
Fund Balance, Beginning of Year	<u>1,010,006</u>	<u>2,612,288</u>	<u>1,201,232</u>	<u>496,434</u>	<u>5,319,960</u>
Fund Balance, End of Year	<u>\$ 790,228</u>	<u>\$ 3,219,003</u>	<u>\$ 1,271,023</u>	<u>\$ 532,092</u>	<u>\$ 5,812,346</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 June 30, 2024

Net Change in Fund Balances - Total Governmental Funds		\$ 492,386
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		159,402
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.		(293,283)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		
Intangible Lease	28,682	28,682
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."		8,222
Governmental funds do not reflect the change in retirement payable liabilities but the Statement of Activities reflects the change in these accruals through expenses.		18,559
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		(39,462)
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.		22,160
Change in net position of governmental activities		\$ 396,666

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Net Position – Proprietary Funds
June 30, 2024

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 127,156	\$ 49,162	\$ 176,318
Accounts receivable, net	41	940	981
Prepaid Expenses	2,122	495	2,617
Inventory of Supplies	312	--	312
Inventory - stores for resale	3,005	--	3,005
Inventory of donated food	9,445	--	9,445
Total Current Assets	142,081	50,597	192,678
Noncurrent Assets:			
Improvements other than building	65,591	--	65,591
Machinery and equipment - local funds	182,489	--	182,489
Less accumulated depreciation	(167,103)	--	(167,103)
Total Noncurrent Assets	80,977	--	80,977
Total Assets	\$ 223,058	\$ 50,597	\$ 273,655
Liabilities:			
Current Liabilities:			
Contracts payable	\$ 9,821	\$ 9,267	\$ 19,088
Accrued payroll expenses	4,028	11,306	15,334
Unearned revenue	22,087	--	22,087
Total Current Liabilities	35,936	20,573	56,509
Net Position:			
Net investment in capital assets	80,977	--	80,977
Unrestricted net position	106,145	30,024	136,169
Total Net Position	\$ 187,122	\$ 30,024	\$ 217,146

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2024

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Charges for Services			
Student meals	\$ 107,002	\$ --	\$ 107,002
Adult meals	4,106	--	4,106
Other charges for goods and services	578	38,215	38,793
Total Operating Revenue	<u>111,686</u>	<u>38,215</u>	<u>149,901</u>
Operating Expenses:			
Salaries	94,246	42,755	137,001
Employee benefits	35,653	12,707	48,360
Purchased services	5,215	--	5,215
Supplies	2,857	295	3,152
Cost of sales - purchased	68,774	--	68,774
Cost of sales - donated	13,153	--	13,153
Depreciation	7,130	--	7,130
Total Operating Expenses	<u>227,028</u>	<u>55,757</u>	<u>282,785</u>
Operating Loss	(115,342)	(17,542)	(132,884)
Nonoperating Revenues:			
State grants	423	--	423
Federal grants	69,519	--	69,519
Donated food	13,153	--	13,153
Interest Income	6,191	--	6,191
Total Nonoperating Revenue	<u>89,286</u>	<u>--</u>	<u>89,286</u>
(Loss) Before Transfers	(26,056)	(17,542)	(43,598)
Transfer	--	35,000	35,000
Change in Net Position	(26,056)	17,458	(8,598)
Net Position - Beginning of Year	<u>213,178</u>	<u>12,566</u>	<u>225,744</u>
Net Position - End of Year	<u>\$ 187,122</u>	<u>\$ 30,024</u>	<u>\$ 217,146</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Cash Flows – Proprietary Funds
June 30, 2024

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 104,180	\$ 37,475	\$ 141,655
Cash payments to suppliers	(75,644)	(295)	(75,939)
Cash payments to employees	(137,145)	(45,316)	(182,461)
Net Cash (Used) by Operating Activities	<u>(108,609)</u>	<u>(8,136)</u>	<u>(116,745)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	35,000	35,000
Cash reimbursements - state	423	--	423
Cash reimbursements - federal	69,519	--	69,519
Net Cash Provided by Noncapital Financing Activities	<u>69,942</u>	<u>35,000</u>	<u>104,942</u>
Cash Flows from Investing Activities:			
Investment Earnings	6,191	--	6,191
Net Cash Provided by Investing Activities	<u>6,191</u>	<u>--</u>	<u>6,191</u>
Net Change in Cash and Cash Equivalents	(32,476)	26,864	(5,612)
Cash and Cash Equivalents, Beginning of Year	159,632	22,298	181,930
Cash and Cash Equivalents, End of Year	<u>\$ 127,156</u>	<u>\$ 49,162</u>	<u>\$ 176,318</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (115,342)	\$ (17,542)	\$ (132,884)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	7,130	--	7,130
Value of commodities used	13,153	--	13,153
Change in Assets and Liabilities:			
Accounts receivable	(41)	(740)	(781)
Inventory	1,466	--	1,466
Deferred revenue	(7,465)	--	(7,465)
Contracts payable	(3,813)	2,290	(1,523)
Accrued payroll expenses	(3,433)	7,856	4,423
Accounts payable	(264)	--	(264)
Net cash (used) by operating activities:	<u>\$ (108,609)</u>	<u>\$ (8,136)</u>	<u>\$ (116,745)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 13,153</u>	<u>\$ --</u>	<u>\$ 13,153</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Net Position – Fiduciary Funds
June 30, 2024

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 10,850	\$ 82,049
Accounts receivable	--	750
	<u>\$ 10,850</u>	<u>\$ 82,799</u>
Total Assets	<u>\$ 10,850</u>	<u>\$ 82,799</u>
Net Position:		
Restricted for:		
Scholarships	\$ 10,850	\$ --
Flex Accounts	--	11,194
Individuals, organizations, and other governments	--	71,605
	<u>10,850</u>	<u>82,799</u>
Total Net Position	<u>10,850</u>	<u>82,799</u>
Total Liabilities and Net Position	<u>\$ 10,850</u>	<u>\$ 82,799</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2024

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 1,593	\$ --
Flex revenues	--	38,127
Collections for student activities	--	105,940
	<u>1,593</u>	<u>144,067</u>
Total Additions	<u>1,593</u>	<u>144,067</u>
Deductions:		
Trust deductions for scholarships awarded	5,500	--
Flex withdrawals	--	34,539
Payments for student activities	--	90,521
	<u>5,500</u>	<u>125,060</u>
Total Deductions	<u>5,500</u>	<u>125,060</u>
Change in Net Position	<u>(3,907)</u>	<u>19,007</u>
Net Position - Beginning	<u>14,757</u>	<u>63,792</u>
Net Position - Ending	<u>\$ 10,850</u>	<u>\$ 82,799</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Chester Area School District No. 39-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

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

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

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

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

Capital Outlay Fund – A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund – A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the District. This fund is financed by grants and property taxes. This is a major fund.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

Proprietary Funds:

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. 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.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Funds – A fund used to record financial transactions related to preschool programming and driver’s education. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Chester Area School District No. 39-1, the length of that cycle is 60 days. Revenues accrued at June 30, 2024 are amounts due from grants and miscellaneous reimbursements.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Under the modified accrual basis of accounting, receivables may be measurable but not available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary 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.

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Capital Assets:

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

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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 their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2024 balance of capital assets for governmental activities includes approximately 3% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals. The total June 30, 2024 balance of capital assets for business-type activities are valued at original costs.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

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

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land*	All Land	NA	NA
Buildings	\$ 5,000	Straight-line	50-75 years
Improvements	\$ 5,000	Straight-line	5-50 years
Equipment - governmental activities	\$ 5,000	Straight-line	5-30 years
Equipment - proprietary funds	\$ 5,000	Straight-line	5-20 years
Intangible lease assets	\$ 50,000	Straight-line	5-30 years

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

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of leases, OPEB, and early retirement benefits payable.

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

h. Program Revenues:

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

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

i. Deferred Inflows and Deferred Outflows 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 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 applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

Chester Area School District No. 39-1
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

l. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

m. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

n. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The nonspendable fund balance is comprised of amounts reported in non-spendable form such as prepaid items.

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

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

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

o. 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's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

p. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the School 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 initially 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 asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School 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 School 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 School 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 School District is reasonably certain to exercise.

The School 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.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

q. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a subscription, the School 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 subscription payments made. The subscription asset is initially 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 subscription include how the School 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 School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated 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 price that the School District is reasonably certain to exercise.

The School 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.

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping 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 school district, as discussed above. The school district has no investment policy that would further limit its investment choices.

At June 30, 2024, the School District's investment in the SDFIT pool was unrated. The cost value was \$1,066,924 and the fair value was \$1,066,924. This investment has been reported at cost.

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

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

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

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

3. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowance for estimated uncollectible accounts has been established, as the School District believes all receivables are ultimately collectable.

4. Inventory:

Inventory held for consumption is stated at cost.

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

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

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

5. 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 School District's taxes and remits them to the School District.

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

Chester Area School District No. 39-1
Notes to the Financial Statements
June 30, 2024

6. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2024 is as follows:

	6/30/2023	Increases	Decreases	6/30/2024
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 306,162	\$ --	\$ --	\$ 306,162
Total capital assets not being depreciated/amortized	306,162	--	--	306,162
Capital assets being depreciated/amortized:				
Buildings	3,600,810	--	--	3,600,810
Improvements	2,611,124	69,115	--	2,680,239
Machinery & equipment	1,237,627	88,739	30,549	1,295,817
Right to use asset	145,817	--	--	145,817
Library books	195,078	1,548	1,274	195,352
Total capital assets being depreciated/amortized	7,790,456	159,402	31,823	7,918,035
Less accumulated depreciation/amortization for:				
Buildings	1,464,766	59,985	--	1,524,751
Improvements	1,195,513	141,990	--	1,337,503
Machinery & equipment	964,578	61,071	30,549	995,100
Right to use amortization	28,363	29,963	--	58,326
Library books	195,078	274	1,274	194,078
Total accumulated depreciation/amortization	3,848,298	293,283	31,823	4,109,758
Total capital assets being depreciated/amortized, net	3,942,158	(133,881)	--	3,808,277
Net Capital Assets	\$ 4,248,320	\$ (133,881)	\$ --	\$ 4,114,439

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 51,643
Support services	179,108
Amortization	29,963
Co-curricular activities	32,569
Total Depreciation/Amortization Expense	\$ 293,283

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

6. Changes in Capital Assets: (Continued)

	6/30/2023 Balance	Increases	Decreases	6/30/2024 Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Improvements	\$ 65,591	\$ --	\$ --	\$ 65,591
Machinery & Equipment	182,489	--	--	182,489
Total capital assets being depreciated	248,080	--	--	248,080
Less accumulated depreciation for:				
Improvements	22,957	1,640	--	24,597
Machinery & Equipment	137,016	5,490	--	142,506
Total accumulation depreciation	159,973	7,130	--	167,103
Total capital assets being depreciated, net	\$ 88,107	\$ (7,130)	\$ --	\$ 80,977

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 7,130

7. Long-Term Liabilities:

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

	6/30/2023	Increase	Decrease	6/30/2024	Due Within One Year
Primary Government					
Governmental Activities:					
Other Liabilities:					
OPEB	\$ 204,861	\$ 157,887	\$ 131,648	\$ 231,100	\$ --
Early retirement payable	18,559	--	18,559	--	--
Copier Lease	118,502	--	28,682	89,820	29,302
Total Long-Term Liabilities	\$ 341,922	\$ 157,887	\$ 178,889	\$ 320,920	\$ 29,302

Compensated absences, early retirement benefits, and other post-employment benefits for governmental activities typically have been liquidated from the General Fund.

Chester Area School District No. 39-1
Notes to the Financial Statements
June 30, 2024

7. Long-Term Liabilities: (Continued)

Other liabilities payable at June 30, 2024 is comprised of the following:

OPEB –

Obligations to individuals who are retired or will retire from the School District and will receive post-employment benefits. \$ 231,100
Payments are made from the General Fund.

Copier Lease

New copier lease due in annual installments of \$30,938 including interest; \$ 89,820
final maturity in June 2027; Payments are made from the Capital Outlay Fund.

The annual debt service requirements to maturity for all debt outstanding, except for other postemployment benefits, as of June 30, 2024, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Copier Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 29,302	\$ 1,636
2026	29,935	1,003
2027	30,583	356
Totals	<u>\$ 89,820</u>	<u>\$ 2,995</u>

8. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2024 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 3,226,047
Special Education	Law	1,262,317
Debt Service	Debt Covenant	532,102
SDRS Pension Purposes	Law	509,195
Total		<u>\$ 5,529,661</u>

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

9. Interfund Transfers:

Transfers to/from other funds at June 30, 2024, consist of the following:

Transfer from Capital Outlay to General Fund to cover expenses as per SDCL.	\$ 236,589
Transfer from General Fund to Other Enterprise Fund to cover expenses.	\$ 35,000

10. Pension Plan:

Plan Information:

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

Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations 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.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service.

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earning based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 percent to 0.0 percent.

All benefits except those depending on the Member’s Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee’s contribution. The School District’s share of contributions to the SDRS for the years ended June 30, 2024, 2023, and 2022, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 230,766
2023	208,037
2022	196,775

Chester Area School District No. 39-1
Notes to the Financial Statements
June 30, 2024

10. Pension Plan: (Continued)

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

At June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2023 and reported by the School District as of June 30, 2024 are as follows:

Proportionate share of pension liability	\$ 19,478,969
Less proportionate share of net pension restricted for pension benefits	19,492,089
Proportionate share of net pension (asset)	<u>\$ (13,120)</u>

At June 30, 2024, the School District reported an (asset) of (\$13,120) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2023 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the School District's proportion was 0.13442400%, which is a decrease of 0.0029210% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2025, the School District recognized a pension expense of \$39,460. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 371,904	\$ --
Changes in assumption	448,566	655,706
Net difference between projected and actual earnings on pension plan investments	87,351	--
Changes in proportion and difference between district contributions and proportionate share of contributions	13,194	--
District contributions subsequent to the measurement date	230,766	--
Total	<u>\$ 1,151,781</u>	<u>\$ 655,706</u>

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

\$230,766 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended	
June 30,	
2025	\$ 183,725
2026	(194,191)
2027	256,787
2028	18,988
Total	<u>\$ 265,309</u>

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service from 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

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

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

Discount Rate:

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

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

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

The following presents the School District's proportionate share of net pension (asset) calculated using the discount rate of 6.50%, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 2,689,218</u>	<u>\$ (13,120)</u>	<u>\$ (2,223,118)</u>

Pension Plan Fiduciary Net Position:

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

11. Postemployment Medical Plan:

Plan Description: Chester Area School District has a pooled defined benefit medical plan administered by either Sanford Health of South Dakota or DakotaCare. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The health plan does not issue separately stated stand-alone financial statements.

Funding Policy: The district funds the postemployment benefits on a pay-as-you-go basis. Because the district does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2024, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	5
Active employees	<u>68</u>
	<u>73</u>

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

11. Postemployment Medical Plan: (Continued)

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2023 Actuarial Valuation Report. See Note 10 – Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 204,861
Service Cost	15,512
Interest	7,622
Effect on assumptions, changes or inputs	13,292
Benefit payments	(10,187)
End of Year Balances	<u>\$ 231,100</u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.54%.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 213,496	\$ 231,100	\$ 251,221

At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 151,913	\$ (250,386)

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

<u>Year Ended June 30,</u>	
2025	\$ (35,107)
2026	(35,107)
2027	(34,907)
2028	3,191
2029	2,713
Thereafter	744
Total	<u>\$ (98,473)</u>

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

12. Joint Ventures:

The school district participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	6%
Colman-Egan School District No. 50-5	4%
Dell Rapids School District No. 49-3	16%
Flandreau School District No. 50-3	20%
Garretson School District No. 49-4	8%
Howard School District No. 48-3	7%
Madison Central School District No. 39-2	16%
Tri-Valley School District No. 49-6	15%

The co-op's governing board is composed of one representative from each member school district, who is also 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 school 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.

At June 30, 2024, this joint venture had the following:

	<u>June 30, 2024</u>
Total Assets	\$ 124,556
Deferred Outflows of Resources	\$ 96,235
Total Liabilities	\$ 61,671
Deferred Inflows of Resources	\$ 57,373
Total Net Position	\$ 101,747

13. Risk Management:

The school district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2024, the school district managed its risks as follows:

Chester Area School District No. 39-1

Notes to the Financial Statements

June 30, 2024

13. Risk Management: (Continued)

Employee Health Insurance

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Wellmark Services with the premiums it receives from the members. The coverage includes the option of three different plans with a deductible from \$750 to \$2,500, and a \$3,000 HSA plan.

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

Liability Insurance

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

During the year ended June 30, 2024, no claims for these matters were paid. At June 30, 2024, no claims had been filed for these matters and none are anticipated.

Worker's Compensation

The school district purchase liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

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

During the year ended June 30, 2024, no claims for unemployment benefits were paid. At June 30, 2024, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Required Supplementary Information

Chester Area School District No. 39-1
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,417,247	\$ 1,417,247	\$ 1,537,610	\$ 120,363
Prior years' ad valorem taxes	15,000	15,000	7,150	(7,850)
Utility taxes	256,582	256,582	255,359	(1,223)
Penalties and interest on taxes	4,000	4,000	8,906	4,906
Tuitions and Fees:				
Regular Day School Tuition	50,000	50,000	50,750	750
Earnings on Investments and Deposits	10,000	10,000	41,203	31,203
Cocurricular Activities:				
Admissions	26,000	26,000	26,516	516
Rentals	--	--	1,998	1,998
Other student activity income	12,800	12,800	11,325	(1,475)
Other Revenue from Local Sources:				
Rentals	--	--	4,104	4,104
Contributions and donations	4,000	4,000	15,605	11,605
Charges for services	6,000	6,000	2,296	(3,704)
Other	23,000	23,000	59,399	36,399
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	19,619	19,619	10,639	(8,980)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,363,993	2,363,993	2,101,308	(262,685)
Restricted grants-in-aid	2,500	2,500	7,677	5,177
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	6,500	6,500	7,461	961
Restricted grants-in-aid received directly from federal government	45,000	45,000	53,290	8,290
Restricted grants-in-aid received from federal government through the state	77,543	77,543	82,786	5,243
Total Revenues	\$ 4,339,784	\$ 4,339,784	\$ 4,285,382	\$ (54,402)

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Chester Area School District No. 39-1
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2024 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 988,705	\$ 988,705	\$ 956,503	\$ 32,202
Middle/junior high	432,075	432,075	434,104	(2,029)
High school	1,250,060	1,250,060	1,234,194	15,866
Special Programs:				
Educationally deprived	68,543	68,543	71,408	(2,865)
Support Services:				
Students:				
Guidance	150,866	150,866	149,904	962
Health	--	--	3,410	(3,410)
Instructional Staff:				
Improvement of instruction	3,800	3,800	9,279	(5,479)
Educational media	134,551	134,551	124,559	9,992
General Administration:				
Board of education	110,600	110,600	94,602	15,998
Executive administration	178,589	178,589	175,065	3,524
School Administration:				
Office of the principal	291,383	291,383	289,466	1,917
Other	550	550	263	287
Business:				
Fiscal services	277,430	277,430	286,699	(9,269)
Operation and maintenance of plant	397,105	397,105	407,445	(10,340)
Student transportation	219,850	219,850	198,191	21,659
Food service	10,300	10,300	12,078	(1,778)
Community Services:				
Welfare activities	500	500	16,280	(15,780)
Nonprogrammed Charges:				
Early retirement payments	18,600	18,600	18,559	41
Cocurricular Activities:				
Male activities	45,958	45,958	47,910	(1,952)
Female activities	43,615	43,615	51,430	(7,815)
Combined activities	127,791	127,791	125,400	2,391
Total Expenditures	<u>4,750,871</u>	<u>4,750,871</u>	<u>4,706,749</u>	<u>44,122</u>
Excess of Revenues Over Expenditures	<u>(411,087)</u>	<u>(411,087)</u>	<u>(421,367)</u>	<u>(10,280)</u>
Other Financing Sources:				
Operating transfers in	236,589	236,589	236,589	--
Operating transfers out	(22,625)	(22,625)	(35,000)	(12,375)
Other	197,123	197,123	--	(197,123)
Total Other Financing Sources:	<u>411,087</u>	<u>411,087</u>	<u>201,589</u>	<u>(209,498)</u>
Net Change in Fund Balances	--	--	(219,778)	(219,778)
Fund Balance, Beginning of Year	<u>1,010,006</u>	<u>1,010,006</u>	<u>1,010,006</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,010,006</u>	<u>\$ 1,010,006</u>	<u>\$ 790,228</u>	<u>\$ (219,778)</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Chester Area School District No. 39-1
 Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
 June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,355,242	\$ 1,355,242	\$ 1,204,044	\$ (151,198)
Prior years' ad valorem taxes	5,000	5,000	4,656	(344)
Penalties and interest on taxes	2,500	2,500	2,013	(487)
Earnings on Investments & Deposits	50	50	88,156	88,106
Other Revenue from Local Sources:				
Other	9,000	9,000	9,467	467
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	500	500	362	(138)
Total Revenues	<u>1,372,292</u>	<u>1,372,292</u>	<u>1,308,698</u>	<u>(63,594)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	111,200	111,200	119,525	(8,325)
Middle/junior high	15,000	15,000	29,976	(14,976)
High school	60,500	60,500	26,775	33,725
Support Services:				
Instructional Staff:				
Educational media	24,500	24,500	28,899	(4,399)
General Administration:				
Board of education	--	--	831	(831)
Business:				
Fiscal services	15,500	15,500	13,684	1,816
Facilities acquisition and construction	503,958	503,958	--	503,958
Operation and maintenance of plant	197,045	197,045	123,850	73,195
Student transportation	80,000	80,000	52,766	27,234
Food services	70,000	70,000	4,513	65,487
Debt Services	35,000	35,000	33,145	1,855
Cocurricular Activities:				
Male activities	6,500	6,500	8,811	(2,311)
Female activities	6,500	6,500	13,344	(6,844)
Combined activities	10,000	10,000	9,275	725
Total Expenditures	<u>1,135,703</u>	<u>1,135,703</u>	<u>465,394</u>	<u>670,309</u>
Excess of Revenue Over (Under)				
Expenditures	<u>236,589</u>	<u>236,589</u>	<u>843,304</u>	<u>606,715</u>
Other Financing Sources (Uses):				
Transfers out	--	--	(236,589)	(236,589)
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(236,589)</u>	<u>(236,589)</u>
Net Change in Fund Balances	236,589	236,589	606,715	370,126
Fund Balance, Beginning of Year	<u>2,612,288</u>	<u>2,612,288</u>	<u>2,612,288</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 2,848,877</u>	<u>\$ 2,848,877</u>	<u>\$ 3,219,003</u>	<u>\$ 370,126</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Chester Area School District No. 39-1
 Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis
 June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 613,987	\$ 613,987	\$ 753,385	\$ 139,398
Prior years' ad valorem taxes	2,000	2,000	2,806	806
Penalties and interest on taxes	1,500	1,500	1,215	(285)
Earnings on Investments & Deposits	--	--	32,192	32,192
Other Revenue from Local Sources:				
Services Provided Other School Districts	205,000	205,000	248,979	43,979
Charges for services	11,000	11,000	11,467	467
Revenue from Intermediate Sources:				
Other	1,000	1,000	--	(1,000)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	200	200	218	18
Restricted grants-in-aid received from federal government through the state	123,630	123,630	123,630	--
Total Revenues	<u>958,317</u>	<u>958,317</u>	<u>1,173,892</u>	<u>215,575</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	628,930	628,930	607,609	21,321
Support Services:				
Students:				
Psychological	18,500	18,500	17,121	1,379
Speech pathology	107,188	107,188	101,382	5,806
Student therapy services	340,523	340,523	332,288	8,235
Instructional Staff:				
Improvement of Instruction	1,750	1,750	640	1,110
Special Education:				
Administrative costs	22,730	22,730	39,214	(16,484)
Transportation costs	--	--	5,847	(5,847)
Total Expenditures	<u>1,119,621</u>	<u>1,119,621</u>	<u>1,104,101</u>	<u>15,520</u>
Excess of Revenues Over (Under) Expenditures	<u>(161,304)</u>	<u>(161,304)</u>	<u>69,791</u>	<u>231,095</u>
Other Financing Sources (Uses):				
Other	<u>161,304</u>	<u>161,304</u>	<u>--</u>	<u>(161,304)</u>
Total Other Financing Sources (Uses)	<u>161,304</u>	<u>161,304</u>	<u>--</u>	<u>(161,304)</u>
Net Change in Fund Balance	--	--	69,791	69,791
Fund Balance, Beginning of Year	<u>1,201,232</u>	<u>1,201,232</u>	<u>1,201,232</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,201,232</u>	<u>\$ 1,201,232</u>	<u>\$ 1,271,023</u>	<u>\$ 69,791</u>

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Chester Area School District No. 39-1

Notes to the Required Supplementary Information – Budgetary Comparison Schedules

June 30, 2024

1. Budgets and Budgetary Accounting:

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

- a. 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.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in h.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

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

Chester Area School District No. 39-1
Schedule of Changes in Total OPEB Liability
June 30, 2024

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 204,861
Service Cost	15,512
Interest	7,622
Effect on assumptions, changes or inputs	13,292
Benefit payments	<u>(10,187)</u>
End of Year Balances	<u>\$ 231,100</u>

Chester Area School District No. 39-1
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1344240%	0.1373450%	0.1444290%	0.1415734%	0.1432615%	0.1408113%	0.1453174%	0.1466389%	0.1492702%	0.1513310%
District's proportionate share of net pension liability (asset)	\$ (13,120)	\$ (12,980)	\$ (1,106,079)	\$ (6,149)	\$ (15,182)	\$ (3,284)	\$ (13,188)	\$ 495,332	\$ (633,098)	\$ (1,090,279)
District's covered-employee payroll	\$ 3,467,268	\$ 3,279,589	\$ 3,277,593	\$ 3,107,113	\$ 3,024,615	\$ 2,927,450	\$ 2,952,548	\$ 2,788,327	\$ 2,738,271	\$ 2,727,983
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.12%	39.97%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

Chester Area School District No. 39-1
Schedule of the School District Contributions
South Dakota Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 230,766	\$ 208,037	\$ 196,775	\$ 196,656	\$ 186,427	\$ 181,477	\$ 175,648	\$ 177,153	\$ 167,300	\$ 163,515
Contributions in relation to the contractually-required contribution	<u>230,766</u>	<u>208,037</u>	<u>196,775</u>	<u>196,656</u>	<u>186,427</u>	<u>181,477</u>	<u>175,648</u>	<u>177,153</u>	<u>167,300</u>	<u>163,515</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 3,845,487	\$ 3,467,268	\$ 3,279,589	\$ 3,277,593	\$ 3,107,113	\$ 3,024,615	\$ 2,927,450	\$ 2,952,548	\$ 2,788,327	\$ 2,738,271
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.97%

Chester Area School District No. 39-1

Notes to Required Supplementary Information - Schedule of the Proportionate Share of the Net Pension Liability
(Asset) and Schedule of Pension Contributions
For the Year Ended June 30, 2024

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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