

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2025

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2025

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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FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

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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, 2025, 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 August 4, 2026.

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 #2025-001 and #2025-002 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, Bierschbach & Anderson, LLP

August 4, 2026

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025

PRIOR AUDIT FINDINGS:

Finding #2024-001

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 #2025-001.

Finding #2024-002

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 #2025-002.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS
JUNE 30, 2025

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2025-001

Criteria

Effective internal controls require segregation of duties to ensure that no single individual has control over all aspects of any significant transaction. This included separating the responsibilities for authorization, custody and recordkeeping functions. An organization also should have an internal control system in place to ensure the accuracy and reliability of financial reporting, compliance with applicable laws and regulations, and the safeguarding of assets.

Condition Found

A material weakness was reported for a lack of internal controls including a lack of segregation of duties for cash, inventory, receivables, capital assets, payables, expenditures, payroll, 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 cash, inventory, receivables, capital assets, payables, expenditures, payroll, 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 cash, inventory, receivables, capital assets, payables, expenditures, payroll, 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 cash, inventory, receivables, capital assets, payables, expenditures, payroll, 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, 2025
(Continued)

Finding #2025-002

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 finding. 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
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4, South Dakota (School District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Faulkton Area Schools District No. 24-4 as of June 30, 2025, 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.

Emphasis of Matter - Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences for the

year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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 August 4, 2026, 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

August 4, 2026

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
JUNE 30, 2025

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 3,407,606	\$127,077	\$ 3,534,683
Taxes receivable	1,743,862	--	1,743,862
Inventories	73,778	--	73,778
Other assets	417,617	--	417,617
Net pension asset	3,727	63	3,790
Capital Assets:			
Land, improvements, and construction/development in progress	1,675,980	--	1,675,980
Other capital assets, net of depreciation/amortization	<u>11,151,938</u>	<u>98,133</u>	<u>11,250,071</u>
TOTAL ASSETS	<u>18,474,508</u>	<u>225,273</u>	<u>18,699,781</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>718,863</u>	<u>7,034</u>	<u>725,897</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>718,863</u>	<u>7,034</u>	<u>725,897</u>
LIABILITIES:			
Accounts payable	11,433	--	11,433
Other current liabilities	486,664	--	486,664
Unearned revenue	--	2,627	2,627
Noncurrent Liabilities:			
Due within one year	432,708	--	432,708
Due in more than one year	<u>8,896,849</u>	<u>--</u>	<u>8,896,849</u>
TOTAL LIABILITIES	<u>9,827,654</u>	<u>2,627</u>	<u>9,830,281</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	2,051,870	--	2,051,870
Pension related deferred inflows	<u>473,052</u>	<u>4,341</u>	<u>477,393</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,524,922</u>	<u>4,341</u>	<u>2,529,263</u>
NET POSITION:			
Net investment in capital assets	3,967,002	98,133	4,065,135
Restricted for:			
Capital outlay purposes	832,070	--	832,070
Special education purposes	557,812	--	557,812
Debt service purposes	151,495	--	151,495
SDRS pension purposes	249,538	2,756	252,294
Unrestricted	<u>1,082,878</u>	<u>124,450</u>	<u>1,207,328</u>
TOTAL NET POSITION	<u>\$ 6,840,795</u>	<u>\$225,339</u>	<u>\$ 7,066,134</u>

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, 2025

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		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
Instruction	\$3,475,922	\$ --	\$329,369	\$203,446	\$(2,943,107)		\$(2,943,107)
Support services	1,789,996	4,424	14,992	6,022	(1,764,558)		(1,764,558)
Nonprogrammed charges	42,370	--	--	--	(42,370)		(42,370)
*Interest on long-term debt	284,198	--	--	--	(284,198)		(284,198)
Cocurricular activities	<u>380,654</u>	<u>33,305</u>	<u>--</u>	<u>10,000</u>	<u>(337,349)</u>		<u>(337,349)</u>
Total Governmental Activities	<u>5,973,140</u>	<u>37,729</u>	<u>344,361</u>	<u>219,468</u>	<u>(5,371,582)</u>		<u>(5,371,582)</u>
Business-Type Activities:							
Food Service	270,547	151,246	77,730	--		\$(41,571)	(41,571)
Drivers Education	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>		<u>--</u>	<u>--</u>
Total Business-Type Activities	<u>270,547</u>	<u>151,246</u>	<u>77,730</u>	<u>--</u>		<u>(41,571)</u>	<u>(41,571)</u>
Total Primary Government	<u>\$6,243,687</u>	<u>\$188,975</u>	<u>\$422,091</u>	<u>\$219,468</u>	<u>(5,371,582)</u>	<u>(41,571)</u>	<u>(5,413,153)</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					
		Utility taxes					
		Revenue from state sources:					
		State aid					
		Other					
		Revenue from federal sources					
		Unrestricted investment earnings					
		Other general revenues					
		Transfers					
		Total General Revenues and Transfers					
		CHANGE IN NET POSITION					
		NET POSITION - BEGINNING					
		Adjustments:					
		Change in accounting principle (Note 17)					
		ADJUSTED NET POSITION - BEGINNING					
		NET POSITION - ENDING					

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, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$1,638,286	\$ 965,231	\$ 615,159	\$188,930	\$3,407,606
Taxes receivable - current	705,166	416,636	372,518	245,568	1,739,888
Taxes receivable - delinquent	2,664	622	322	366	3,974
Due from the federal government	207,839	--	102,560	--	310,399
Due from state government	40,664	--	--	--	40,664
Due from county government	66,554	--	--	--	66,554
Inventory of supplies	<u>70,078</u>	<u>3,700</u>	<u>--</u>	<u>--</u>	<u>73,778</u>
TOTAL ASSETS	<u>\$2,731,251</u>	<u>\$1,386,189</u>	<u>\$1,090,559</u>	<u>\$434,864</u>	<u>\$5,642,863</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 6,603	\$ 1,200	\$ 3,630	\$ --	\$ 11,433
Contracts payable	305,084	--	61,398	--	366,482
Construction contracts payable - retained percentage	--	72,156	--	--	72,156
Payroll deductions and withholdings and employer matching payable	<u>39,825</u>	<u>--</u>	<u>8,201</u>	<u>--</u>	<u>48,026</u>
TOTAL LIABILITIES	<u>351,512</u>	<u>73,356</u>	<u>73,229</u>	<u>--</u>	<u>498,097</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	2,664	622	322	366	3,974
Taxes levied for future period	<u>857,884</u>	<u>480,763</u>	<u>429,854</u>	<u>283,369</u>	<u>2,051,870</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>860,548</u>	<u>481,385</u>	<u>430,176</u>	<u>283,735</u>	<u>2,055,844</u>
FUND BALANCES:					
Nonspendable	70,078	3,700	--	--	73,778
Restricted	--	827,748	587,154	151,129	1,566,031
Assigned	276,430	--	--	--	276,430
Unassigned	<u>1,172,683</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,172,683</u>
TOTAL FUND BALANCES	<u>1,519,191</u>	<u>831,448</u>	<u>587,154</u>	<u>151,129</u>	<u>3,088,922</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$2,731,251</u>	<u>\$1,386,189</u>	<u>\$1,090,559</u>	<u>\$434,864</u>	<u>\$5,642,863</u>

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, 2025

Total Fund Balances - Governmental Funds \$ 3,088,922

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. 3,727

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 12,827,918

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 718,863

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

Bonds	\$7,870,000	
CO certificates	\$ 342,476	
Lease liability	\$ 9,573	
Early retirement	\$ 59,319	
Accrued leave	\$ 409,322	
Accrued interest	\$ 25,718	
Other long-term debt	\$ <u>613,149</u>	(9,329,557)

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

Taxes receivable	\$ <u>3,974</u>	3,974
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (473,052)

Net Position - Governmental Activities \$ 6,840,795

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, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$1,705,395	\$ 918,993	\$716,487	\$541,502	\$ 3,882,377
Prior years' ad valorem taxes	4,886	2,987	2,000	1,771	11,644
Tax deed revenue	33	--	--	--	33
Utility taxes	107,245	--	--	--	107,245
Penalties and interest on taxes	2,860	1,577	1,032	931	6,400
Earnings on investments and deposits	41,618	70,985	15,600	3,626	131,829
Cocurricular activities:					
Admissions	29,957	--	--	--	29,957
Other student activity income	3,348	--	--	--	3,348
Other revenue from local sources:					
Rentals	1,309	--	--	--	1,309
Contributions and donations	--	10,000	--	--	10,000
Refund of prior years' expenditures	--	29,336	--	--	29,336
Charges for services	3,495	--	929	--	4,424
Other	11,916	2,700	--	--	14,616
Revenue from Intermediate Sources:					
County sources:					
County apportionment	28,513	--	--	--	28,513
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	1,741,802	--	--	--	1,741,802
Restricted grants-in-aid	5,775	--	--	--	5,775
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	1,453	--	--	--	1,453
Restricted grants-in-aid received directly from federal government	--	9,217	--	--	9,217
Restricted grants-in-aid received from federal government through the state	<u>224,916</u>	<u>203,446</u>	<u>104,453</u>	<u>--</u>	<u>532,815</u>
TOTAL REVENUES	<u>3,914,521</u>	<u>1,249,241</u>	<u>840,501</u>	<u>547,830</u>	<u>6,552,093</u>
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	1,194,885	55,029	--	--	1,249,914
Middle/Junior high	295,719	96,728	--	--	392,447
High school	558,665	164,893	--	--	723,558
Preschool services	31,136	--	--	--	31,136
Special programs:					
Programs for special education	--	--	574,601	--	574,601
Culturally different	6,664	--	--	--	6,664
Educationally deprived	183,270	9,217	--	--	192,487
Support Services:					
Students:					

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Guidance	36,523	--	--	--	36,523
Health	4,800	--	--	--	4,800
Psychological	--	--	21,995	--	21,995
Speech pathology	--	--	84,369	--	84,369
Student therapy services	--	--	19,880	--	19,880
Instructional staff:					
Improvement of instruction	9,097	--	--	--	9,097
Educational media	128,696	6,585	--	--	135,281
General administration:					
Board of education	51,467	13,229	--	--	64,696
Executive administration	154,179	--	--	--	154,179
School administration:					
Office of the principal	216,672	--	--	--	216,672
Other	236	--	--	--	236
Business:					
Fiscal services	97,974	7,500	--	--	105,474
Operation and maintenance of plant	493,786	24,140	--	--	517,926
Student transportation	261,752	--	--	--	261,752
Food services	--	2,793	--	--	2,793
Special education:					
Administrative costs	--	--	53,779	--	53,779
Nonprogrammed Charges:					
Early retirement payments	16,948	--	--	--	16,948
Debt Services	--	86,514	--	559,910	646,424
Cocurricular Activities:					
Male activities	70,124	--	--	--	70,124
Female activities	40,780	--	--	--	40,780
Transportation	43,950	--	--	--	43,950
Combined activities	116,321	32,371	--	--	148,692
Capital Outlay	--	1,908,756	--	--	1,908,756
TOTAL EXPENDITURES	4,013,644	2,407,755	754,624	559,910	7,735,933
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(99,123)	(1,158,514)	85,877	(12,080)	(1,183,840)
OTHER FINANCING SOURCES (USES):					
Transfers in	280,000	--	--	--	280,000
Transfers out	(30,000)	(280,000)	--	--	(310,000)
Sale of surplus property	2,780	--	--	--	2,780
TOTAL OTHER FINANCING SOURCES (USES)	252,780	(280,000)	--	--	(27,220)
NET CHANGE IN FUND BALANCES	153,657	(1,438,514)	85,877	(12,080)	(1,211,060)
FUND BALANCE - BEGINNING	1,365,534	2,269,962	501,277	163,209	4,299,982
FUND BALANCE - ENDING	\$1,519,191	\$ 831,448	\$587,154	\$151,129	\$ 3,088,922

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, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (1,211,060)

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. 1,908,756

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. (380,303)

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. 6,022

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	\$ 255,000	
CO Certificate	\$ 70,363	
Lease	\$ 4,208	
Early Retirement	<u>\$ 16,948</u>	346,519

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." (837)

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	\$ 11,983	
Early Retirement	<u>\$ 42,370</u>	(54,353)

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. 1,017

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (90,481)

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 \$ 556,918

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, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$117,258	\$9,819	\$127,077
Total Current Assets	117,258	9,819	127,077
Noncurrent Assets:			
Net pension asset	63	--	63
Capital Assets:			
Machinery and equipment - local funds	193,647	--	193,647
Less: accumulated depreciation	(95,514)	--	(95,514)
Total Noncurrent Assets	98,196	--	98,196
TOTAL ASSETS	215,454	9,819	225,273
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	7,034	--	7,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,034	--	7,034
LIABILITIES:			
Current Liabilities:			
Unearned revenue	2,627	--	2,627
TOTAL LIABILITIES	2,627	--	2,627
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	4,341	--	4,341
TOTAL DEFERRED INFLOWS OF RESOURCES	4,341	--	4,341
NET POSITION:			
Net investment in capital assets	98,133	--	98,133
Restricted for:			
SDRS pension purposes	2,756	--	2,756
Unrestricted net position	114,631	9,819	124,450
TOTAL NET POSITION	\$215,520	\$9,819	\$225,339

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, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
OPERATING REVENUE:			
Food Sales			
Student	\$ 104,545	\$ --	\$ 104,545
Adult	7,892	--	7,892
Ala Carte	38,029	--	38,029
Other Charges for Goods and Services	<u>780</u>	<u>--</u>	<u>780</u>
TOTAL OPERATING REVENUE	<u>151,246</u>	<u>--</u>	<u>151,246</u>
OPERATING EXPENSES:			
Salaries	16,824	--	16,824
Employee benefits	8,614	--	8,614
Purchased services	210,067	--	210,067
Supplies	43	--	43
Cost of sales - purchased	2,489	--	2,489
Cost of sales - donated	17,759	--	17,759
Depreciation/amortization	<u>14,751</u>	<u>--</u>	<u>14,751</u>
TOTAL OPERATING EXPENSES	<u>270,547</u>	<u>--</u>	<u>270,547</u>
OPERATING LOSS	<u>(119,301)</u>	<u>--</u>	<u>(119,301)</u>
NONOPERATING REVENUE:			
Investment earnings	3,798	317	4,115
State grants	454	--	454
Federal grants	59,517	--	59,517
Donated food	<u>17,759</u>	<u>--</u>	<u>17,759</u>
TOTAL NONOPERATING REVENUE	<u>81,528</u>	<u>317</u>	<u>81,845</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(37,773)</u>	<u>317</u>	<u>(37,456)</u>
TRANSFERS IN	<u>30,000</u>	<u>--</u>	<u>30,000</u>
CHANGE IN NET POSITION	<u>(7,773)</u>	<u>317</u>	<u>(7,456)</u>
NET POSITION - BEGINNING	<u>223,293</u>	<u>9,502</u>	<u>232,795</u>
NET POSITION - ENDING	<u>\$ 215,520</u>	<u>\$ 9,819</u>	<u>\$ 225,339</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, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 149,313	\$ --	\$ 149,313
Cash payments to employees for services	(24,843)	--	(24,843)
Cash payments to suppliers of goods or services	(212,599)	--	(212,599)
Net cash used by operating activities	(88,129)	--	(88,129)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	30,000	--	30,000
Operating grants	59,971	--	59,971
Net cash flows from noncapital financing activities	89,971	--	89,971
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received for interest	3,798	317	4,115
Net cash provided by investing activities	3,798	317	4,115
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,640	317	5,957
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	111,618	9,502	121,120
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 117,258	\$ 9,819	\$ 127,077
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
OPERATING LOSS	\$(119,301)	\$ --	\$(119,301)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation/amortization	14,751	--	14,751
Value of donated commodities used	17,759	--	17,759
Change in assets and liabilities:			
Pension related deferred outflows	489	--	489
Net pension asset	35	--	35
Unearned revenue	(1,933)	--	(1,933)
Pension related deferred inflows	71	--	71
NET CASH USED BY OPERATING ACTIVITIES	\$ (88,129)	\$ --	\$ (88,129)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 17,759	\$ --	\$ 17,759

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, 2025

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$ <u>18,532</u>	\$ <u>95,664</u>
TOTAL ASSETS	\$ <u>18,532</u>	\$ <u>95,664</u>
NET POSITION:		
Restricted For:		
Organizations	\$ --	\$95,664
Scholarships	<u>18,532</u>	<u> --</u>
TOTAL NET POSITION	\$ <u>18,532</u>	\$ <u>95,664</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, 2025

	Private-Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ADDITIONS:		
Investment earnings:		
Interest and dividends	\$ 163	\$ --
Collections for student activities	<u> --</u>	<u>230,561</u>
TOTAL ADDITIONS	<u> 163</u>	<u>230,561</u>
DEDUCTIONS:		
Payments for student activities	--	224,318
Other deductions	<u>2,510</u>	<u> --</u>
TOTAL DEDUCTIONS	<u>2,510</u>	<u>224,318</u>
CHANGE IN NET POSITION	(2,347)	6,243
NET POSITION - BEGINNING	<u>20,879</u>	<u>89,421</u>
NET POSITION - ENDING	<u>\$18,532</u>	<u>\$ 95,664</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, 2025

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, 2025

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 grants and 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, 2025

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, 2025

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, 2025, 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, 2025

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.

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, 2025 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, 2025 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.

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, 2025****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
Intangible Subscription Assets	\$ 5,000	Straight-line	3 - 8 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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - (Continued)

statements. The School District recognizes lease liabilities with an initial, individual value of \$1 or more.

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

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

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

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

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

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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1 - (Continued)

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1 - (Continued)

same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

m. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position 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, 2025

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, 2025

	<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	\$ 70,078	\$ 3,700	\$ --	\$ --	\$ 73,778
Restricted for:					
Capital Outlay Fund	--	827,748	--	--	827,748
Special Education Fund	--	--	587,154	--	587,154
Debt Service Requirements	--	--	--	151,129	151,129
Assigned to:					
Unemployment	34,029	--	--	--	34,029
Subsequent year's budget	242,401	--	--	--	242,401
Unassigned	<u>1,172,683</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,172,683</u>
Total Fund Balances	\$1,519,191	\$831,448	\$587,154	\$151,129	\$3,088,922

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 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2025, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. This statement modernizes the types of leave that are considered a compensated absence and provides guidance for a consistent recognition of and measurement of the compensated absence liability. The effect of the implementation of this statement on beginning net position is disclosed in Note 17.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	Year Ended
	<u>6/30/2025</u>
Capital Outlay Fund	<u>\$18,122</u>

The Governing Board plans to take the following actions to address these violations: In the future, if there is an on-going construction project from one fiscal year that overlaps to the next, the project retainage amount will be considered so a budget supplement may be completed if needed.

NOTE 4 - 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:

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, 2025, the School District did not have any investments.

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.

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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 4 - (Continued)

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit any interest earned from an insured cash sweep money market to all respective funds and any interest earned from any other checking or money market accounts 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 5 - 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 6 - 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 7 - 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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 7 - (Continued)

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

NOTE 8 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

PRIMARY GOVERNMENT

	Balance <u>07/01/24</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/25</u>
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land	\$ 1,700	\$ --	\$ --	\$ 1,700
Construction/development in progress	<u>--</u>	<u>1,674,280</u>	<u>--</u>	<u>1,674,280</u>
Total capital assets, not being depreciated/amortized	<u>1,700</u>	<u>1,674,280</u>	<u>--</u>	<u>1,675,980</u>
Capital assets, being depreciated/ amortized:				
Improvements	1,587,775	--	--	1,587,775
Buildings	10,968,543	--	--	10,968,543
Machinery and equipment	722,333	240,498	1,171	961,660
Intangible lease assets	<u>21,308</u>	<u>--</u>	<u>--</u>	<u>21,308</u>
Total capital assets, being depreciated/ amortized	<u>13,299,959</u>	<u>240,498</u>	<u>1,171</u>	<u>13,539,286</u>
Less accumulated depreciation/ amortization for:				
Improvements	300,759	74,292	--	375,051
Buildings	1,314,483	249,819	--	1,564,302
Machinery and equipment	384,450	51,930	1,171	435,209
Intangible lease assets	<u>8,524</u>	<u>4,262</u>	<u>--</u>	<u>12,786</u>
Total accumulated depreciation/ amortization	<u>2,008,216</u>	<u>380,303</u>	<u>1,171</u>	<u>2,387,348</u>
Total capital assets, being depreciated/amortized, net	<u>11,291,743</u>	<u>(139,805)</u>	<u>--</u>	<u>11,151,938</u>
Governmental activity capital assets, net	<u>\$11,293,443</u>	<u>\$1,534,475</u>	<u>\$ --</u>	<u>\$12,827,918</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 - (Continued)

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:

Instruction	\$227,080
Support services	79,734
Cocurricular activities	<u>73,489</u>

Total depreciation/amortization expense - governmental activities \$380,303

	<u>Balance</u> <u>07/01/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/25</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>80,763</u>	<u>14,751</u>	--	<u>95,514</u>
Business-type activity capital assets, net	<u>\$112,884</u>	<u>\$(14,751)</u>	\$--	<u>\$98,133</u>

Depreciation/amortization expense was charged to functions as follows:

Business-Type Activities

Food services	<u>\$14,751</u>
---------------	-----------------

Construction/development in progress at June 30, 2025, is composed of the following:

<u>Project Name</u>	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Thru</u> <u>6/30/25</u>	<u>Committed</u>	<u>Required</u> <u>Future</u> <u>Financing</u>
Shop/Wrestling Room/ Classroom Project	\$3,587,000	\$1,674,280	\$1,912,720	\$2,660,000

NOTE 9 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2025, is as follows:

PRIMARY GOVERNMENT

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 - (Continued)

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds Payable:						
General Obligation	\$8,125,000	\$ --	\$ --	\$255,000	\$7,870,000	\$265,000
Capital Outlay Certificates	412,839	--	--	70,363	342,476	72,382
Unamortized Premiums	644,787	--	--	31,638	613,149	31,638
Copier Lease	13,781	--	--	4,208	9,573	4,073
Early Retirement Payable	33,897	--	42,370	16,948	59,319	16,949
Accrued Compensated Absences	70,978	326,361	11,983	--	409,322	16,948
Accrued Interest	<u>26,735</u>	<u>--</u>	<u>--</u>	<u>1,017</u>	<u>25,718</u>	<u>25,718</u>
Total Governmental Activities	<u>\$9,328,017</u>	<u>\$326,361</u>	<u>\$54,353</u>	<u>\$379,174</u>	<u>\$9,329,557</u>	<u>\$432,708</u>

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, 2025, are comprised of the following:

PRIMARY GOVERNMENT

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.

\$7,870,000

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.

\$ 342,476

Accrued Compensated Absences:

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

\$ 409,322

Early Retirement Benefits Payable:

Payments to qualified individuals electing early retirement paid from the General Fund for the year ended June 30, 2025, and maturing in the years ending June 30, 2026, through June 30, 2030. (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 1st of the fiscal year retirement begins, may qualify for the District's retirement benefits subject to specified application procedures and policy

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 - (Continued)

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 3 employees receiving early retirement benefits. \$ 59,319

Accrued Interest:

Interest due in December on the General Obligation Bonds and Capital Outlay Certificates. \$ 25,718

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2025, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2025

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Early Retirement Benefits Payable	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2026	\$ 265,000	\$ 293,550	\$ 72,382	\$ 9,249	\$16,949	\$ 354,331	\$ 302,799
2027	275,000	282,750	74,460	7,171	16,948	366,408	289,921
2028	285,000	271,550	76,597	5,034	8,474	370,071	276,584
2029	300,000	259,850	78,796	2,835	8,474	387,270	262,685
2030	310,000	247,650	40,241	573	8,474	358,715	248,223
2031 - 2035	1,745,000	1,038,350	--	--	--	1,745,000	1,038,350
2036 - 2040	2,125,000	652,550	--	--	--	2,125,000	652,550
2041 - 2045	<u>2,565,000</u>	<u>207,725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,565,000</u>	<u>207,725</u>
	<u>\$7,870,000</u>	<u>\$3,253,975</u>	<u>\$342,476</u>	<u>\$24,862</u>	<u>\$59,319</u>	<u>\$8,271,795</u>	<u>\$3,278,837</u>

NOTE 10 - 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, 2025.

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, 2025.

The future principal and interest lease payments as of June 30, 2025, are as follows:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 - (Continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$4,073	\$451	\$ 4,524
2027	4,692	192	4,884
2028	<u>808</u>	<u>6</u>	<u>814</u>
Total	\$9,573	\$649	\$10,222

NOTE 11 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2025, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$ 832,070
Special Education Purposes	Law	557,812
Debt Services Purposes	Law	151,495
SDRS Pension Purposes	Law	<u>252,294</u>
Total Restricted Net Position		\$1,793,671

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

NOTE 12 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2025, 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	\$ --	\$30,000	\$ 30,000
Capital Outlay Fund	<u>280,000</u>	<u>--</u>	<u>280,000</u>
	<u>\$280,000</u>	<u>\$30,000</u>	<u>\$310,000</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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 13 - 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. 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.

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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent 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 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 - (Continued)

- The increase in the 3rd 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.

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, 2025, 2024 and 2023, were \$167,354, \$157,621, and \$147,422, 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, 2024, SDRS is 100% 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, 2024, and reported by the School District as of June 30, 2025, are as follows:

Proportionate share of pension liability	\$13,969,162
Less proportionate share of net pension restricted for pension benefits	<u>13,972,952</u>
Proportionate share of net pension asset	\$ <u>(3,790)</u>

At June 30, 2025, the School District reported an asset of \$3,790 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, 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, 2024, the School District's proportion was .0936380%, which is a decrease of .0015% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense of \$91,078. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 - (Continued)

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience	\$350,998	\$ --
Changes in assumption	62,493	476,358
Net difference between projected and actual earning on pension plan investments	142,776	--
Changes in proportion and difference between School District contributions and proportionate share of contributions	2,276	1,035
School District contributions subsequent to the measurement date	<u>167,354</u>	<u>--</u>
Total	<u>\$725,897</u>	<u>\$477,393</u>

\$167,354 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, 2026. 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

2026	\$(132,615)
2027	182,954
2028	19,213
2029	<u>11,598</u>
Total	<u>\$ 81,150</u>

Actuarial Assumptions:

The total pension asset in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded by years of service from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.5% and real returns of 4.00%
Future COLAs	1.71%

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 - (Continued)

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (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%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

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).

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 - (Continued)

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)	\$1,926,098	\$(3,790)	\$(1,583,040)

Pension Plan Fiduciary Net Position:

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

NOTE 14 - 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, 2025, 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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 14 - (Continued)

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, 2025, no claims for unemployment benefits were paid. At June 30, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 - LITIGATION

At June 30, 2025, the School District was not involved in any litigation.

NOTE 16 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through August 4, 2026, the date on which the financial statements were available to be issued. As of June 30, 2025, the School Board had approved the issuance of Capital Outlay certificates for \$2,660,000 to help finance the shop/wrestling room/classroom project. As of June 30, 2025, none of the loan proceeds had been received yet. The School District received the proceeds in July 2025 in the amount of \$2,726,970 which consisted of \$2,660,000 Capital Outlay certificates plus an additional \$100,220 reoffering premium less an underwriters discount of \$33,250.

NOTE 17 - RESTATEMENT - CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2024, the School District adopted GASB Statement No. 101, Compensated Absences. The provisions of the standard modernize the types of leave that are considered a compensated absence and provides guidance for consistent recognition and measurement of the compensated absence liability. Therefore, beginning net position as of July 1, 2024, for governmental activities was decreased and current and noncurrent compensated absence liabilities were increased by \$326,361.

REQUIRED SUPPLEMENTARY INFORMATION

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,728,796	\$1,728,796	\$1,705,395	\$ (23,401)
Prior years' ad valorem taxes	2,000	2,000	4,886	2,886
Tax deed revenue	--	--	33	33
Utility taxes	115,000	115,000	107,245	(7,755)
Penalties and interest on taxes	2,500	2,500	2,860	360
Earnings on investments and deposits	900	900	41,618	40,718
Cocurricular activities:				
Admissions	23,000	23,000	29,957	6,957
Other student activity income	3,500	3,500	3,348	(152)
Other revenue from local sources:				
Rentals	500	500	1,309	809
Charges for services	4,000	4,000	3,495	(505)
Other	8,000	8,000	11,916	3,916
Revenue from Intermediate Sources:				
County sources:				
County apportionment	19,000	19,000	28,513	9,513
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,710,888	1,710,888	1,741,802	30,914
Restricted grants-in-aid	--	--	5,775	5,775
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	3,000	3,000	1,453	(1,547)
Restricted grants-in-aid received directly from federal government	5,906	5,906	--	(5,906)
Restricted grants-in-aid received from federal government through the state	<u>238,663</u>	<u>238,663</u>	<u>224,916</u>	<u>(13,747)</u>
TOTAL REVENUES	<u>3,865,653</u>	<u>3,865,653</u>	<u>3,914,521</u>	<u>48,868</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	1,276,871	1,276,871	1,194,885	81,986
Middle/Junior high	301,900	301,900	295,719	6,181
High school	581,200	581,200	558,665	22,535

	<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	32,900	32,900	31,136	1,764
Special programs:				
Culturally different	--	--	6,664	(6,664)
Educationally deprived	177,681	177,681	183,270	(5,589)
Support Services:				
Students:				
Guidance	36,400	36,400	36,523	(123)
Health	4,500	4,500	4,800	(300)
Instructional staff:				
Improvement of instruction	12,300	12,300	9,097	3,203
Educational media	135,000	135,000	128,696	6,304
General administration:				
Board of education	59,300	59,300	51,467	7,833
Executive administration	156,600	156,600	154,179	2,421
School administration:				
Office of the principal	219,900	219,900	216,672	3,228
Other	400	400	236	164
Business:				
Fiscal services	97,400	97,400	97,974	(574)
Operation and maintenance of plant	556,300	556,300	493,786	62,514
Student transportation services	264,100	264,100	261,752	2,348
Nonprogrammed Charges:				
Early retirement payments	16,949	16,949	16,948	1
Cocurricular Activities:				
Male activities	62,500	62,500	70,124	(7,624)
Female activities	48,200	48,200	40,780	7,420
Transportation	50,000	50,000	43,950	6,050
Combined activities	125,300	125,300	116,321	8,979
Contingencies	90,000	90,000		
Amount transferred		--		<u>90,000</u>
TOTAL EXPENDITURES	<u>4,305,701</u>	<u>4,305,701</u>	<u>4,013,644</u>	<u>292,057</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(440,048)</u>	<u>(440,048)</u>	<u>(99,123)</u>	<u>340,925</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	280,000	280,000	280,000	--
Transfers out	(32,000)	(32,000)	(30,000)	2,000
Sale of surplus property	--	--	<u>2,780</u>	<u>2,780</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>248,000</u>	<u>248,000</u>	<u>252,780</u>	<u>4,780</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2025
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	(192,048)	(192,048)	153,657	345,705
FUND BALANCE - BEGINNING	<u>1,365,534</u>	<u>1,365,534</u>	<u>1,365,534</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,173,486</u>	<u>\$1,173,486</u>	<u>\$1,519,191</u>	<u>\$345,705</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2025

	<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	\$ 959,000	\$ 959,000	\$ 918,993	\$ (40,007)
Prior years' ad valorem taxes	--	--	2,987	2,987
Penalties and interest on taxes	--	--	1,577	1,577
Earnings on investments and deposits	--	--	70,985	70,985
Other revenue from local sources:				
Contributions and donations	8,000	8,000	10,000	2,000
Refund of prior years' expenditures	--	--	29,336	29,336
Other	--	2,700	2,700	--
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received				
directly from federal government	11,500	11,500	9,217	(2,283)
Restricted grants-in-aid received from				
federal government through the state	<u>219,375</u>	<u>219,375</u>	<u>203,446</u>	<u>(15,929)</u>
TOTAL REVENUES	<u>1,197,875</u>	<u>1,200,575</u>	<u>1,249,241</u>	<u>48,666</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	53,268	53,268	55,029	(1,761)
Middle/Junior high	100,816	100,816	96,728	4,088
High school	364,691	364,691	346,333	18,358
Special programs:				
Educationally deprived	11,500	11,500	9,217	2,283
Support Services:				
Instructional staff:				
Educational media	31,200	31,200	25,501	5,699
General administration:				
Board of education	13,000	13,000	13,229	(229)
Business:				
Fiscal services	7,500	7,500	7,500	--
Facilities acquisition and construction	--	1,600,924	1,674,280	(73,356)
Operation and maintenance of plant	51,600	51,600	29,828	21,772
Student transportation services	--	10,150	10,150	--
Food services	5,400	5,400	2,793	2,607
Debt Services	87,500	87,500	86,514	986
Cocurricular Activities:				
Combined activities	<u>49,300</u>	<u>52,084</u>	<u>50,653</u>	<u>1,431</u>
TOTAL EXPENDITURES	<u>775,775</u>	<u>2,389,633</u>	<u>2,407,755</u>	<u>(18,122)</u>

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>422,100</u>	<u>(1,189,058)</u>	<u>(1,158,514)</u>	<u>30,544</u>
OTHER FINANCING USES:				
Transfers out	<u>(280,000)</u>	<u>(280,000)</u>	<u>(280,000)</u>	<u>--</u>
TOTAL OTHER FINANCING USES	<u>(280,000)</u>	<u>(280,000)</u>	<u>(280,000)</u>	<u>--</u>
NET CHANGE IN FUND BALANCES	142,100	(1,469,058)	(1,438,514)	30,544
FUND BALANCE - BEGINNING	<u>2,269,962</u>	<u>2,269,962</u>	<u>2,269,962</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$2,412,062</u>	<u>\$ 800,904</u>	<u>\$ 831,448</u>	<u>\$ 30,544</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2025

	<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	\$ 857,000	\$ 857,000	\$716,487	\$(140,513)
Prior years' ad valorem taxes	--	--	2,000	2,000
Penalties and interest on taxes	--	--	1,032	1,032
Earnings on investments and deposits	--	--	15,600	15,600
Other revenue from local sources:				
Charges for services	--	--	929	929
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received				
from federal government				
through the state	<u>105,391</u>	<u>105,391</u>	<u>104,453</u>	<u>(938)</u>
TOTAL REVENUES	<u>962,391</u>	<u>962,391</u>	<u>840,501</u>	<u>(121,890)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	734,489	734,489	574,601	159,888
Support Services:				
Students:				
Psychological	25,000	25,000	21,995	3,005
Speech pathology	83,302	83,302	84,369	(1,067)
Student therapy services	15,000	15,000	19,880	(4,880)
Special education:				
Administrative costs	54,600	54,600	53,779	821
Other special education costs	<u>100,000</u>	<u>100,000</u>	<u>--</u>	<u>100,000</u>
TOTAL EXPENDITURES	<u>1,012,391</u>	<u>1,012,391</u>	<u>754,624</u>	<u>257,767</u>
NET CHANGE IN FUND BALANCES	(50,000)	(50,000)	85,877	135,877
FUND BALANCE - BEGINNING	<u>501,277</u>	<u>501,277</u>	<u>501,277</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ 451,277</u>	<u>\$ 451,277</u>	<u>\$587,154</u>	<u>\$ 135,877</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, 2025

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 Years*
(Dollar amounts in thousands)

<u>Fiscal Year</u>	<u>District's Proportion of the Net Pension Liability/(Asset)</u>	<u>District's Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)</u>
2025	0.093638%	\$ (4)	\$2,627	0.15%	100.00%
2024	0.095138%	\$ (9)	\$2,459	0.37%	100.10%
2023	0.094504%	\$ (9)	\$2,257	0.40%	100.10%
2022	0.094155%	\$(721)	\$2,137	33.74%	105.52%
2021	0.089772%	\$ (4)	\$1,970	0.20%	100.04%
2020	0.086818%	\$ (9)	\$1,846	0.49%	100.09%
2019	0.082815%	\$ (2)	\$1,722	0.12%	100.02%
2018	0.080090%	\$ (7)	\$1,620	0.43%	100.10%
2017	0.068061%	\$ 230	\$1,294	17.77%	96.89%
2016	0.081940%	\$(348)	\$1,496	23.26%	104.10%

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

Last 10 years
(Dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2025	\$167	\$167	\$2,789	6.00%
2024	\$158	\$158	\$2,627	6.00%
2023	\$147	\$147	\$2,459	6.00%
2022	\$135	\$135	\$2,257	6.00%
2021	\$128	\$128	\$2,137	6.00%
2020	\$118	\$118	\$1,970	6.00%
2019	\$111	\$111	\$1,846	6.00%
2018	\$103	\$103	\$1,722	6.00%
2017	\$ 97	\$ 97	\$1,620	6.00%
2016	\$ 78	\$ 78	\$1,294	6.00%

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, 2025

Changes from Prior Valuation:

The June 30, 2024 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023 Actuarial Valuation.

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

Benefit Provision Changes:

During the 2024 Legislative Session no significant SDRS benefit changes were made.

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, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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.