

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2024**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2024**

---

Board Members:

Aaron Lorenzen, Chairman  
Kelly Aesoph  
Glenna Clement  
Ryan Nelson  
Matt Bossly

Superintendent:

Grant Vander Vorst

Business Manager:

Lisa Hushka

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

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**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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  
Faulkton Area Schools District No. 24-4  
Faulk 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 (Government Auditing Standards), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4, South Dakota (School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 21, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items #2024-001 and #2024-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

## **School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Kohlman, Bierachbach & Anderson, LLP*

May 21, 2025

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2024**

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PRIOR AUDIT FINDINGS:

Finding #2023-001

A material weakness was reported for a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2024-001.

Finding #2023-002

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2024-002.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2024**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2024-001

Criteria

Internal control can help a School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of internal controls including a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Cause

The School District has one employee who prepares all accounting records, so proper internal controls including segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Recommendation

We recommend the School Board take a more active role in their oversight of inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations.

Views of Responsible Officials

Aaron Lorenzen is the contact person responsible for the corrective action plan for this comment. Faulkton Area Schools District No. 24-4 has determined it is not cost beneficial to employ additional personnel just to be able to have adequate internal controls including segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations. Faulkton Area Schools District No. 24-4 is aware of this problem and is attempting to provide compensating controls by having board members (2) look through all invoices one by one to make sure nothing is being spent that is not correct. The board chairman also reviews the bank statement every month to detect any suspicious activity. All trust and custodial vouchers for payment are reviewed and signed off on by the advisor of said account. All school checks are signed by the business manager and board chairman. However, this lack of internal controls including segregation of duties regarding inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations continues to exist.



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2024**  
**(Continued)**

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Finding #2024-002

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Cause

The School District had some adjustments that needed to be made in order to get their accounting records in accordance with GAAP.

Effect

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

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

Aaron Lorenzen is the contact person responsible for the corrective action plan for this comment. He stated, "The School District understands that due to the small staff size, there will be concerns over internal control. The School District doesn't believe the concern validates the cost of additional staff."

COMPLIANCE AND OTHER MATTERS:

There are no written current compliance audit findings to report.

**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT**

School Board  
Faulkton Area Schools District No. 24-4  
Faulk County, South Dakota

**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 Faulkton Area Schools District No. 24-4, South Dakota (School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4 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, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditors' 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.

### **Auditors' 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 auditors' 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 Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Pension Contributions on pages 43 through 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

*Kohlman, Bierschbach & Anderson, LLP*

May 21, 2025

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 4,329,089	\$120,003	\$ 4,449,092
Taxes receivable	1,696,780	--	1,696,780
Inventories	69,020	--	69,020
Other assets	459,383	--	459,383
Restricted Assets:			
Cash and cash equivalents	--	1,117	1,117
Net pension asset	9,188	98	9,286
Capital Assets:			
Land, improvements, and construction/development in progress	1,700	--	1,700
Other capital assets, net of depreciation/amortization	11,291,743	112,884	11,404,627
<b>TOTAL ASSETS</b>	<b>17,856,903</b>	<b>234,102</b>	<b>18,091,005</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	792,644	7,523	800,167
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>792,644</b>	<b>7,523</b>	<b>800,167</b>
<b>LIABILITIES:</b>			
Accounts payable	16,434	--	16,434
Other current liabilities	391,461	--	391,461
Unearned revenue	--	4,560	4,560
Noncurrent Liabilities:			
Due within one year	404,532	--	404,532
Due in more than one year	8,923,485	--	8,923,485
<b>TOTAL LIABILITIES</b>	<b>9,735,912</b>	<b>4,560</b>	<b>9,740,472</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	1,841,584	--	1,841,584
Pension related deferred inflows	461,813	4,270	466,083
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,303,397</b>	<b>4,270</b>	<b>2,307,667</b>
<b>NET POSITION:</b>			
Net investment in capital assets	2,070,301	112,884	2,183,185
Restricted for:			
Capital outlay purposes	2,271,113	--	2,271,113
Special education purposes	501,743	--	501,743
Debt service purposes	163,890	--	163,890
SDRS pension purposes	340,019	3,351	343,370
Unrestricted	1,263,172	116,560	1,379,732
<b>TOTAL NET POSITION</b>	<b>\$ 6,610,238</b>	<b>\$232,795</b>	<b>\$ 6,843,033</b>

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business- Type Activities
					Governmental Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$3,097,497	\$ --	\$371,585	\$ 7,655	\$(2,718,257)	\$(2,718,257)
Support services	1,718,738	3,851	12,241	3,118	(1,699,528)	(1,699,528)
Nonprogrammed charges	16,948	--	--	--	(16,948)	(16,948)
*Interest on long-term debt	279,483	--	--	--	(279,483)	(279,483)
Cocurricular activities	<u>381,796</u>	<u>29,475</u>	<u>1,259</u>	<u>8,100</u>	<u>(342,962)</u>	<u>(342,962)</u>
Total Governmental Activities	<u>5,494,462</u>	<u>33,326</u>	<u>385,085</u>	<u>18,873</u>	<u>(5,057,178)</u>	<u>(5,057,178)</u>
Business-Type Activities:						
Food service	254,873	145,801	93,282	--		\$ (15,790)
Drivers education	<u>8,985</u>	<u>9,915</u>	<u>--</u>	<u>--</u>		<u>930</u>
Total Business-Type Activities	<u>263,858</u>	<u>155,716</u>	<u>93,282</u>	<u>--</u>		<u>(14,860)</u>
Total Primary Government	<u>\$5,758,320</u>	<u>\$189,042</u>	<u>\$478,367</u>	<u>\$18,873</u>	<u>(5,057,178)</u>	<u>(5,072,038)</u>
* 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.		General Revenues:				
		Taxes:				
		Property taxes				
		3,965,978				
		Utility taxes				
		118,904				
		Revenue from state sources:				
		State aid				
		1,454,036				
		Other				
		55,564				
		Revenue from federal sources				
		3,792				
		Unrestricted investment earnings				
		959				
		Other general revenues				
		40,506				
		Transfers				
		(20,000)				
		20,000				
		--				
		Total General Revenues and Transfers				
		5,619,739				
		20,000				
		5,639,739				
		CHANGE IN NET POSITION				
		562,561				
		5,140				
		567,701				
		NET POSITION - BEGINNING				
		6,047,677				
		227,655				
		6,275,332				
		NET POSITION - ENDING				
		\$ 6,610,238				
		\$232,795				
		\$ 6,843,033				

The notes to the financial statements are an integral part of this statement.

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$1,382,848	\$2,294,838	\$473,504	\$177,899	\$4,329,089
Taxes receivable - current	759,172	415,962	271,856	244,979	1,691,969
Taxes receivable - delinquent	2,513	1,151	466	681	4,811
Due from the federal government	231,453	--	107,618	--	339,071
Due from state government	51,068	--	--	--	51,068
Due from county government	69,244	--	--	--	69,244
Inventory of supplies	<u>69,020</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>69,020</u>
<b>TOTAL ASSETS</b>	<b><u>\$2,565,318</u></b>	<b><u>\$2,711,951</u></b>	<b><u>\$853,444</u></b>	<b><u>\$423,559</u></b>	<b><u>\$6,554,272</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 16,434	\$ --	\$ --	\$ --	\$ 16,434
Contracts payable	289,952	--	56,257	--	346,209
Payroll deductions and withholdings and employer matching payable	<u>37,929</u>	<u>--</u>	<u>7,323</u>	<u>--</u>	<u>45,252</u>
<b>TOTAL LIABILITIES</b>	<b><u>344,315</u></b>	<b><u>--</u></b>	<b><u>63,580</u></b>	<b><u>--</u></b>	<b><u>407,895</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	2,513	1,151	466	681	4,811
Taxes levied for future period	<u>852,956</u>	<u>440,838</u>	<u>288,121</u>	<u>259,669</u>	<u>1,841,584</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>855,469</u></b>	<b><u>441,989</u></b>	<b><u>288,587</u></b>	<b><u>260,350</u></b>	<b><u>1,846,395</u></b>
<b>FUND BALANCES:</b>					
Nonspendable	69,020	--	--	--	69,020
Restricted	--	2,269,962	501,277	163,209	2,934,448
Assigned	226,077	--	--	--	226,077
Unassigned	<u>1,070,437</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,070,437</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,365,534</u></b>	<b><u>2,269,962</u></b>	<b><u>501,277</u></b>	<b><u>163,209</u></b>	<b><u>4,299,982</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$2,565,318</u></b>	<b><u>\$2,711,951</u></b>	<b><u>\$853,444</u></b>	<b><u>\$423,559</u></b>	<b><u>\$6,554,272</u></b>

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

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Total Fund Balances - Governmental Funds	\$ 4,299,982
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Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	9,188
--	-------

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	11,293,443
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Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	792,644
--	---------

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

Bonds	\$8,125,000	
Unamortized Premiums	\$ 644,787	
CO Certificates	\$ 412,839	
Lease Liability	\$ 13,781	
Early Retirement	\$ 33,897	
Accrued Leave	\$ 70,978	
Accrued Interest	\$ <u>26,735</u>	(9,328,017)

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

Taxes Receivable	\$ <u>4,811</u>	4,811
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(461,813)</u>
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Net Position - Governmental Activities	\$ <u>6,610,238</u>
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The notes to the financial statements are an integral part of this statement.



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2024**

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>REVENUES:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$1,839,970	\$ 988,161	\$535,028	\$588,904	\$3,952,063
Prior years' ad valorem taxes	2,580	1,634	576	914	5,704
Tax deed revenue	783	--	--	--	783
Utility taxes	118,904	--	--	--	118,904
Penalties and interest on taxes	2,407	1,369	557	805	5,138
Earnings on investments and deposits	959	--	--	--	959
Cocurricular activities:					
Admissions	25,832	--	--	--	25,832
Other student activity income	3,643	--	--	--	3,643
Other revenue from local sources:					
Rentals	8,104	--	--	--	8,104
Contributions and donations	--	8,100	--	--	8,100
Refund of prior years' expenditures	--	--	1,350	--	1,350
Judgments	4,000	--	--	--	4,000
Charges for services	3,042	--	809	--	3,851
Other	8,628	--	--	--	8,628
Revenue from Intermediate Sources:					
County sources:					
County apportionment	20,192	--	--	--	20,192
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	1,509,600	--	--	--	1,509,600
Restricted grants-in-aid	9,001	--	--	--	9,001
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	3,792	--	--	--	3,792
Restricted grants-in-aid received directly from federal government	24,320	7,655	--	--	31,975
Restricted grants-in-aid received from federal government through the state	<u>234,998</u>	<u>3,240</u>	<u>109,526</u>	<u>--</u>	<u>347,764</u>
<b>TOTAL REVENUES</b>	<u><b>3,820,755</b></u>	<u><b>1,010,159</b></u>	<u><b>647,846</b></u>	<u><b>590,623</b></u>	<u><b>6,069,383</b></u>
<b>EXPENDITURES:</b>					
Instruction:					
Regular programs:					
Elementary	1,197,228	53,662	--	--	1,250,890
Middle/Junior high	285,709	18,286	--	--	303,995
High school	555,942	48,260	--	--	604,202
Preschool services	29,762	--	--	--	29,762
Special programs:					
Programs for special education	--	--	491,878	--	491,878
Educationally deprived	153,581	7,655	--	--	161,236
Support Services:					
Students:					

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Guidance	34,102	--	--	--	34,102
Health	4,400	--	--	--	4,400
Psychological	--	--	22,045	--	22,045
Speech pathology	--	--	77,901	--	77,901
Student therapy services	--	--	12,619	--	12,619
Instructional staff:					
Improvement of instruction	9,452	--	--	--	9,452
Educational media	112,128	76,253	--	--	188,381
General administration:					
Board of education	60,323	5,462	--	--	65,785
Executive administration	115,420	--	--	--	115,420
School administration:					
Office of the principal	188,683	--	--	--	188,683
Other	246	--	--	--	246
Business:					
Fiscal services	91,033	7,350	--	--	98,383
Facilities acquisition and construction	--	18,900	--	--	18,900
Operation and maintenance of plant	494,055	32,028	--	--	526,083
Student transportation	251,465	--	--	--	251,465
Food services	--	2,097	--	--	2,097
Special education:					
Administrative costs	--	--	17,931	--	17,931
Nonprogrammed Charges:					
Early retirement payments	16,948	--	--	--	16,948
Debt Services	--	86,514	--	559,910	646,424
Cocurricular Activities:					
Male activities	57,638	--	--	--	57,638
Female activities	44,968	--	--	--	44,968
Transportation	46,558	--	--	--	46,558
Combined activities	123,040	34,909	--	--	157,949
Capital Outlay	--	<u>25,592</u>	--	--	<u>25,592</u>
<b>TOTAL EXPENDITURES</b>	<u>3,872,681</u>	<u>416,968</u>	<u>622,374</u>	<u>559,910</u>	<u>5,471,933</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(51,926)</u>	<u>593,191</u>	<u>25,472</u>	<u>30,713</u>	<u>597,450</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	250,000	--	--	--	250,000
Transfers out	(20,000)	(250,000)	--	--	(270,000)
Sale of surplus property	<u>2,232</u>	--	--	--	<u>2,232</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>232,232</u>	<u>(250,000)</u>	<u>--</u>	<u>--</u>	<u>(17,768)</u>
<b>NET CHANGE IN FUND BALANCES</b>	180,306	343,191	25,472	30,713	579,682
<b>FUND BALANCE - BEGINNING</b>	<u>1,185,228</u>	<u>1,926,771</u>	<u>475,805</u>	<u>132,496</u>	<u>3,720,300</u>
<b>FUND BALANCE - ENDING</b>	<u>\$1,365,534</u>	<u>\$2,269,962</u>	<u>\$501,277</u>	<u>\$163,209</u>	<u>\$4,299,982</u>

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

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Net Change in Fund Balances - Total Governmental Funds \$ 579,682

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 25,592

This amount represents the current year depreciation/amortization expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (371,505)

The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements. 3,118

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.

Bond	\$ 245,000	
CO Certificate	\$ 68,399	
Lease	\$ 3,976	
Early Retirement	<u>\$ 16,949</u>	334,324

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria." 2,290

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Sick Leave	\$ 16,879	(16,879)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 979

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (26,678)

Governmental funds report the effect of premiums when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the total amount of the premiums amortized in the current period. 31,638

Change in Net Position of Governmental Activities \$ 562,561

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2024**

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$110,501	\$9,502	\$120,003
Total Current Assets	110,501	9,502	120,003
Noncurrent Assets:			
Restricted cash and cash equivalents	1,117	--	1,117
Net pension asset	98	--	98
Capital Assets:			
Machinery and equipment - local funds	193,647	--	193,647
Less: accumulated depreciation	(80,763)	--	(80,763)
Total Noncurrent Assets	114,099	--	114,099
TOTAL ASSETS	224,600	9,502	234,102
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	7,523	--	7,523
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,523	--	7,523
LIABILITIES:			
Current Liabilities:			
Unearned revenue	4,560	--	4,560
TOTAL LIABILITIES	4,560	--	4,560
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	4,270	--	4,270
TOTAL DEFERRED INFLOWS OF RESOURCES	4,270	--	4,270
NET POSITION:			
Net investment in capital assets	112,884	--	112,884
Restricted for:			
SDRS pension purposes	3,351	--	3,351
Unrestricted net position	107,058	9,502	116,560
TOTAL NET POSITION	\$223,293	\$9,502	\$232,795

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2024**

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
OPERATING REVENUE:			
Food Sales:			
Student	\$ 99,165	\$ --	\$ 99,165
Adult	9,554	--	9,554
Ala Carte	36,146	--	36,146
Other Charges for Goods and Services	<u>936</u>	<u>9,915</u>	<u>10,851</u>
TOTAL OPERATING REVENUE	<u>145,801</u>	<u>9,915</u>	<u>155,716</u>
OPERATING EXPENSES:			
Salaries	16,261	8,250	24,511
Employee benefits	7,734	631	8,365
Purchased services	199,018	--	199,018
Supplies	--	104	104
Cost of sales - purchased	651	--	651
Cost of sales - donated	16,084	--	16,084
Depreciation/amortization	<u>15,125</u>	<u>--</u>	<u>15,125</u>
TOTAL OPERATING EXPENSES	<u>254,873</u>	<u>8,985</u>	<u>263,858</u>
OPERATING INCOME (LOSS)	<u>(109,072)</u>	<u>930</u>	<u>(108,142)</u>
NONOPERATING REVENUE:			
State grants	410	--	410
Federal grants	76,788	--	76,788
Donated food	<u>16,084</u>	<u>--</u>	<u>16,084</u>
TOTAL NONOPERATING REVENUE	<u>93,282</u>	<u>--</u>	<u>93,282</u>
INCOME (LOSS) BEFORE TRANSFERS	(15,790)	930	(14,860)
TRANSFERS IN	<u>20,000</u>	<u>--</u>	<u>20,000</u>
CHANGE IN NET POSITION	4,210	930	5,140
NET POSITION - BEGINNING	<u>219,083</u>	<u>8,572</u>	<u>227,655</u>
NET POSITION - ENDING	<u>\$ 223,293</u>	<u>\$9,502</u>	<u>\$ 232,795</u>

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2024**

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 134,472	\$ 9,915	\$ 144,387
Cash payments to employees for services	(23,787)	(8,881)	(32,668)
Cash payments to suppliers of goods or services	(199,669)	(104)	(199,773)
Net cash provided (used) by operating activities	(88,984)	930	(88,054)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from General Fund	20,000	--	20,000
Operating grants	77,198	--	77,198
Net cash flows from noncapital financing activities	97,198	--	97,198
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	--	--	--
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	--	--	--
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,214	930	9,144
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	103,404	8,572	111,976
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 111,618	\$ 9,502	\$ 121,120
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>			
OPERATING INCOME (LOSS)	\$(109,072)	\$ 930	\$(108,142)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Depreciation/amortization	15,125	--	15,125
Value of donated commodities used	16,084	--	16,084
Change in assets and liabilities:			
Pension related deferred outflows	614	--	614
Net pension asset	(2)	--	(2)
Unearned revenue	(11,329)	--	(11,329)
Pension related deferred inflows	(404)	--	(404)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (88,984)	\$ 930	\$ (88,054)
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Value of commodities received	\$ 16,084	\$ --	\$ 16,084

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2024**

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$16,879	\$89,421
Certificates of deposit	<u>4,000</u>	<u>--</u>
TOTAL ASSETS	<u>\$20,879</u>	<u>\$89,421</u>
NET POSITION:		
Restricted For:		
Organizations	\$ --	\$89,421
Scholarships	<u>20,879</u>	<u>--</u>
TOTAL NET POSITION	<u>\$20,879</u>	<u>\$89,421</u>

The notes to the financial statements are an integral part of this statement.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2024**

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	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Investment earnings:		
Interest and dividends	\$ 188	\$ --
Collections for student activities	<u>    --</u>	<u>185,174</u>
TOTAL ADDITIONS	<u>    188</u>	<u>185,174</u>
DEDUCTIONS:		
Payments for student activities	--	191,048
Other deductions	<u>2,010</u>	<u>    --</u>
TOTAL DEDUCTIONS	<u>2,010</u>	<u>191,048</u>
CHANGE IN NET POSITION	(1,822)	(5,874)
NET POSITION - BEGINNING	<u>22,701</u>	<u>95,295</u>
NET POSITION - ENDING	<u>\$20,879</u>	<u>\$ 89,421</u>

The notes to the financial statements are an integral part of this statement.



# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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### NOTE 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 Faulkton Area Schools District No. 24-4 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

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

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

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

Fund Financial Statements:

Fund financial statements of the 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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 1 - (Continued)

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

**Special Revenue 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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

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

**Proprietary Funds:**

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 1 - (Continued)**

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

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

Drivers Education Fund - A fund used to record financial transactions related to drivers' education operations. This fund is financed by user charges. This is not 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 only the following private-purpose trust fund:

Scholarships.

Custodial Funds - 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 for the following purposes:

To hold money for classes and organizations of the School.

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:

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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### NOTE 1 - (Continued)

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

#### Fund Financial Statements:

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

#### Basis of Accounting:

##### Government-Wide Financial Statements:

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

#### Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2024, are for federal, state, and county reimbursements.

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

#### d. 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



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 1 - (Continued)

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.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

e. Capital Assets:

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

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

Government-Wide Financial Statements:

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

The total June 30, 2024 balance of capital assets for governmental activities includes approximately 1 percent for which the costs were determined by estimates of the original costs. The total June 30, 2024 balance of capital assets for business-type activities includes approximately 2 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

For governmental activities and business-type activities/proprietary fund's operations capital assets, 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, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 1 - (Continued)

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ --	N/A	N/A
Improvements	\$15,000	Straight-line	8 - 50 years
Buildings	\$50,000	Straight-line	75 - 100 years
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	5 - 20 years
Machinery and Equipment - Business- Type Activities	\$ 500	Straight-line	12 years
Intangible Lease Assets	\$ 5,000	Straight-line	3 - 20 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.

f. 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 primarily consist of general obligation bonds, capital outlay certificates, lease liabilities, compensated absences and early retirement benefits payable.

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

g. Leases:

Lessee:

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 \$1 or more.

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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### NOTE 1 - (Continued)

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.

#### 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 non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

#### i. Deferred Inflows and Deferred Outflows of Resources:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 1 - (Continued)

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.

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:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

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.



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 1 - (Continued)

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 are available.

n. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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 or 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 Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory.

The School District uses restricted/committed 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 Government does not have a formal minimum fund balance policy.

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

NOTE 1 - (Continued)

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Federal Funding, Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

Faulkton Area Schools District No. 24-4  
Disclosure of Fund Balances Reported on Balance Sheet  
Governmental Funds  
June 30, 2024

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ 69,020	\$ --	\$ --	\$ --	\$ 69,020
Restricted for:					
Capital Outlay Fund	--	2,269,962	--	--	2,269,962
Special Education Fund	--	--	501,277	--	501,277
Debt Service Requirements	--	--	--	163,209	163,209
Assigned to:					
Unemployment	34,029	--	--	--	34,029
Subsequent year's budget	192,048	--	--	--	192,048
Unassigned	<u>1,070,437</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,070,437</u>
Total Fund Balances	<u>\$1,365,534</u>	<u>\$2,269,962</u>	<u>\$501,277</u>	<u>\$163,209</u>	<u>\$4,299,982</u>

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.

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all the funds except for the Trust and Custodial Funds, to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 2 - (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 district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2024, the School District investments reported in the financial statements consist of only certificates of deposit.

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

**Concentration of Credit Risk** - The School District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the School District's investments are in certificates of deposit - 100%.

**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 deposits and investments to the General Fund, except for the private-purpose trust fund and the Food Service Fund, which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

**NOTE 3 - RESTRICTED CASH AND INVESTMENTS**

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

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### NOTE 3 - (Continued)

Amount:  
\$ 1,117

Purpose:  
Food Service restriction for certain foods as required by the federal government.

### NOTE 4 - 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. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

### NOTE 5 - INVENTORY

Inventory held for consumption is stated at cost.

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

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

### NOTE 6 - PROPERTY TAXES

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 inflow of resources - property taxes levied for future period 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."

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 7 - CHANGES IN CAPITAL ASSETS**

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

**PRIMARY GOVERNMENT**

	Balance 07/01/23	Increases	Decreases	Balance 06/30/24
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land	\$ 1,700	\$ --	\$--	\$ 1,700
Total capital assets, not being depreciated/amortized	1,700	--	--	1,700
Capital assets, being depreciated/ amortized:				
Improvements	1,587,775	--	--	1,587,775
Buildings	10,968,543	--	--	10,968,543
Machinery and equipment	693,710	28,710	87	722,333
Intangible lease assets	21,308	--	--	21,308
Total capital assets, being depreciated/ amortized	13,271,336	28,710	87	13,299,959
Less accumulated depreciation/ amortization for:				
Improvements	226,467	74,292	--	300,759
Buildings	1,064,664	249,819	--	1,314,483
Machinery and equipment	341,405	43,132	87	384,450
Intangible lease asset	4,262	4,262	--	8,524
Total accumulated depreciation/ amortization	1,636,798	371,505	87	2,008,216
Total capital assets, being depreciated/amortized, net	11,634,538	(342,795)	--	11,291,743
Governmental activity capital assets, net	\$11,636,238	\$(342,795)	\$--	\$11,293,443

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
Instruction	\$218,913
Support services	78,976
Cocurricular activities	73,616
Total depreciation/amortization expense - governmental activities	\$371,505



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 7 - (Continued)

	Balance <u>07/01/23</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/24</u>
Business-type activities:				
Capital assets, being depreciated/amortized:				
Machinery and equipment	\$193,647	\$ --	\$--	\$193,647
Less accumulated depreciation/amortization for:				
Machinery and equipment	<u>65,638</u>	<u>15,125</u>	<u>--</u>	<u>80,763</u>
Business-type activity capital assets, net	\$128,009	\$(15,125)	\$--	\$112,884

Depreciation/amortization expense was charged to functions as follows:

Business-Type Activities:	
Food services	\$15,125

NOTE 8 - LONG-TERM LIABILITIES

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

**PRIMARY GOVERNMENT**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
General Obligation	\$8,370,000	\$ --	\$245,000	\$8,125,000	\$255,000
Capital Outlay Certificates	481,238	--	68,399	412,839	70,362
Unamortized Premiums	676,425	--	31,638	644,787	31,638
Copier Lease	17,757	--	3,976	13,781	3,848
Early Retirement Payable	50,846	--	16,949	33,897	16,949
Accrued Compensated					
Absences	54,099	16,879	--	70,978	--
Accrued Interest	<u>27,714</u>	<u>--</u>	<u>979</u>	<u>26,735</u>	<u>26,735</u>
Total Governmental Activities	\$9,678,079	\$16,879	\$366,941	\$9,328,017	\$404,532

Compensated absences for governmental activities typically have been liquidated from the fund from which the employee's most recent compensation has been paid. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2024, are comprised of the following:

**PRIMARY GOVERNMENT**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 8 - (Continued)**

**General Obligation Bonds:**

General Obligation Bonds, Series 2019, requires semi-annual payments of not more than \$559,850 for the year, from the Bond Redemption Fund with a varying interest rate from 3.0% to 4.0% with the final payment to be made December 1, 2044. \$8,125,000

**Capital Outlay Certificates:**

Limited Tax General Obligation Certificates, Series 2019, requires semi-annual payments of \$81,630.60 for the year, with the first payment due June 1, 2020, from the Capital Outlay Fund with an interest rate of 2.85% with the final payment to be made December 1, 2029. \$ 412,839

**Accrued Compensated Absences:**

Payable for accrued sick leave generally paid from the fund from which the employee's most recent compensation had been paid. \$ 70,978

**Early Retirement Benefits Payable:**

Payments to qualified individuals electing early retirement paid from the General Fund for the year ended June 30, 2024, and maturing in the years ending June 30, 2025, through June 30, 2027. (Generally, certified staff, after serving in the School District for at least 15 years and being not less than 55 years of age, or after serving for at least 25 years and being less than 55 years of age as of July 1<sup>st</sup> of the fiscal year retirement begins, may qualify for the District's retirement benefits subject to specified application procedures and policy prescribed limitation provisions. Benefits generally are paid by lump sum based on the number of years' service to the School District multiplied by \$100 plus \$480 per month for 60 months with start date options for payment provided.) There are currently 2 employees receiving early retirement benefits. \$ 33,897

**Accrued Interest:**

Interest due in December on the General Obligation Bonds and Capital Outlay Certificates. \$ 26,735

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 8 - (Continued)**

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2024

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Early Retirement Benefits Payable	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2025	\$ 255,000	\$ 303,950	\$ 70,362	\$11,268	\$16,949	\$ 342,310	\$ 315,218
2026	265,000	293,550	72,382	9,249	8,474	345,856	302,799
2027	275,000	282,750	74,460	7,171	8,474	357,935	289,921
2028	285,000	271,550	76,597	5,034	--	361,597	276,584
2029	300,000	259,850	78,796	2,835	--	378,796	262,685
2030 - 2034	1,680,000	1,106,850	40,242	573	--	1,720,242	1,107,423
2035 - 2039	2,040,000	735,850	--	--	--	2,040,000	735,850
2040 - 2044	2,475,000	295,325	--	--	--	2,475,000	295,325
2045	<u>550,000</u>	<u>8,250</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>550,000</u>	<u>8,250</u>
	<u>\$8,125,000</u>	<u>\$3,557,925</u>	<u>\$412,839</u>	<u>\$36,130</u>	<u>\$33,897</u>	<u>\$8,571,736</u>	<u>\$3,594,055</u>

**NOTE 9 - LEASES**

The School District has a 12-month lease for the football field at a rate of \$3,500 per year. The payment was paid out of the Capital Outlay Fund. The School District paid a total of \$3,500 from the Capital Outlay Fund for the year ended June 30, 2024.

**Lease Payable**

The School District has a lease for a copier for 5 years beginning September 2022, which is being paid out of the Capital Outlay Fund. The School District paid a total of \$4,884 for the copier lease from the Capital Outlay Fund for the year ended June 30, 2024.

The future principal and interest lease payments as of June 30, 2024, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 3,848	\$ 629	\$ 4,477
2026	4,433	451	4,884
2027	4,692	192	4,884
2028	<u>808</u>	<u>6</u>	<u>814</u>
Total	<u>\$13,781</u>	<u>\$1,278</u>	<u>\$15,059</u>



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 10 - 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 Funds:		
Capital Outlay Purposes	Law	\$2,271,113
Special Education Purposes	Law	501,743
Debt Services Purposes	Law	163,890
SDRS Pension Purposes	Law	<u>343,370</u>
Total Restricted Net Position		<u>\$3,280,116</u>

These balances are restricted due to federal grant and statutory requirements.

**NOTE 11 - INTERFUND TRANSFERS**

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

<u>Transfers from:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
General Fund	\$ --	\$20,000	\$ 20,000
Capital Outlay Fund	<u>250,000</u>	<u>--</u>	<u>250,000</u>
	<u>\$250,000</u>	<u>\$20,000</u>	<u>\$270,000</u>

The School District transferred money from the General Fund to the Food Service Fund to provide money for general operation of the lunch program. The School District transferred money from the Capital Outlay Fund to the General Fund to provide money for the general operation of the School District.

**NOTE 12 - 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). SDRS is a hybrid defined benefit pension plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service.

Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 12 - (Continued)**

**Benefits Provided:**

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to 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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater 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.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 12 - (Continued)**

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023 and 2022, were \$157,621, \$147,422, and \$135,396, respectively, equal to the required contributions each year.

**Pension 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 this measurement period ended June 30, 2023, and reported by the School District as of June 30, 2024, are as follows:

Proportionate share of pension liability	\$13,786,155
Less proportionate share of net pension restricted for pension benefits	<u>13,795,441</u>
Proportionate share of net pension asset	\$ <u>(9,286)</u>

At June 30, 2024, the School District reported an asset of \$9,286 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension liability 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 .095138%, which is an increase of .000634% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$26,885. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$263,213	\$ --
Changes in assumption	317,472	464,073
Net difference between projected and actual earnings on pension plan investments	61,822	--
Changes in proportion and difference between School District contributions and proportionate share of contributions	39	2,010
School District contributions subsequent to the measurement date	<u>157,621</u>	<u>--</u>
Total	<u>\$800,167</u>	<u>\$466,083</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 12 - (Continued)

\$157,621 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, 2025. 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 Ending June 30:

2025	\$ 125,515
2026	(141,309)
2027	179,313
2028	<u>12,944</u>
Total	<u>\$ 176,463</u>

**Actuarial Assumptions:**

The total pension 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 rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

**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

**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.



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 12 - (Continued)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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	<u>1.9%</u>	0.8%
Total	<u>100.0%</u>	

**Discount Rate:**

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	<u>\$1,903,282</u>	<u>\$(9,286)</u>	<u>\$(1,573,402)</u>

**Pension Plan Fiduciary Net Position:**

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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**NOTE 13 - RISK MANAGEMENT**

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

**Employee Health Insurance:**

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage does not have a lifetime maximum payment per person.

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.

**Workers' Compensation:**

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

The School District has Assigned Fund Balance in the General Fund in the amount of \$34,029 for the payment of future unemployment benefits.

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.

**NOTE 14 - LITIGATION**

At June 30, 2024, the School District was not involved in any litigation.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

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NOTE 15 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through May 21, 2025, the date on which the financial statements were available to be issued. The School District has determined there are none.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,737,261	\$1,737,261	\$1,839,970	\$102,709
Prior years' ad valorem taxes	2,000	2,000	2,580	580
Tax deed revenue	--	--	783	783
Utility taxes	111,400	111,400	118,904	7,504
Penalties and interest on taxes	2,500	2,500	2,407	(93)
Earnings on investments and deposits	600	600	959	359
Cocurricular activities:				
Admissions	22,500	22,500	25,832	3,332
Other student activity income	3,000	3,000	3,643	643
Other revenue from local sources:				
Rentals	7,500	7,500	8,104	604
Judgments	--	--	4,000	4,000
Charges for services	4,000	4,000	3,042	(958)
Other	9,500	9,500	8,628	(872)
Revenue from Intermediate Sources:				
County sources:				
County apportionment	16,800	16,800	20,192	3,392
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,410,548	1,410,548	1,509,600	99,052
Restricted grants-in-aid	500	500	9,001	8,501
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	3,000	3,000	3,792	792
Restricted grants-in-aid received directly from federal government	--	--	24,320	24,320
Restricted grants-in-aid received from federal government through the state	<u>261,575</u>	<u>261,575</u>	<u>234,998</u>	<u>(26,577)</u>
TOTAL REVENUES	<u>3,592,684</u>	<u>3,592,684</u>	<u>3,820,755</u>	<u>228,071</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	1,242,320	1,242,320	1,197,228	45,092
Middle/Junior high	303,677	303,677	285,709	17,968
High school	566,100	566,100	555,942	10,158

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Preschool services	31,950	31,950	29,762	2,188
Special programs:				
Educationally deprived	172,287	172,287	153,581	18,706
Support Services:				
Students:				
Guidance	35,500	35,500	34,102	1,398
Health	4,400	4,400	4,400	--
Instructional staff:				
Improvement of instruction	10,800	10,800	9,452	1,348
Educational media	117,475	117,475	112,128	5,347
General administration:				
Board of education	55,800	55,800	60,323	(4,523)
Executive administration	116,300	116,300	115,420	880
School administration:				
Office of the principal	178,700	178,700	188,683	(9,983)
Other	400	400	246	154
Business:				
Fiscal services	92,200	92,200	91,033	1,167
Operation and maintenance of plant	474,700	474,700	494,055	(19,355)
Student transportation services	239,600	239,600	251,465	(11,865)
Nonprogrammed Charges:				
Early retirement payments	16,949	16,949	16,948	1
Cocurricular Activities:				
Male activities	58,300	58,300	57,638	662
Female activities	46,750	46,750	44,968	1,782
Transportation	45,000	45,000	46,558	(1,558)
Combined activities	120,250	120,250	123,040	(2,790)
Contingencies	90,000	90,000		
Amount transferred		--		<u>90,000</u>
TOTAL EXPENDITURES	<u>4,019,458</u>	<u>4,019,458</u>	<u>3,872,681</u>	<u>146,777</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(426,774)</u>	<u>(426,774)</u>	<u>(51,926)</u>	<u>374,848</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	250,000	250,000	250,000	--
Transfers out	(22,000)	(22,000)	(20,000)	2,000
Sale of surplus property	--	--	2,232	<u>2,232</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>228,000</u>	<u>228,000</u>	<u>232,232</u>	<u>4,232</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2024**  
**(Continued)**

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	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	(198,774)	(198,774)	180,306	379,080
FUND BALANCE - BEGINNING	<u>1,185,228</u>	<u>1,185,228</u>	<u>1,185,228</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 986,454</u>	<u>\$ 986,454</u>	<u>\$1,365,534</u>	<u>\$379,080</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND**  
**YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 959,000	\$ 959,000	\$ 988,161	\$ 29,161
Prior years' ad valorem taxes	--	--	1,634	1,634
Penalties and interest on taxes	--	--	1,369	1,369
Other revenue from local sources:				
Contributions and donations	5,300	5,300	8,100	2,800
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	19,800	19,800	7,655	(12,145)
Restricted grants-in-aid received from federal government through the state	<u>55,000</u>	<u>55,000</u>	<u>3,240</u>	<u>(51,760)</u>
TOTAL REVENUES	<u>1,039,100</u>	<u>1,039,100</u>	<u>1,010,159</u>	<u>(28,941)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	57,667	57,667	65,179	(7,512)
Middle/Junior high	20,367	20,367	18,286	2,081
High school	59,367	59,367	48,260	11,107
Special programs:				
Culturally different	--	--	7,655	(7,655)
Educationally deprived	19,800	19,800	--	19,800
Support Services:				
Instructional staff:				
Educational media	144,300	144,300	81,096	63,204
General administration:				
Board of education	4,500	4,500	5,462	(962)
Business:				
Fiscal services	7,399	7,399	7,350	49
Facilities acquisition and construction	45,000	45,000	18,900	26,100
Operation and maintenance of plant	81,900	81,900	41,260	40,640
Food services	2,000	2,000	2,097	(97)
Debt Services	87,500	87,500	86,514	986
Cocurricular Activities:				
Combined activities	<u>38,600</u>	<u>38,600</u>	<u>34,909</u>	<u>3,691</u>
TOTAL EXPENDITURES	<u>568,400</u>	<u>568,400</u>	<u>416,968</u>	<u>151,432</u>

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	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES OVER EXPENDITURES	<u>470,700</u>	<u>470,700</u>	<u>593,191</u>	<u>122,491</u>
OTHER FINANCING USES:				
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>--</u>
TOTAL OTHER FINANCING USES	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>--</u>
NET CHANGE IN FUND BALANCES	220,700	220,700	343,191	122,491
FUND BALANCE - BEGINNING	<u>1,926,771</u>	<u>1,926,771</u>	<u>1,926,771</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$2,147,471</u>	<u>\$2,147,471</u>	<u>\$2,269,962</u>	<u>\$122,491</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND**  
**YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$626,550	\$626,550	\$535,028	\$ (91,522)
Prior years' ad valorem taxes	--	--	\$76	576
Penalties and interest on taxes	--	--	\$57	557
Other revenue from local sources:				
Refund of prior years' expenditures	--	--	1,350	1,350
Charges for services	--	--	809	809
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received				
from federal government				
through the state	<u>109,926</u>	<u>109,926</u>	<u>109,526</u>	<u>(400)</u>
TOTAL REVENUES	<u>736,476</u>	<u>736,476</u>	<u>647,846</u>	<u>(88,630)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	582,068	582,068	491,878	90,190
Support Services:				
Students:				
Psychological	21,000	21,000	22,045	(1,045)
Speech pathology	80,958	80,958	77,901	3,057
Student therapy services	14,000	14,000	12,619	1,381
Special education:				
Administrative costs	18,450	18,450	17,931	519
Other special education costs	<u>70,000</u>	<u>70,000</u>	<u>--</u>	<u>70,000</u>
TOTAL EXPENDITURES	<u>786,476</u>	<u>786,476</u>	<u>622,374</u>	<u>164,102</u>
NET CHANGE IN FUND BALANCES	(50,000)	(50,000)	25,472	75,472
FUND BALANCE - BEGINNING	<u>475,805</u>	<u>475,805</u>	<u>475,805</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$425,805</u>	<u>\$425,805</u>	<u>\$501,277</u>	<u>\$ 75,472</u>



**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH**  
**MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET**  
**JUNE 30, 2024**

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**NOTE 1 - Budgets and Budgetary Accounting**

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

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**NOTE 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 Student Transportation related expenditures.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (ASSET)**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

	Last 10 Fiscal Years (Dollar amounts in thousands)									
	<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)	0.0951380%	0.0945040%	0.094155%	0.0897720%	0.0868180%	0.0828153%	0.0800901%	0.0680608%	0.0819404%	0.0842701%
District's proportionate share of net pension liability (asset)	\$(9)	\$(9)	\$(721)	\$(4)	\$(9)	\$(2)	\$(7)	\$230	\$(348)	\$(607)
District's covered payroll	\$2,459	\$2,257	\$2,137	\$1,970	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496	\$1,474
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.37%	0.40%	33.74%	0.20%	0.49%	0.12%	0.43%	17.77%	23.26%	41.18%
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%

\*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS**  
**SOUTH DAKOTA RETIREMENT SYSTEM**

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	Last 10 Fiscal Years (Dollar amounts in thousands)									
	<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	\$ 158	\$ 147	\$ 135	\$ 128	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90
Contributions in relation to the contractually required contribution	\$ 158	\$ 147	\$ 135	\$ 128	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90
District's covered payroll	\$2,627	\$2,459	\$2,257	\$2,137	\$1,970	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496
Contributions as a percentage of covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**AND SCHEDULE OF PENSION CONTRIBUTIONS**  
**YEAR ENDED JUNE 30, 2024**

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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 Method Changes:

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

Actuarial Assumption Changes:

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

As of June 30, 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.