

Howard School District No. 48-3

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

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

Howard School District No. 48-3

School District Officials

June 30, 2024

Board Members

Julie Schwader ----- President

Stacy Kampshoff-----Vice President

Sara Miller ----- Member

Danny Connor----- Member

Wyatt Walter----- Member

Kyle Karstens ----- Member

Randy Hofer ----- Member

James Kayl -----Superintendent

Kimberly Cleveland -----Business Manager

Howard School District No. 48-3

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

School Board
Howard School District No. 48-3
Miner County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard School District No. 48-3, Miner County, South Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Howard School District’s basic financial statements, and have issued our report thereon dated October 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Howard 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 Howard School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Howard 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 entity’s financial statements will not be prevented or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2024-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard 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 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*.

Howard School District No. 48-3 Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Huron, South Dakota
October 30, 2024

Howard School District No. 48-3
Schedule of Prior Audit Findings
Year Ended June 30, 2024

Prior Audit Findings

Finding 2023-001

Material Weakness

Internal Control Over Year-end Closing Procedures Including Preparation of the Financial Statements

Repeat Finding from Prior Year: Yes

Finding Summary: The School District internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Status: Ongoing. Due to lack to technical knowledge, it is not deemed feasible for the School District staff to prepare the financial statements and footnotes. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Howard School District No. 48-3
Schedule of Current Audit Findings
Year Ended June 30, 2024

Current Audit Findings

Finding 2024-001

Significant Deficiency

Internal Control Over Year-end Closing Procedures Including Preparation of the Financial Statements

Criteria: Howard School District 48-3 requested the external auditors to assist in the preparation of the financial statements, and related footnotes for the year ended June 30, 2024. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Condition: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Cause: The lack of technical knowledge of the School District's staff and resources cause the inability to prepare the financial statements and footnotes.

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

Auditor's 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. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

View of Management: Management agrees with the finding



Independent Auditor's Report

School Board
Howard School District No. 48-3
Howard, 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 Howard School District No. 48-3 as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Howard 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 Howard School District as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions or 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 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.

Handwritten signature in cursive script that reads "ELO Prof LLC".

Huron, South Dakota
October 30, 2024

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

This section of Howard School District No. 48-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2024. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

During the year, the School's revenues of \$5,650,875 generated from taxes and other revenues of the governmental and business-type programs were \$220,066 more than the \$5,430,809 in governmental and business-type program expenditures.

Total revenues were down 1.3% mainly due to a decrease in operating grants and contributions.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and After School program and Drivers Education (Fund 53).
- Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Howard School District No. 48-3
 Management’s Discussion and Analysis (MD&A)
 June 30, 2024

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

Figure A-1
 Major Features of Howard School's Government-Wide and Fund Financial Statements

	Government Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers’ education program	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

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

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

The School has three kinds of funds:

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

Howard School District No. 48-3
Management’s Discussion and Analysis (MD&A)
June 30, 2024

Financial Analysis of the School as a Whole

Net Position

The School’s combined net position increased as follows:

Table A-1
Howard School District No. 48-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2023	2024	2023	2024	2023	2024	Change
Current and Other Assets	\$ 7,099,708	\$ 7,353,534	\$ 136,473	\$ 85,904	\$ 7,236,181	\$ 7,439,438	2.81%
Capital Assets (Net of Depreciation)	9,381,177	9,144,489	60,680	91,710	9,441,857	9,236,199	-2.18%
Total Assets	16,480,885	16,498,023	197,153	177,614	16,678,038	16,675,637	-0.01%
Pension and OPEB Related Deferred Outflows	1,028,930	998,399	--	--	1,028,930	998,399	-2.97%
Total Deferred Outflows of Resources	1,028,930	998,399	--	--	1,028,930	998,399	-2.97%
Long-Term Liabilities Outstanding	4,367,336	4,038,270	--	--	4,367,336	4,038,270	-7.53%
Other Liabilities	320,412	287,847	32,374	27,553	352,786	315,400	-10.60%
Total Liabilities	4,687,748	4,326,117	32,374	27,553	4,720,122	4,353,670	-7.76%
Taxes Levied for Future Period	1,387,746	1,511,918	--	--	1,387,746	1,511,918	8.95%
Pension and OPEB Related Deferred Inflows	1,001,717	991,829	--	--	1,001,717	991,829	-0.99%
Total Deferred Inflows of Resources	2,389,463	2,503,747	--	--	2,389,463	2,503,747	4.78%
Net Position							
Net Investment in Capital Assets	5,414,426	5,487,680	60,680	91,710	5,475,106	5,579,390	1.90%
Restricted	3,939,880	3,742,434	--	--	3,939,880	3,742,434	-5.01%
Unrestricted	1,078,298	1,436,444	104,099	58,351	1,182,397	1,494,795	26.42%
Total Net Position	10,432,604	10,666,558	164,779	150,061	10,597,383	10,816,619	2.07%
Beginning Net Position	9,818,243	10,432,604	147,589	164,779	9,965,832	10,597,383	6.34%
Increase (Decrease) in Net Position	\$ 614,361	\$ 233,954	\$ 17,190	\$ (14,718)	\$ 631,551	\$ 219,236	

The District’s combined net position of approximately \$10.8 million is approximately \$220 thousand or 2.08% more than on June 30, 2023.

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

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

Changes in Net Position

The District's revenues totaled \$5,650,875. (See Table A-2.) This was an approximately 1.9% decrease. Approximately 69% of the District's revenue comes from property and other taxes, with another 13% from state aid. (See Table A-2.)

Table A-2
Howard School District No. 48-3
Sources of Revenues
Fiscal Year 2023-2024

Taxes	\$ 3,933,986	69.63%
State sources	725,150	12.83%
Operating grants & contributions	690,528	12.22%
Charges for services	213,036	3.77%
Unrestricted investment earnings	67,920	1.20%
Other revenues	<u>19,425</u>	<u>0.35%</u>
Total Revenue	<u><u>\$ 5,650,045</u></u>	<u><u>100.00%</u></u>

Total costs of all programs and service increased by approximately 5.8%. The District's expenses totaled \$5,430,809. (See Table A-3.) The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, food services, driver's education and FAST program. (See Table A-3.)

Table A-3
Howard School District No. 48-3
Statement of Expenditures
Fiscal Year 2023-2024

Instruction	\$ 2,721,544	50.12%
Support services	1,893,798	34.87%
Cocurricular activities	391,939	7.22%
Interest on long-term debt	129,960	2.39%
Food service	272,336	5.01%
Drivers education	<u>21,232</u>	<u>0.39%</u>
Total Expenditures	<u><u>\$ 5,430,809</u></u>	<u><u>100.00%</u></u>

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

Governmental and Business-Type Activities

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

Table A-4
Howard School District 48-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	2023-2024
Revenues							
Program Revenues:							
Charges for services	\$ 54,720	\$ 55,730	\$ 140,232	\$ 157,306	\$ 194,952	\$ 213,036	9.28%
Operating grants and contributions	650,891	604,656	107,310	85,872	758,201	690,528	-8.93%
Capital grants and contributions	--	--	28,481	--	28,481	--	-100.00%
General Revenues:							
Taxes	3,913,494	3,933,986	--	--	3,913,494	3,933,986	0.52%
Revenue state sources	790,099	725,150	--	--	790,099	725,150	-8.22%
Unrestricted investment earnings	51,475	67,920	5	--	51,480	67,920	31.93%
Other general revenues	25,151	19,425	214	--	25,365	19,425	-23.42%
Total Revenues	<u>5,485,830</u>	<u>5,406,867</u>	<u>276,242</u>	<u>243,178</u>	<u>5,762,072</u>	<u>5,650,045</u>	-1.94%
Expenses							
Instruction	2,535,254	2,721,544	--	--	2,535,254	2,721,544	7.35%
Support services	1,839,171	1,893,798	--	--	1,839,171	1,893,798	2.97%
Interest on long-term debt	137,017	129,960	--	--	137,017	129,960	-5.15%
Cocurricular activities	359,147	391,939	--	--	359,147	391,939	9.13%
Food service	--	--	248,816	272,336	248,816	272,336	9.45%
Other enterprise activity	--	--	11,116	21,232	11,116	21,232	91.00%
Total Expenses	<u>4,870,589</u>	<u>5,137,241</u>	<u>259,932</u>	<u>293,568</u>	<u>5,130,521</u>	<u>5,430,809</u>	5.85%
Excess (Deficiency) Before Transfers	<u>615,241</u>	<u>269,626</u>	<u>16,310</u>	<u>(50,390)</u>	<u>631,551</u>	<u>219,236</u>	-65.29%
Transfers	<u>(880)</u>	<u>(35,672)</u>	<u>880</u>	<u>35,672</u>	<u>--</u>	<u>--</u>	0.00%
Increase (Decrease) in Net Position	614,361	233,954	17,190	(14,718)	631,551	219,236	-65.29%
Beginning Net Position	<u>9,818,243</u>	<u>10,432,604</u>	<u>147,589</u>	<u>164,779</u>	<u>9,965,832</u>	<u>10,597,383</u>	6.34%
Ending Net Position	<u>\$10,432,604</u>	<u>\$10,666,558</u>	<u>\$ 164,779</u>	<u>\$ 150,061</u>	<u>\$10,597,383</u>	<u>\$10,816,619</u>	2.07%

Governmental Activities

Revenues for the School's governmental activities increased primarily due to increases in operating grants and contributions, state revenue, and unrestricted investment earnings.

Business-Type Activities

Net position of the School's business-type activities decreased approximately \$15,000, mainly due to a decrease in operating grants and contributions and an increase in food service expense.

Howard School District No. 48-3
Management’s Discussion and Analysis (MD&A)
June 30, 2024

Financial Analysis of the School’s Funds

Overall, the governmental funds have increased approximately \$235,000 in net position over last year.

General Fund Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Capital Asset Administration

By the end of 2024, the School had invested \$9,236,199 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) Total capital outlay expenditures were \$277,724.

Table A-5
Howard School District - Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2023	2024	2023	2024	2023-2024	2023-2024
Land	\$ 19,965	\$ 19,965	\$ --	\$ --	\$ --	0.00%
Construction in progress	128,166	--	--	--	(128,166)	0.00%
Buildings	8,335,184	8,302,708	--	--	(32,476)	-0.39%
Improvements other than buildings	204,468	152,953	--	--	(51,515)	-33.68%
Machinery and equipment	693,394	668,863	60,680	91,710	6,499	0.97%
Total Capital Assets (Net)	<u>\$ 9,381,177</u>	<u>\$ 9,144,489</u>	<u>\$ 60,680</u>	<u>\$ 91,710</u>	<u>\$ (205,658)</u>	-2.25%

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

Long-Term Debt

At year-end, the School had \$4,038,270 in long-term obligations. This balance includes Bonds payable, energy loan, OPEB liability and accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
Howard School District - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2023	2024	2023-2024	2023-2024
QSCB Bond	\$ 1,295,000	\$ 1,295,000	\$ --	0.00%
QZAB Bond	100,003	66,670	(33,333)	-33.33%
GOB -2015	1,020,000	885,000	(135,000)	-13.24%
Unamortized premium	16,580	14,211	(2,369)	-14.29%
Energy loan	88,668	70,928	(17,740)	-20.01%
OPEB	355,179	349,555	(5,624)	-1.58%
Compensated absences	31,906	31,906	--	0.00%
GOB - 2021	1,460,000	1,325,000	(135,000)	100.00%
Total Outstanding Debt and Obligations	<u>\$ 4,367,336</u>	<u>\$ 4,038,270</u>	<u>\$ (329,066)</u>	-7.53%

The School is liable for the accrued sick leave payable to the various employees who have five consecutive years or more of employment at the School District.

Economic Factors and Next Year's Budgets and Rates

Based on fund balances for governmental activities, the District's economic position increased by \$161,936. The fund balance for the General Fund, increased by \$317,589. This included a \$720,000 transfer from the Capital Outlay Fund permitted by statute. The \$720,000 transfer represents 45% of the Capital Outlay tax revenue for FY24. Statute allows up to 45% to be transferred. The remaining transfer amounts represent interest earned. The fund balance for the Capital Outlay Fund increased by \$49,524. The fund balance for the special education fund decreased by \$292,509.

The School's enrollment for the last three years has been as follows:

Year	ADM	Percent (Decrease) in ADM
2024	328	-6.55%
2023	351	0.86%
2022	348	2.65%

Howard School District No. 48-3
Management's Discussion and Analysis (MD&A)
June 30, 2024

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Howard School District's Business Office, 500 N. Section Line St., Howard, SD 57349.

Howard School District No. 48-3
Statement of Net Position – Government-Wide
June 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 3,226,935	\$ 83,636	\$ 3,310,571
Investments	486,704	--	486,704
Taxes receivable	1,526,422	--	1,526,422
Inventories	760	2,268	3,028
Other assets	937,541	--	937,541
Restricted assets:			
Cash and cash equivalents	1,165,500	--	1,165,500
Net pension asset	9,672	--	9,672
Capital assets:			
Land and construction in progress	19,965	--	19,965
Other capital assets, net of depreciation	9,124,524	91,710	9,216,234
Total Assets	<u>16,498,023</u>	<u>177,614</u>	<u>16,675,637</u>
Deferred Outflows of Resources			
Pension related deferred outflows	855,660	--	855,660
OPEB related deferred outflows	142,739	--	142,739
Total Deferred Outflows of Resources	<u>998,399</u>	<u>--</u>	<u>998,399</u>
Liabilities:			
Other current liabilities	287,847	765	288,612
Unearned revenue	--	26,788	26,788
Noncurrent liabilities:			
Due within one year	326,073	--	326,073
Due in more than one year	3,712,197	--	3,712,197
Total Liabilities	<u>4,326,117</u>	<u>27,553</u>	<u>4,353,670</u>
Deferred Inflows of Resources			
Taxes levied for future period	1,511,918	--	1,511,918
Pension related deferred inflows	483,390	--	483,390
OPEB related deferred inflows	508,439	--	508,439
Total Deferred Inflows of Resources	<u>2,503,747</u>	<u>--</u>	<u>2,503,747</u>
Net Position:			
Net Investment in Capital Assets	5,487,680	91,710	5,579,390
Restricted for:			
Capital Outlay	1,667,873	--	1,667,873
Special Education	527,119	--	527,119
Debt Service	1,165,500	--	1,165,500
SDRS Pension Purposes	381,942	--	381,942
Unrestricted	1,436,444	58,351	1,494,795
Total Net Position	<u>\$ 10,666,558</u>	<u>\$ 150,061</u>	<u>\$ 10,816,619</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Activities – Government-Wide
For the Year Ended June 30, 2024

Functions/ Programs	Program Revenues				Net (Expense)Revenue and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
Instruction	\$ 2,721,544	\$ --	\$ 603,740	\$ --	\$ (2,117,804)	\$ --	\$ (2,117,804)	
Support services	1,893,798	22,811	--	--	(1,870,987)	--	(1,870,987)	
Interest on long-term debt *	129,960	--	--	--	(129,960)	--	(129,960)	
Cocurricular activities	391,939	32,919	916	--	(358,104)	--	(358,104)	
Total Governmental Activities	<u>5,137,241</u>	<u>55,730</u>	<u>604,656</u>	<u>--</u>	<u>(4,476,855)</u>	<u>--</u>	<u>(4,476,855)</u>	
Business-Type Activities:								
Food service	272,336	137,185	85,872	--	--	(49,279)	(49,279)	
FAST program	--	4,121	--	--	--	4,121	4,121	
Summer acceleration	--	9,500	--	--	--	9,500	9,500	
Preschool	--	1,000	--	--	--	1,000	1,000	
Drivers education	21,232	5,500	--	--	--	(15,732)	(15,732)	
Total Business-Type Activities	<u>293,568</u>	<u>157,306</u>	<u>85,872</u>	<u>--</u>	<u>--</u>	<u>(50,390)</u>	<u>(50,390)</u>	
Total Primary Government	<u>\$ 5,430,809</u>	<u>\$ 213,036</u>	<u>\$ 690,528</u>	<u>\$ --</u>	<u>(4,476,855)</u>	<u>(50,390)</u>	<u>(4,527,245)</u>	
General Revenues:								
Taxes:								
					Property taxes	3,532,088	--	3,532,088
					Utility taxes	401,898	--	401,898
Revenue from State Sources:								
					State aid	725,150	--	725,150
					Unrestricted investment earnings	67,920	--	67,920
					Other general revenues	19,425	--	19,425
					Transfers	(35,672)	35,672	--
					Total General Revenues	<u>4,710,809</u>	<u>35,672</u>	<u>4,746,481</u>
					Change in Net Position	233,954	(14,718)	219,236
					Net Position - Beginning of Year	<u>10,432,604</u>	<u>164,779</u>	<u>10,597,383</u>
					Net Position - End of Year	<u>\$ 10,666,558</u>	<u>\$ 150,061</u>	<u>\$ 10,816,619</u>

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

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Balance Sheet – Governmental Funds
June 30, 2024

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 1,142,046	\$ 1,616,064	\$ 468,825	\$ --	\$ 3,226,935
Investments	486,704	--	--	--	486,704
Taxes receivable--current	674,636	689,017	148,265	--	1,511,918
Taxes receivable--delinquent	8,482	4,932	1,090	--	14,504
Due from other governments	771,499	51,809	112,233	--	935,541
Inventory of supplies	760	--	--	--	760
Advance from other fund	2,000	--	--	--	2,000
Restricted cash and cash equivalents	--	--	--	1,165,500	1,165,500
Total Assets	<u>\$ 3,086,127</u>	<u>\$ 2,361,822</u>	<u>\$ 730,413</u>	<u>\$ 1,165,500</u>	<u>\$ 7,343,862</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Contracts payable	\$ 210,957	\$ --	\$ 33,470	\$ --	\$ 244,427
Payroll deductions and withholding and employer matching payable	22,951	--	20,469	--	43,420
Total Liabilities	<u>233,908</u>	<u>--</u>	<u>53,939</u>	<u>--</u>	<u>287,847</u>
Deferred Inflows of Resources:					
Taxes Levied for a Future Period	674,636	689,017	148,265	--	1,511,918
Unavailable Revenue-Property Taxes	8,482	4,932	1,090	--	14,504
Unavailable Revenue-Utility Taxes	50,028	--	--	--	50,028
Total Deferred Inflows of Resources	<u>733,146</u>	<u>693,949</u>	<u>149,355</u>	<u>--</u>	<u>1,576,450</u>
Fund Balances:					
Nonspendable:					
Inventory	760	--	--	--	760
Advance	2,000	--	--	--	2,000
Restricted:					
Capital outlay	--	1,667,873	--	--	1,667,873
Special education	--	--	527,119	--	527,119
Bond redemption	--	--	--	1,165,500	1,165,500
Assigned to:					
Next year's budget	250,000	--	--	--	250,000
Unassigned	1,866,313	--	--	--	1,866,313
Total Fund Balances	<u>2,119,073</u>	<u>1,667,873</u>	<u>527,119</u>	<u>1,165,500</u>	<u>5,479,565</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,086,127</u>	<u>\$ 2,361,822</u>	<u>\$ 730,413</u>	<u>\$ 1,165,500</u>	<u>\$ 7,343,862</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position – Governmental Funds
June 30, 2024

Total Fund Balances - Governmental Funds	\$ 5,479,565
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	9,672
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,144,489
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	855,660
OPEB related deferred outflows are components of OPEB liability and therefore are not reported in the funds.	142,739
Long-term liabilities, bonds payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(4,038,270)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(483,390)
OPEB related deferred inflows are components of OPEB liability and therefore are not reported in the funds.	(508,439)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	<u>64,532</u>
Net Position-Government Funds	<u><u>\$ 10,666,558</u></u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2024

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,575,294	\$ 1,597,763	\$ 334,315	\$ --	\$ 3,507,372
Prior years' ad valorem taxes	7,855	8,198	1,651	--	17,704
Utility taxes	401,898	--	--	--	401,898
Penalties and interest on taxes	1,872	2,024	415	--	4,311
Earnings on Investments and Deposits	57,639	--	6,777	3,504	67,920
Cocurricular Activities:					
Admissions	31,888	--	--	--	31,888
Other student activity income	1,031	--	--	--	1,031
Other Revenue from Local Sources:					
Rentals	1,460	--	--	--	1,460
Refund of prior years' expenditures	916	--	--	--	916
Charges for services	3,149	--	19,662	--	22,811
Other	6,257	500	--	--	6,757
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	9,525	--	--	--	9,525
Revenue in lieu of taxes	1,683	--	--	--	1,683
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	725,150	--	--	--	725,150
Other State Revenue	100	--	--	--	100
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	337,810	101,787	112,233	--	551,830
Other Federal Revenue	--	51,810	--	--	51,810
Total Revenues	<u>\$ 3,163,527</u>	<u>\$ 1,762,082</u>	<u>\$ 475,053</u>	<u>\$ 3,504</u>	<u>\$ 5,404,166</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2024 (Continued)

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Expenditures:					
Instruction:					
Regular Programs:					
Elementary	\$ 769,767	\$ 27,165	\$ --	\$ --	\$ 796,932
Middle school	204,998	11,027	--	--	216,025
High school	650,352	43,393	--	--	693,745
Special Programs:					
Programs for special education	--	--	598,627	--	598,627
Educationally deprived	82,115	--	--	--	82,115
Support Services:					
Students:					
Guidance	65,097	--	--	--	65,097
Health	1,950	--	--	--	1,950
Psychological	--	--	26,871	--	26,871
Speech pathology	--	--	78,185	--	78,185
Student therapy services	--	--	35,992	--	35,992
Instructional Staff:					
Improvement of instruction	1,750	--	--	--	1,750
Educational media	173,524	14,738	--	--	188,262
General Administration:					
Board of education	72,496	--	--	--	72,496
Executive administration	81,768	--	--	--	81,768
School Administration:					
Office of the principal	366,651	--	--	--	366,651
Other	732	--	--	--	732
Business:					
Fiscal services	122,023	9,292	--	--	131,315
Operation and maintenance of plant	490,517	23,948	--	--	514,465
Student transportation	209,597	1,600	--	--	211,197
Food services	--	34,922	--	--	34,922
Central:					
Staff	1,126	--	--	--	1,126
Special Education:					
Administrative costs	--	--	25,389	--	25,389
Transportation costs	--	--	2,498	--	2,498
Debt Services:					
--	--	453,402	--	--	453,402
Cocurricular Activities:					
Transportation	11,541	--	--	--	11,541
Combined activities	260,764	12,519	--	--	273,283
Capital Outlay	--	277,724	--	--	277,724
Total Expenditures	<u>3,566,768</u>	<u>909,730</u>	<u>767,562</u>	<u>--</u>	<u>5,244,060</u>
Excess of Revenues Over (Under) Expenditures	<u>(403,241)</u>	<u>852,352</u>	<u>(292,509)</u>	<u>3,504</u>	<u>160,106</u>
Other Financing Sources (Uses):					
Transfers in	720,000	--	--	82,828	802,828
Transfers out	--	(802,828)	--	--	(802,828)
Total Other Financing Sources (Uses)	<u>720,000</u>	<u>(802,828)</u>	<u>--</u>	<u>82,828</u>	<u>--</u>
Net Change in Fund Balances	316,759	49,524	(292,509)	86,332	160,106
Fund Balance - Beginning of Year	<u>1,802,314</u>	<u>1,618,349</u>	<u>819,628</u>	<u>1,079,168</u>	<u>5,319,459</u>
Fund Balance - End of Year	<u>\$ 2,119,073</u>	<u>\$ 1,667,873</u>	<u>\$ 527,119</u>	<u>\$ 1,165,500</u>	<u>\$ 5,479,565</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
For The Year Ended June 30, 2024

Total Net Change in Fund Balances - Governmental Funds \$ 160,106

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital Outlays	\$	277,724	
Depreciation Expense		<u>(506,812)</u>	
Net			(229,088)

In the statement of activities, net gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (+gains, -losses, -proceeds=amount)

(7,600)

Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of net position.

323,442

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

2,701

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.

Other postemployment benefits		<u>5,624</u>	
			5,624

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

(21,231)

Change in Net Position of Governmental Activities

\$ 233,954

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Balance Sheet – Proprietary Funds
June 30, 2024

	Enterprise Funds		
	Food Service		
	Fund	Other Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 35,574	\$ 48,062	\$ 83,636
Inventory of materials and supplies	414	--	414
Inventory of stores purchased for resale	1,680	--	1,680
Inventory of donated foods	174	--	174
Total Current Assets	<u>37,842</u>	<u>48,062</u>	<u>85,904</u>
Capital Assets:			
Machinery and equipment	141,602	--	141,602
Accumulated depreciation	(49,892)	--	(49,892)
Total Noncurrent Assets	<u>91,710</u>	<u>--</u>	<u>91,710</u>
Total Assets	<u>\$ 129,552</u>	<u>\$ 48,062</u>	<u>\$ 177,614</u>
Liabilities:			
Current Liabilities:			
and employer matching payable	\$ 765	\$ --	\$ 765
Unearned revenue	26,788	--	26,788
Total Current Liabilities	<u>\$ 27,553</u>	<u>\$ --</u>	<u>\$ 27,553</u>
Net Position:			
Invested in capital assets	\$ 91,710	\$ --	\$ 91,710
Unrestricted	10,289	48,062	58,351
Total Net Position	<u>\$ 101,999</u>	<u>\$ 48,062</u>	<u>\$ 150,061</u>
Total Liabilities and Net Position	<u>\$ 129,552</u>	<u>\$ 48,062</u>	<u>\$ 177,614</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds June 30, 2024

	Enterprise Funds		
	Food Service		
	Fund	Other Fund	Total
Operating Revenue:			
Sales:			
To students	\$ 131,404	\$ --	\$ 131,404
Other charges for goods and services	5,781	20,121	25,902
Total Operating Revenue	137,185	20,121	157,306
Operating Expense:			
Food Service:			
Salaries	104,377	16,380	120,757
Employee benefits	19,494	1,421	20,915
Purchased services	16,812	--	16,812
Supplies	6,909	3,431	10,340
Cost of sales - purchased food	95,577	--	95,577
Cost of sales - donated food	18,744	--	18,744
Depreciation - local funds	10,423	--	10,423
Total Operating Expenses	272,336	21,232	293,568
Operating Income (Loss)	(135,151)	(1,111)	(136,262)
Nonoperating Revenues:			
State Sources:			
Cash reimbursements	476	--	476
Federal Sources:			
Cash reimbursements	66,652	--	66,652
Donated food	18,744	--	18,744
Total Nonoperating Revenue	85,872	--	85,872
Income (Loss) before Contributions	(49,279)	(1,111)	(50,390)
Capital Contributions:	35,672	--	35,672
Change in Net Position	(13,607)	(1,111)	(14,718)
Net Position - Beginning of Year	115,606	49,173	164,779
Net Position - End of Year	\$ 101,999	\$ 48,062	\$ 150,061

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 133,654	\$ 20,121	\$ 153,775
Payments to suppliers	(119,236)	(3,431)	(122,667)
Payments to employees	(125,161)	(17,801)	(142,962)
Net Cash (Used) by Operating Activities:	<u>(110,743)</u>	<u>(1,111)</u>	<u>(111,854)</u>
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	476	--	476
Cash reimbursements - federal	66,652	--	66,652
Net Cash Provided from Noncapital Financing Activities	<u>67,128</u>	<u>--</u>	<u>67,128</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(5,781)	--	(5,781)
Net Cash (Used) by Capital and Related Financing Activities	<u>(5,781)</u>	<u>--</u>	<u>(5,781)</u>
Net (Decrease) in Cash and Cash Equivalents	(49,396)	(1,111)	(50,507)
Cash and Cash Equivalents, Beginning of Year	84,970	49,173	134,143
Cash and Cash Equivalents, End of Year	<u>\$ 35,574</u>	<u>\$ 48,062</u>	<u>\$ 83,636</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities			
Operating (Loss)	\$ (135,151)	\$ (1,111)	\$ (136,262)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation expense	10,423	--	10,423
Noncash cost of sales - commodities	18,744	--	18,744
Change in Assets:			
Inventories	476	--	476
Change in Liabilities:			
Accounts and other payables	(1,704)	--	(1,704)
Unearned revenue	(3,531)	--	(3,531)
Net Cash (Used) by Operating Activities	<u>\$ (110,743)</u>	<u>\$ (1,111)</u>	<u>\$ (111,854)</u>
Noncash, Investing Capital, and Financing Activities:			
Value of Commodities Received	\$ 18,744	\$ --	\$ 18,744
Equipment Purchased by Capital Outlay Fund	<u>\$ 35,672</u>	<u>\$ --</u>	<u>\$ 35,672</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Fiduciary Net Position
June 30, 2024

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 143,464	\$ 74,335
Total Assets	\$ 143,464	\$ 74,335
Net Position:		
Restricted for:		
Scholarships	\$ 143,464	\$ --
Individuals, organizations, and other governments	--	74,335
Total Net Position	\$ 143,464	\$ 74,335

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Contributions and Donations	\$ 51,457	\$ --
Collections for student activities	--	247,796
	<u>51,457</u>	<u>247,796</u>
Total Additions	<u>51,457</u>	<u>247,796</u>
Deductions:		
Trust deductions for scholarships	41,551	--
Payments for student activities	--	255,198
	<u>41,551</u>	<u>255,198</u>
Total Deductions	<u>41,551</u>	<u>255,198</u>
Change in Net Position	9,906	(7,402)
Net Position - Beginning	<u>133,558</u>	<u>81,737</u>
Net Position - Ending	<u>\$ 143,464</u>	<u>\$ 74,335</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

a. Financial Reporting Entity:

The reporting entity of Howard School District No. 48-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. 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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the 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 District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

The Bond Redemption Fund: The QZAB Fund is the only debt service fund. This fund was established to collect money in the sinking funds for payment of term bonds. The Capital Outlay fund transfers money to this fund on a yearly basis. At the end of the term, the bonds will be paid off. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Other Enterprise Fund: A fund used to record financial transactions related to drivers' education and the FAST program. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income, benefit individuals, private organizations, or other governments. The School District maintains two private-purpose trust funds: Selix Scholarship Trust Fund and Diamond Davison Scholarship Trust Fund and their purpose is 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 to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Howard School District No. 48-3, the length of that cycle is sixty days.

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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables are reported as non-spendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed or assigned. Current portions of interfund receivables are considered "available spendable resources" and are reported in the appropriate fund balance category.

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 the capital assets are also capitalized.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

The total June 30, 2024 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2024 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ --	-- *	--
Land improvements	15,000	straight-line	20 years
Buildings	50,000	straight-line	50 years
Machinery and equipment	5,000	straight-line	4-20 years
Intangible lease assets/SBITA'S	45,000	straight-line	4-50 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. Long-term liabilities at June 30, 2024 consist primarily of compensated absences, refunding certificates, OPEB, energy loan, general obligation bonds, QSCB, and QZAB.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment 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 it is in the government-wide statements.

g. Leases:

The School District is not currently a lessee for any noncancellable leases. 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 judgements 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 at 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 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. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

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

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

i. Program Revenues:

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

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

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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between no spendable, restricted, committed, assigned or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted for scholarships and for individuals, organizations, and other governments.

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

Non spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by 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 non-spendable fund balance is comprised of inventory and an advance.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents 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 purpose of each major special revenue fund and revenue source is listed below:

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

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

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

Deposits – The School District’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.

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2024

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

Investments – In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of June 30, 2024 the School District's investments report in the financial statements consist of certificates of deposit and external investment pool.

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. As of June 30, 2024, the School District's investment in the SD FIT pool was unrated. The fair value was \$7,663.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis, since the School District has ready access to the cash that is reported as cash and cash equivalents.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. All of the School District's investments are in South Dakota Public Investment Trust (SDFIT).

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

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

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

3. Restricted Cash and Investments:

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

<u>Amount</u>	<u>Purpose</u>
<u>\$ 1,165,500</u>	For debt service, by debt covenants

4. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School Districts expects all receivables to be collected in one year.

5. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

In the government-wide financial statements and in the enterprise fund financials 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 consumed. Reported inventories are equally offset by a no spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

7. Changes in Capital Assets:

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

Governmental Activities:

	<u>Balance 7/1/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2024</u>
Capital assets, not being depreciated:				
Land	\$ 19,965	\$ --	\$ --	\$ 19,965
Construction in progress	128,166	--	(128,166)	--
Total, not being depreciated	<u>148,131</u>	<u>--</u>	<u>(128,166)</u>	<u>19,965</u>
Capital assets, being depreciated:				
Buildings	12,340,523	298,266	--	12,638,789
Improvements other than buildings	862,043	12,696	--	874,739
Machinery and equipment	1,754,541	94,928	(7,600)	1,841,869
Total, being depreciated	<u>14,957,107</u>	<u>405,890</u>	<u>(7,600)</u>	<u>15,355,397</u>
Less accumulated depreciation for:				
Buildings	4,005,339	330,742	--	4,336,081
Improvements	657,575	64,211	--	721,786
Machinery and equipment	1,061,147	111,859	--	1,173,006
Total accumulated depreciation	<u>5,724,061</u>	<u>506,812</u>	<u>--</u>	<u>6,230,873</u>
Total capital assets, being depreciated, net	<u>9,233,046</u>	<u>(100,922)</u>	<u>(7,600)</u>	<u>9,124,524</u>
Governmental activity capital assets, net	<u>\$ 9,381,177</u>	<u>\$ (100,922)</u>	<u>\$ (135,766)</u>	<u>\$ 9,144,489</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	\$ 317,687
Support services	82,647
Cocurricular activities	106,478
Total depreciation expense - governmental activities	<u>\$ 506,812</u>

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2024

7. Changes in Capital Assets: (Continued)

Business-type Activities:

	<u>Balance 7/1/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2024</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 100,149	\$ 41,453	\$ --	\$ 141,602
Total, being depreciated	<u>100,149</u>	<u>41,453</u>	<u>--</u>	<u>141,602</u>
Less accumulated depreciation for:				
Machinery and equipment	39,469	10,423	--	49,892
Total accumulated depreciation	<u>39,469</u>	<u>10,423</u>	<u>--</u>	<u>49,892</u>
Total capital assets, being depreciated, net	<u>60,680</u>	<u>31,030</u>	<u>--</u>	<u>91,710</u>
Business-type activity capital assets, net	<u>\$ 60,680</u>	<u>\$ 31,030</u>	<u>\$ --</u>	<u>\$ 91,710</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food service \$ 10,423

8. Long-Term Liabilities:

A summary of changes in long-term debt follows:

	<u>Balance 7/1/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2024</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
QSCB Bond	\$ 1,295,000	\$ --	\$ --	\$ 1,295,000	\$ --
QZAB Bond	100,003	--	33,333	66,670	33,333
General obligation bonds - Series 2015	1,020,000	--	135,000	885,000	135,000
Plus: Unamortized Premium	16,580	--	2,369	14,211	--
Energy loan	88,668	--	17,740	70,928	17,740
OPEB	355,179	16,909	22,533	349,555	--
Compensated absences	31,906	--	--	31,906	--
Refunding certificates - Series 2021	1,460,000	--	135,000	1,325,000	140,000
Total Governmental Activities	<u>\$ 4,367,336</u>	<u>\$ 16,909</u>	<u>\$ 345,975</u>	<u>\$ 4,038,270</u>	<u>\$ 326,073</u>

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

8. Long-Term Liabilities: (Continued)

Compensated absences for governmental activities have been liquidated from the General and Special Education Fund.

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

Qualified school construction bonds	QSCB for high school metal roof, maturity date January 15, 2026, interest rate 5.85%, annual deposits of \$86,333 are required to be made to the Debt Service fund.	\$ 1,295,000
Qualified Zone Academy bonds	QZAB bond for elementary metal roof, maturity date September 12, 2025, unstated interest rate 5%, due in annual installments of \$33,333 from Capital Outlay fund.	66,670
General obligation bonds	The School District issued \$2,010,000 of general obligation certificates, Series 2015. The bonds are payable July 1, 2016 through July 1, 2030 with fixed interest rates from .40% to 3.00% that vary depending on the term of maturity. The Capital Outlay fund makes this payment.	885,000
State Energy Loan	The School District received a loan for \$177,368. The loan is 0% interest, and \$17,740 payments. Annual payments are due by July 31st. The Capital Outlay fund makes this payment. There are fund remaining to be spent from loan.	70,928
Other post-employment benefits	The School District provides medical coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between district certified staff and the governing board.	349,555
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum. Classified staff are entitled to reimbursement of unused sick leave up to 60 days at \$30 a day or a \$1,800 maximum.	31,906
General obligation bonds - Series 2021	The School District issued \$1,600,000 of general obligation refunding certificates, Series 2021. The bonds are payable January 1, 2022 through July 1, 2033 with a fixed interest rate at 1.5%. Semiannual payments are due January 1st and July 1st. The Capital Outlay fund makes this payment.	1,325,000

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

8. Long-Term Liabilities: (Continued)

The annual requirements to maturity for long-term debt June 30, 2024:

Year Ending June 30,	Qualified School Construction Bonds		Qualified Zone Academy Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ --	\$ 75,758	\$ 33,334	\$ 2,500	\$ 275,000	\$ 46,426
2026	1,295,000	75,758	33,336	833	280,000	40,276
2027	--	--	--	--	290,000	33,976
2028	--	--	--	--	295,000	27,450
2029-2033	--	--	--	--	1,070,000	55,350
Totals	<u>\$ 1,295,000</u>	<u>\$ 151,516</u>	<u>\$ 66,670</u>	<u>\$ 3,333</u>	<u>\$ 2,210,000</u>	<u>\$ 203,478</u>

Year Ending June 30,	Other Loans		Total	
	Principal	Interest	Principal	Interest
2025	\$ 17,740	\$ --	\$ 326,074	\$ 124,684
2026	17,740	--	1,626,076	116,867
2027	17,740	--	307,740	33,976
2028	17,708	--	312,708	27,450
2029-2033	--	--	1,070,000	55,350
Totals	<u>\$ 70,928</u>	<u>\$ --</u>	<u>\$ 3,642,598</u>	<u>\$ 358,327</u>

9. Restricted Net Position:

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

Fund	Restricted By	Amount
Capital Outlay	law	\$ 1,667,873
Special Education	law	527,119
Bond Redemption Fund	debt covenants	1,165,500
SDRS Pension Purposes	law	381,942
		<u>\$ 3,742,434</u>

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

10. Assigned Fund Balance for Cash Flow:

As authorized by SDCL 13-11-2, the School Board has determined that year-end minimum \$250,000 is necessary to protect the School District's cash liquidity for July 1 through mid-November of the subsequent fiscal year. This amount is reported as Assigned Fund Balance in the affected fund.

11. Interfund Transfers:

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

\$82,828 Transfer from Capital Outlay for sinking fund requirements to bond redemption fund.

\$720,000 Transfer from Capital Outlay to cover the expenditures in the general fund for insurance, utilities, and fuel.

12. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

12. Pension Plan: (Continued)

All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60% joint survivor benefit when the member dies.

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 the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from .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.

c. 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.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

12. Pension Plan: (Continued)

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 are:

Year Ended	
<u>June 30,</u>	<u>Amount</u>
2024	\$ 163,061
2023	153,357
2022	155,545

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

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

Proportionate share of pension liability	\$ 14,359,117
Less proportionate share of net pension restricted for pension benefits	<u>14,368,789</u>
Proportionate share of net pension (asset)	<u><u>\$ (9,672)</u></u>

At June 30, 2024, the School District reported a liability (asset) of (\$9,672) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and the total pension liability asset used to calculate the net pension liability (asset) was based on a projection of the School’s share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the School District’s proportion was .09909200%, which is a decrease of .0094750% from its proportion measured as of June 30, 2022.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

12. Pension Plan: (Continued)

For the year ended June 30, 2024, the School District recognized pension expense of \$40,794. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 274,152	\$ --
Changes in assumption	330,666	483,360
Net difference between projected and actual earnings on pension plan investments	64,392	--
Changes in proportion and difference between District contributions and proportionate share of contributions	23,389	30
District contributions subsequent to the measurement date	163,061	--
Total	\$ 855,660	\$ 483,390

\$163,061 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2025	\$ 139,402
2026	(138,946)
2027	193,414
2028	15,339
Total	\$ 209,209

e. Actuarial Assumptions:

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

Inflation	2.25%
Salary Increases	Graded by years of services, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.91%

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

12. Pension Plan: (Continued)

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

Active and Terminated vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-210, 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-210, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-210 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

12. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

f. Discount Rate:

The discount rate used to measure the total pension (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

g. Sensitivity of Asset to Changes in the Discount Rate:

The following presents the School District's proportionate share of net pension (asset) calculated using the discount rate of 6.50% as well as what the School's proportionate share of the net pension (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:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 1,982,384	\$ (9,672)	\$ (1,638,793)

h. Pension Plan Fiduciary Net Position:

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

Howard School District No. 48-3

Notes to the Financial Statements

June 30, 2024

13. Joint Ventures:

The School District participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services and fiscal management services to the member school districts.

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

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

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

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

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

June 30, 2024

Total Assets	\$	123,441
Total Liabilities	\$	61,671
Total net position	\$	61,770

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

Health Insurance:

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

14. Risk Management: (Continued)

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2024, the School District had \$0 payments on claims filed for unemployment benefits.

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 for the past several years.

Workers' Compensation:

The School District purchases liability insurance for workers' compensation from a commercial carrier.

15. Post-Employment Healthcare Plan:

Plan Description:

The Howard School District offers a single employer defined benefit healthcare plan. The plan provides medical coverage to retired employees and their dependents under certain conditions in accordance with SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. An employee with a combination of years of service with the school district and age totaling 60 or greater leaving the district may continue insurance coverage with the group health insurance plan until they reach the age 65. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare except for COBRA continuation if elected.

Funding Policy:

The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

15. Post-Employment Healthcare Plan: (Continued)

Changes in Liability:

For the year ended June 30, 2024, the balance of the OPEB liability was \$349,555. Total OPEB liability was determined as of the measurement date, which is June 30, 2024. The changes in the total OPEB liability for 2024 were as follows:

	2023-2024
Beginning of year balances	\$ 355,179
Charges for the year:	
Service cost	47,317
Interest on total OPEB liability	14,079
Effect on economic/demographic gains or losses	143,495
Effect on assumption changes or inputs	(200,863)
Benefit payments	(9,652)
End of year balances	\$ 349,555

For the year ended June 30, 2024, the District recognized OPEB reduction of expense of \$15,534. OPEB expense was determined as follows:

	2023-2024
Service Cost	\$ 47,317
Interest on total OPEB liability	14,079
Recognition of Deferred Inflos/Outflows of Resources:	
Recognition of Economic/Demographic gains or losses	(2,714)
Recognition of assumption changes	(74,216)
OPEB Expense	\$ (15,534)

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ (103,705)	\$ 126,573
Changes in Assumptions	(404,734)	16,166
End of year balances	\$ (508,439)	\$ 142,739

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

15. Post-Employment Healthcare Plan: (Continued)

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

Year Ended	
June 30	
2025	\$ (74,067)
2026	(71,302)
2027	(70,639)
2028	(62,011)
2029	(42,929)
Thereafter	(44,752)
Total	<u>\$ (365,700)</u>

Actuarial Methods and Assumptions:

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

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following assumptions:

- The discount rate used was 3.65% and was based up on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The retiree participation rate was assumed to be 75%. The retiree election of family coverage rate was assumed to be 25%.
- Mortality rates were based on 97% of the RP-2014 Mortality Table, White Collar table for females, total dataset for males, adjusted to 2006 and projected generationally with MP-2021.

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

15. Post-Employment Healthcare Plan: (Continued)

- Net Claims Cost in future years equal the starting claim cot adjusted for the assumed ongoing cost trends. Such trends are based on the health care cot trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

<u>Duration</u>	<u>Annual Medical Trend Rate</u>
1	6.70%
2	6.50%
3	5.70%
4	5.30%
5	5.10%
6	4.90%
7	4.70%
8	4.50%
9	4.40%
10	4.10%
11-27	4.00%
28-42	4.10%
43-44	4.00%
45-47	3.90%
48-49	3.80%
50+	3.70%

Assumed annual salary, including inflation, for active members are as follows:

<u>Service</u>	<u>Percentage Increase</u>
0	7.66%
1	6.35%
2	5.65%
3	5.30%
4	5.05%
10	4.15%
15	3.70%
20	3.40%
25	3.15%
25+	3.15%

Howard School District No. 48-3
Notes to the Financial Statements
June 30, 2024

15. Post-Employment Healthcare Plan: (Continued)

Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.54%	3.54%	4.54%
Total OPEB Liability	\$ 373,115	\$ 349,555	\$ 327,447

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 315,659	\$ 349,555	\$ 388,845

16. Subsequent Events:

Management has evaluated subsequent events through the date of the independent auditor’s report which is the date the financial statements were available to be issued.

**Required Supplementary Information
Other Than MD&A**

Howard School District No. 48-3
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget- Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,508,000	\$ 1,508,000	\$ 1,575,294	\$ 67,294
Prior years' ad valorem taxes	3,000	3,000	7,855	4,855
Tax deed revenue	50	50	--	(50)
Utility taxes	445,000	445,000	401,898	(43,102)
Penalties and interest on taxes	4,000	4,000	1,872	(2,128)
Revenue from Local Governmental Units				
Other Than School Districts:				
Revenue in lieu of taxes	1,700	1,700	--	(1,700)
Earnings on Investments and Deposits	15,000	15,000	57,639	42,639
Cocurricular Activities:				
Admissions	25,000	25,000	31,888	6,888
Other student activity income	2,500	2,500	1,031	(1,469)
Other Revenue from Local Sources:				
Rentals	1,200	1,200	1,460	260
Refund of prior year's expenditures	--	--	916	916
Charges for services	4,000	4,000	3,149	(851)
Other	2,000	2,000	6,257	4,257
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	12,000	12,000	9,525	(2,475)
Revenue in lieu of taxes	1,500	1,500	1,683	183
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	831,350	831,350	725,150	(106,200)
Other State Revenue	--	--	100	100
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	239,745	239,745	337,810	98,065
Total Revenues	\$ 3,096,045	\$ 3,096,045	\$ 3,163,527	\$ 67,482

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – General Fund
 For the Year Ended June 30, 2024 (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>		
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 917,425	\$ 917,425	\$ 769,767	\$ 147,658
Middle school	227,105	227,105	204,998	22,107
High school	670,550	670,550	650,352	20,198
Special Programs:				
Educationally deprived	102,850	102,850	82,115	20,735
Support Services:				
Students:				
Guidance	61,550	61,550	65,097	(3,547)
Health	1,000	1,000	1,950	(950)
Instructional Staff:				
Improvement of instruction	6,000	6,000	1,750	4,250
Educational media	169,915	169,915	173,524	(3,609)
General Administration:				
Board of education	62,650	62,650	72,496	(9,846)
Executive administration	81,380	81,380	81,768	(388)
School Administration:				
Office of the principal	359,650	359,650	366,651	(7,001)
Other	500	500	732	(232)
Business:				
Fiscal services	122,400	122,400	122,023	377
Operation and maintenance of plant	620,515	620,515	490,517	129,998
Student transportation	264,525	264,525	209,597	54,928
Central:				
Staff	1,000	1,000	1,126	(126)
Community Services:				
Other	350	350	--	350
Nonprogrammed Charges:				
Payments to State - Unemployment	3,000	3,000	--	3,000
Cocurricular Activities:				
Transportation	18,225	18,225	11,541	6,684
Combined activities	255,225	255,225	260,764	(5,539)
Total Expenditures	<u>3,945,815</u>	<u>3,945,815</u>	<u>3,566,768</u>	<u>379,047</u>
Excess of Revenue Over (Under) Expenditures	<u>(849,770)</u>	<u>(849,770)</u>	<u>(403,241)</u>	<u>446,529</u>
Other Financing Sources (Uses):				
Transfers in	735,750	735,750	720,000	(15,750)
Other	114,020	114,020	--	(114,020)
Total Other Financing Sources	<u>849,770</u>	<u>849,770</u>	<u>720,000</u>	<u>(129,770)</u>
Net Change in Fund Balances	--	--	316,759	316,759
Fund Balance - Beginning of Year	<u>1,802,314</u>	<u>1,802,314</u>	<u>1,802,314</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,802,314</u>	<u>\$ 1,802,314</u>	<u>\$ 2,119,073</u>	<u>\$ 316,759</u>

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – Capital Outlay Fund
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,005,338	\$ 2,005,338	\$ 1,597,763	\$ (407,575)
Prior years' ad valorem taxes	1,000	1,000	8,198	7,198
Penalties and interest on taxes	1,750	1,750	2,024	274
Earnings on Investments and Deposits	50	50	--	(50)
Other Revenue from Local Sources				
Other	--	--	500	500
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	230,100	230,100	101,787	(128,313)
Other Federal Revenue	70,000	70,000	51,810	(18,190)
Total Revenues	<u>2,308,238</u>	<u>2,308,238</u>	<u>1,762,082</u>	<u>(546,156)</u>
Expenditures				
Instruction:				
Regular Programs:				
Elementary	30,750	30,750	27,165	3,585
Middle/Junior high	5,500	11,027	11,027	--
High school	82,600	82,600	43,393	39,207
Support Services:				
Instructional Staff:				
Educational media	16,050	16,050	14,738	1,312
Business:				
Fiscal services	14,000	14,000	9,292	4,708
Operation and maintenance of plant	870,000	870,000	212,088	657,912
Student transportation	130,000	130,000	91,184	38,816
Food Services	64,000	64,000	34,922	29,078
Debt Services	441,883	453,402	453,402	--
Cocurricular Activities:				
Combined activities	10,000	12,519	12,519	--
Total Expenditures	<u>1,664,783</u>	<u>1,684,348</u>	<u>909,730</u>	<u>774,618</u>
Excess of Revenue Over (Under) Expenditures	<u>643,455</u>	<u>623,890</u>	<u>852,352</u>	<u>228,462</u>
Other Financing Sources (Uses):				
Transfers out	(735,750)	(735,750)	(802,828)	(67,078)
Other	92,295	92,295	--	(92,295)
Total Other Financing Sources (Uses)	<u>(643,455)</u>	<u>(643,455)</u>	<u>(802,828)</u>	<u>(159,373)</u>
Net Change in Fund Balances	--	(19,565)	49,524	69,089
Fund Balance - Beginning of Year	<u>1,618,349</u>	<u>1,618,349</u>	<u>1,618,349</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,618,349</u>	<u>\$ 1,598,784</u>	<u>\$ 1,667,873</u>	<u>\$ 69,089</u>

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

Howard School District No. 48-3
 Budgetary Comparison Schedule – Special Education Fund
 For the Year Ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 323,150	\$ 323,150	\$ 334,315	\$ 11,165
Prior years' ad valorem taxes	--	--	1,651	1,651
Tax deed revenue	--	--	--	--
Penalties and interest on taxes	--	--	415	415
Earnings on Investments and Deposits	--	--	6,777	6,777
Other Revenue from Local Sources:				
Charges for services	5,450	5,450	19,662	14,212
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	112,230	112,230	112,233	3
Total Revenues	<u>440,830</u>	<u>440,830</u>	<u>475,053</u>	<u>34,223</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	635,290	635,290	598,627	36,663
Support Services:				
Students:				
Psychological	10,000	26,871	26,871	--
Speech pathology	83,270	83,270	78,185	5,085
Student therapy services	40,000	40,000	35,992	4,008
Special Education:				
Administrative costs	40,000	40,000	25,389	14,611
Transportation costs	7,000	7,000	2,498	4,502
Other	10,000	10,000	--	10,000
Total Expenditures	<u>825,560</u>	<u>842,431</u>	<u>767,562</u>	<u>74,869</u>
Excess of Revenue Over Expenditures	<u>(384,730)</u>	<u>(401,601)</u>	<u>(292,509)</u>	<u>109,092</u>
Other Financing Sources:				
Other	384,730	384,730	--	(384,730)
Total Other Financing Sources (Uses)	<u>384,730</u>	<u>384,730</u>	<u>--</u>	<u>(384,730)</u>
Net Change in Fund Balances	--	(16,871)	(292,509)	(275,638)
Fund Balance - Beginning of Year	<u>819,628</u>	<u>819,628</u>	<u>819,628</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 819,628</u>	<u>\$ 802,757</u>	<u>\$ 527,119</u>	<u>\$ (275,638)</u>

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

Howard School District No. 48-3
Notes to Required Supplementary Information other than MD&A
June 30, 2024

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
- c. The proposed budget is published for public review no later than July 15 each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. 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.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
- k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information 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.

Howard School District No. 48-3
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System
June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0990920%	0.1085670%	0.1141160%	0.1147400%	0.1145855%	0.1150053%	0.1191574%	0.1142187%	0.1150060%	0.1172107%
District's proportionate share of net pension liability (asset)	\$ (9,672)	\$ (10,260)	\$ (873,933)	\$ (4,983)	\$ (12,143)	\$ (2,682)	\$ (10,814)	\$ 385,820	\$ (487,773)	\$ (844,455)
District's covered-employee payroll	\$ 2,555,698	\$ 2,592,417	\$ 2,589,500	\$ 2,518,187	\$ 2,436,311	\$ 2,393,331	\$ 2,421,038	\$ 2,171,866	\$ 2,100,249	\$ 2,049,700
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	-17.76%	23.22%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	101.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

Howard School District No. 48-3
Schedule of the School District Contributions to Pension
South Dakota Retirement System
June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 163,061	\$ 153,357	\$ 155,545	\$ 155,371	\$ 151,092	\$ 146,179	\$ 143,451	\$ 145,262	\$ 130,312	\$ 126,015
Contributions in relation to the contractually required contribution	<u>(163,061)</u>	<u>(153,357)</u>	<u>(155,545)</u>	<u>(155,371)</u>	<u>(151,092)</u>	<u>(146,179)</u>	<u>(143,451)</u>	<u>(145,262)</u>	<u>(130,312)</u>	<u>(126,015)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,717,678	\$ 2,555,698	\$ 2,592,417	\$ 2,589,500	\$ 2,518,187	\$ 2,436,311	\$ 2,393,331	\$ 2,421,033	\$ 2,171,867	\$ 2,100,250
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Howard School District No. 48-3
Notes to Required Supplementary Information
For the Year Ended June 30, 2024

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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

Howard School District No. 48-3
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 47,317	\$ 54,143	\$ 65,655	\$ 57,027	\$ 72,554	\$ 72,668	\$ 78,077
Interest on total OPEB liability	14,079	8,418	13,762	18,329	27,589	23,585	17,956
Effect on economic/demographic gains or losses	143,495	--	(140,581)	--	(28,610)	--	--
Effect on assumption changes or inputs	(200,863)	(41,554)	(149,599)	29,922	(221,413)	(13,893)	(32,345)
Benefit payments	(9,652)	(2,828)	(18,474)	(11,330)	(35,994)	(20,499)	(38,449)
	<u>(5,624)</u>	<u>18,179</u>	<u>(229,237)</u>	<u>93,948</u>	<u>(185,874)</u>	<u>61,861</u>	<u>25,239</u>
Beginning of year balances	<u>\$ 355,179</u>	<u>\$ 337,000</u>	<u>\$ 566,237</u>	<u>\$ 472,289</u>	<u>\$ 658,163</u>	<u>\$ 596,302</u>	<u>\$ 571,063</u>
End of year balances	<u>\$ 349,555</u>	<u>\$ 355,179</u>	<u>\$ 337,000</u>	<u>\$ 566,237</u>	<u>\$ 472,289</u>	<u>\$ 658,163</u>	<u>\$ 596,302</u>
District's covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* GASB Statement No. 75 requires ten years of information to be presented in the table. However, until a full 10-year trend is compiled, the School District will present information for those years which information is available.