



Financial Statements  
June 30, 2024

# Lemmon School District No. 52-4

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School Board Chairman.....Dennis Maier

School Board Vice-Chairman.....Shane Lynch

School Board Members..... Linda O'Donnell  
Carlyle Ellison  
Sheldon Froelich  
Merris Miller  
Karin Schiley

Superintendent ..... Shawnda Carmichael

Principal..... Michael Uthe

Business Manager ..... Talia Dustman



## Independent Auditor's Report

To the School Board  
Lemmon School District No. 52-4  
Lemmon, South Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lemmon School District No. 52-4 (the School District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the 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, budgetary comparison schedules and related notes, schedule of changes in total OPEB liability and related ratios and related notes, schedule of employer's share of net pension liability (asset) and schedule of employer's contributions and related notes, 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 GAAS, 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 Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of School District officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Aberdeen, South Dakota  
January 16, 2025

This section of the Lemmon School District #52-4's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2024. Please read it in conjunction with the School District's financial statements, which follow this section.

### **Financial Highlights**

- During the year, the School's revenues generated from taxes and other revenues of the governmental activities was \$1,064,235 more than the \$4,848,278 in governmental activities expenditures.
- The total cost of the School's programs and support services decreased \$499,457 in expenditures. The largest decrease was in support services with the largest increase in instruction compared to the prior year. This was a decrease of 9.34% in expenditures compared to the prior year. School District expenditures are held at a minimum when possible.
- The General Fund reported a net increase of \$160,925 in net position as of the end of fiscal year 2024. The property tax opt out of \$150,000 was renewed in January 2024 beginning with taxes payable in the 2025 calendar year for five years.
- The Capital Outlay Fund reported a net increase of \$656,941 in net position at the end of fiscal year 2024.
- The School District has outstanding bonds from a bond issue approved by the voters in fiscal year 2019 in the remaining amount of \$8.76 million for the renovation of existing facilities and the construction of a new addition for grades 6-12 onto the armory facility. The bonds were issued in November 2019, construction began in June 2020 and the building was completed in December 2021. Interest and principal payments have been made on the bonds.
- The School District also had an interest free loan to the State of South Dakota with an initial principal amount of \$130,850 payable over 10 years with the first payment in fiscal year 2015. The final payment on this loan was made during the fiscal year.
- The district utilized ESSER funding where possible. Expenditures for which the district had not been reimbursed had an impact on the financial statements.

## Overview of the Financial Statements

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

- The first two statements are government wide financial statements that provide both long term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of 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.

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 sections.

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 remainder 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 Lemmon School District’s Government-Wide and Fund Financial Statements**

|  | Government-wide<br>Statements  | Fund Statements<br>Governmental Funds   |
|--|--|---|
| Scope  | Entire School District government<br>(except fiduciary funds)  | Activities of the School District that are not fiduciary, such as elementary and high school education programs.  |
| Required<br>Financial<br>Statements  | *Statement of Net Position<br>*Statement of Activities   | *Balance Sheet<br>*Statement of Revenues, Expenditures and Changes in Fund Balances   |
| Accounting<br>Basis and<br>Measurement<br>Focus  | Accrual accounting and economic resources focus.   | Modified accrual accounting and current financial resources focus.  |
| Type of<br>Asset/Deferred<br>Outflow of<br>Resources/Liability/<br>Deferred Inflow of<br>Resources Information | All assets, deferred outflows, liabilities, and deferred inflows, 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.   |
| Type of<br>Inflow/<br>Outflow<br>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. |

**Government-wide Statements**

The government-wide statements report information about the School as a whole using accounting methods similar to those used by the 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 – the difference between the School's assets and liabilities – 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 report all activities of the School District as Governmental Activities. This includes not only 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.), capital equipment purchases but also the food service area. Property taxes, state grants, federal grants, interest earnings, and charges for services finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Lemmon School District's most significant funds – not the School District as a whole. Funds are accounting devices that the School District 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 (i.e. Scholarship Trust)

After the implementation of GASB 84 during FY2021, the School has one kind of fund:

Governmental Funds – The School District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund 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 District'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 funds' statements, or on the subsequent page, that explains the relationship (or differences) between them.

**Financial Analysis of the School District as a Whole**

**Net Position**

The Lemmon School District's net position is as follows:

**Table A-1  
Lemmon School  
Statement of Net Position**

|   | Governmental<br>Activities<br>2024 | Governmental<br>Activities<br>2023 |
|---|------------------------------------|------------------------------------|
| Assets                                    |                                    |                                    |
| Current and Other Assets                  | \$ 7,496,340                       | \$ 6,753,473                       |
| Capital Assets                            | 13,478,426                         | 13,394,758                         |
| Total assets                              | 20,974,766                         | 20,148,231                         |
| Deferred Outflows of Resources            | 664,545                            | 798,386                            |
| Unearned revenue                          | 9,574                              | 13,657                             |
| Long-Term Debt and Noncurrent Liabilities | 8,877,473                          | 9,219,483                          |
| Current Liabilities                       | 341,108                            | 384,876                            |
| Total Liabilities                         | 9,228,155                          | 9,618,016                          |
| Deferred Inflows of Resources             | 1,977,897                          | 1,959,577                          |
| Net Position                              |                                    |                                    |
| Net investment in capital assets          | 4,716,582                          | 4,293,568                          |
| Restricted                                | 3,841,762                          | 3,288,980                          |
| Unrestricted                              | 1,874,915                          | 1,786,476                          |
| Total Net Position                        | \$ 10,433,259                      | \$ 9,369,024                       |

The net position of the School District increased \$1,064,235 for fiscal year 2024 from fiscal year 2023. The district showed an increase in the net position of \$336,109 for fiscal year 2023. Total assets and deferred outflows of resources increased \$692,694 from the 2023 fiscal year. The liabilities and deferred inflows of resources showed a decrease of \$371,541.

The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable have been reported in this manner on the statement of net position. The difference between the school’s assets and liabilities is the net position.

Figure A-2 - Revenues

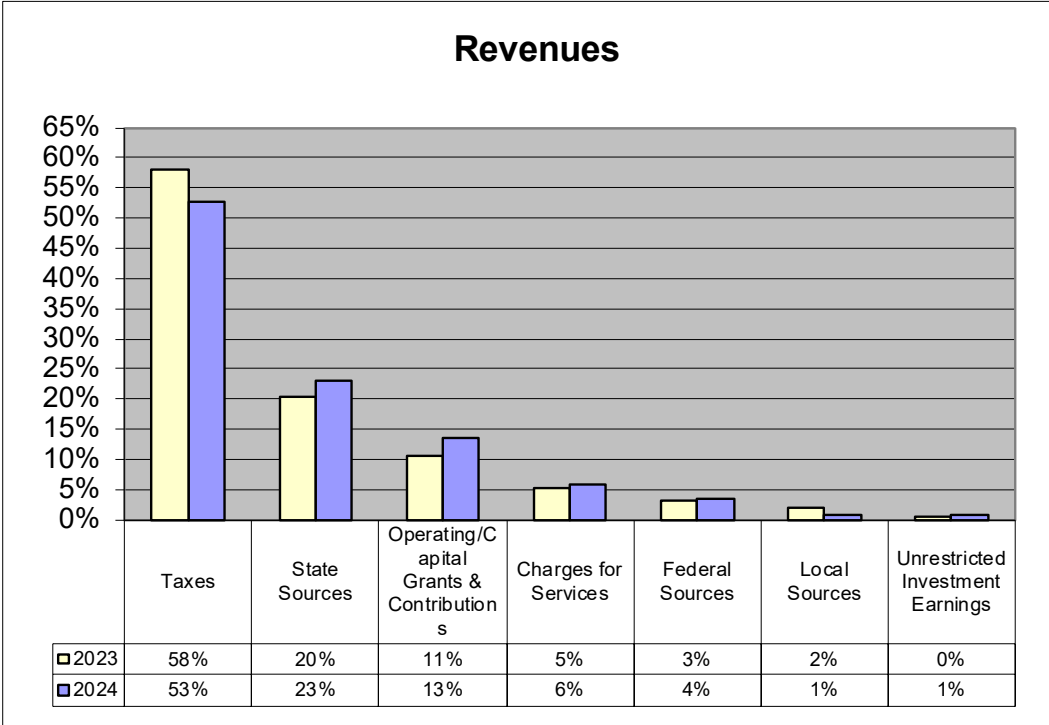
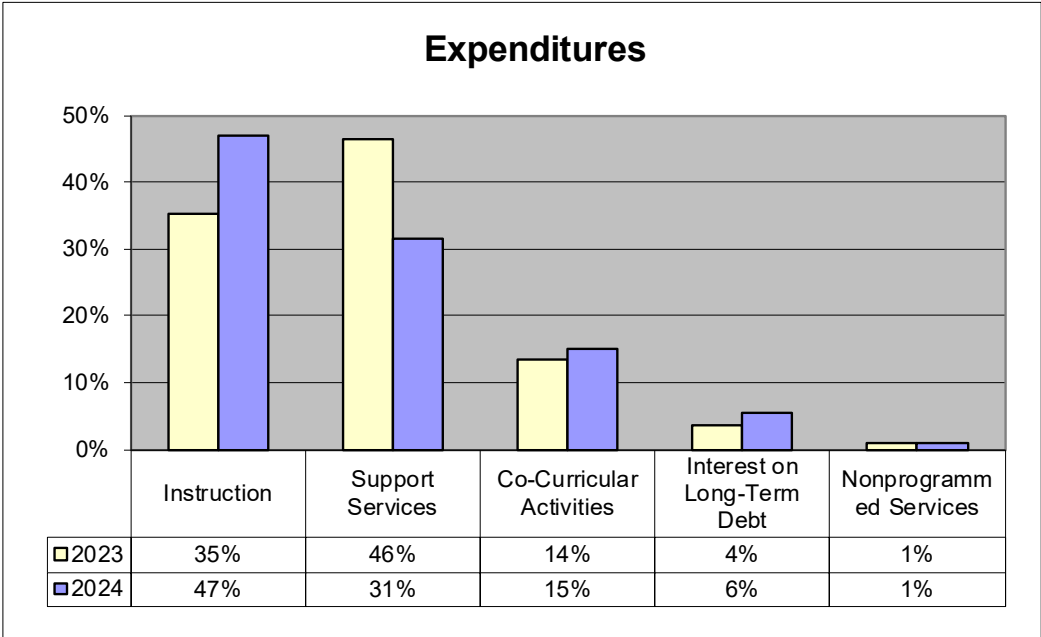


Figure A-3 – Expenditures



**Governmental Activities**

Table A-2 and the narrative that follows consider the operations of the governmental activities.

**Table A-2  
Changes in Net Position**

|   | <u>Total<br/>Governmental<br/>Activities</u> | <u>Total<br/>Governmental<br/>Activities</u> |
|---|--|--|
|   | <u>2024</u>                                  | <u>2023</u>                                  |
| Revenues                                |  |  |
| Program Revenues                        |  |  |
| Charges for Services                    | \$ 337,363                                   | \$ 289,781                                   |
| Operating Grants and Contributions      | 658,398                                      | 496,679                                      |
| Capital Grants and Contributions        | 133,920                                      | 109,006                                      |
| General Revenues                        |  |  |
| Taxes                                   | 3,118,623                                    | 3,304,350                                    |
| Revenue State Sources                   | 1,361,944                                    | 1,151,574                                    |
| Revenue Federal Sources                 | 208,226                                      | 185,339                                      |
| Revenue Intermediate Sources            | 49,662                                       | 120,327                                      |
| Unrestricted Investment Earnings        | 43,465                                       | 26,788                                       |
| Compensation for loss on capital assets | 912  | -  |
| Total Revenues                          | <u>5,912,513</u>                             | <u>5,683,844</u>                             |
| Expenses                                |  |  |
| Instruction                             | 2,275,978                                    | 1,888,759                                    |
| Support Services                        | 1,522,796                                    | 2,479,753                                    |
| Co-curricular Activities                | 735,443                                      | 723,727                                      |
| Interest on Long-Term Debt              | 268,186                                      | 200,449                                      |
| Nonprogrammed Charges                   | 45,875                                       | 55,047                                       |
| Total Expenses                          | <u>4,848,278</u>                             | <u>5,347,735</u>                             |
| Change in Net Position                  | 1,064,235                                    | 336,109                                      |
| Net Position, Beginning of Year         | <u>9,369,024</u>                             | <u>9,032,915</u>                             |
| Net Position, End of Year               | <u>\$ 10,433,259</u>                         | <u>\$ 9,369,024</u>                          |

The Lemmon School District's total revenues (including special items) totaled \$5,912,513 for fiscal year ending June 30, 2024, which is an increase of \$228,669 from fiscal year 2023. There is a slight decrease in Revenue from Taxes and Intermediate sources, but an increase in Revenue from State Sources, Revenue from Federal Sources, and Unrestricted Investment Earnings, but overall the revenue was up from fiscal year 2023 to 2024.

The total cost of all programs and services was \$4,848,278 for fiscal year ending June 30, 2024, which is a decrease of \$499,457 from fiscal year 2023. The largest increase in expenditures can be found in the Instruction Category with a decrease in Support Services.

Approximately 53% of the School District's revenue came from property taxes compared to 58% in FY 2023 with approximately 23% from state sources compared to 20% in FY 2023. There is always a shift in funding between the local and state revenues is dependent on the per pupil amount for the general fund state aid, any increase in property tax values and change in property tax levies as set by the state legislative bodies.

For general fund, the per pupil state aid amount is a combination of property taxes and state funds. The School District's enrollment has held steady the last couple of years; however, there was a slight increase in enrollment for fiscal year 2024.

Fiscal year 2024 shows a slight increase in the state revenue which is partially due to the slight increase in enrollment, the local effort due to local tax evaluations and how the state funding formula is calculated. The federal funding increased slightly in fiscal year 2024. The School District continues to use the Title I funding where possible (see Figure A-2).

Fiscal year 2024 shows a decrease in expenditures (see Table A-2). The School District's expenses cover a range of services, encompassing instruction, support services, capital outlay expenditures, interest on long-term debt, and food services (see Figure A-3).

### **Financial Analysis of the School's Funds**

The General Fund had an increase of \$160,925 in fund balance at the end of the year. The School District continues to monitor the budget to stay abreast of the district financial status. If there is a need for a transfer to the General Fund in the future, the state aid formula allows for a transfer from the Capital Outlay Fund.

The Capital Outlay Fund showed an increase of \$656,941 in fund balance. The district continues to hold the capital outlay expenditures to a minimum where possible.

The Special Education Fund reflected a slight decrease of \$12,582 in fund balance. The district did meet the maintenance of effort in the special education fund for FY 2024 and the local and federal expenditures continue to be monitored closely. However, due to the special education fund balance, the district does not receive any state aid for special education.

### **Budgetary Highlights**

There were no significant budget changes or budget variances for the year in the General Fund.

**Capital Asset Management**

By the end of fiscal year 2024, the Lemmon School District had invested \$13,478,426 net of depreciation in a broad range of capital assets, including, land, buildings and various machinery and equipment. This is a net increase of \$83,668 over fiscal year 2023. (See Table A-3).

**Table A-3  
Lemmon School District 52-4 – Capital Assets  
(Net of Depreciation)**

|                               | Governmental<br>Activities<br>2024 | Governmental<br>Activities<br>2023 |
|-------------------------------|------------------------------------|------------------------------------|
| Land                          | \$ 10,580                          | \$ 10,580                          |
| Improvements (net)            | 419,556                            | 339,780                            |
| Buildings (net)               | 12,180,503                         | 12,470,936                         |
| Machinery and equipment (net) | 867,787                            | 573,462                            |
| Total capital assets (net)    | \$ 13,478,426                      | \$ 13,394,758                      |

The increase is partially due to some improvements on campus and the purchase of the new activity bus.

**Long Term Debt**

The long-term debt of the Lemmon School District consists of the following:

- The School District replaced the lights in the high school and the armory gym with an interest free loan in the amount of \$130,850 from the State of South Dakota. The loan for the lighting project must be paid back in 10 years. The district has made the final payment on this loan.
- The General Obligation Bonds were sold in November 2019. The bonds were sold for the remodel and addition to the Lemmon Armory. The first payments were made in fiscal year 2021.
- The remainder of the long-term debt is compensated absences for which the School District is liable for accrued sick leave and vacation leave payable for both the certified staff and support staff as per school district handbooks and the Negotiated Agreement.

**Table A-4**

|  | Governmental Activities |              | Change       | Change    |
|--|-------------------------|--------------|--------------|-----------|
|  | 2024                    | 2023         | 2024-2023    | 2023-2022 |
| Compensated absences                   | \$ 21,098               | \$ 19,015    | \$ 2,083     | 10.95%    |
| Energy Loan                            | -                       | 13,085       | (13,085)     | -100.00%  |
| GO Bonds Payable                       | 8,761,844               | 9,088,105    | (326,261)    | -3.59%    |
| Total outstanding debt and obligations | \$ 8,782,942            | \$ 9,120,205 | \$ (337,263) | -3.70%    |

### **Economic Factors and Next Year's Budgets and Rates**

The Lemmon School District's overall economic position continues to improve. The School District's property valuation has increased some, however, the maximum that can be levied is set during the State of South Dakota legislative session every year.

One of the primary sources of General Fund revenue to the school is based on the per student allocation received from the State of South Dakota. The South Dakota state aid formula changed and now includes a target average teacher salary, a student-teacher ratio as well as putting the Pension fund in the General Fund beginning with fiscal year 2017. Raising the teacher's salary was a large consideration in the new funding formula. All school districts are required to meet their accountability as defined by the South Dakota Department of Education.

In calculating the total need for fiscal year 2024, the SD Department of Education determined it to be \$2,404,460 of which \$1,238,384 will come in the form of state aid to education. The remainder the district will receive as tax revenue. With the change in the state aid formula fiscal year 2017, the other revenue which the district receives separately is included in the calculation of local effort in accordance with the state statute.

The Revenue Chart (Figure A-2) on page 10 shows a slight shift in the primary source of revenue. The current General Fund state aid formula is a combination of property tax and state funding. What is not received in property tax is paid as general state aid to the district.

In fiscal year 2024, the Food Service Fund posted a \$2,948 fund balance deficit compared to a \$7,110 fund balance deficit in FY 2023. This was largely due rising costs in food service operations exceeding sales and reimbursements, including a transfer of \$35,000 from the General Fund to the Food Service Fund to cover the shortfall of the revenue.

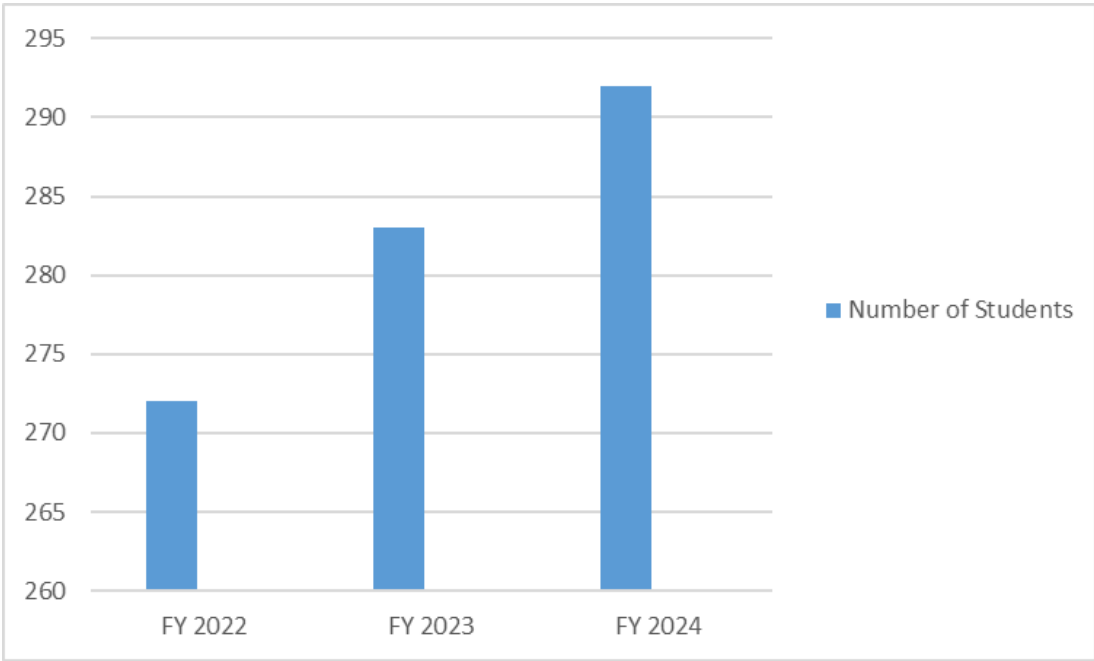
Throughout FY 2024, various federal funds became available to the school districts in the State of South Dakota in regard to COVID. The district has some ESSER III funds remaining.

The board approved the continuation of the opt out of \$150,000 in January 2024 and it was not referred to a vote of the patrons.



**Student Enrollment**

The enrollment has increased slightly the last few years. The fall enrollment was 272 students for fiscal year 2022, 283 students for fiscal year 2023 and 292 students for fiscal year 2024. This enrollment number is what is used for the state aid calculation and does not include any students who tuition into the School District.



**Contacting the School’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers as well as investors and creditors with a general overview of the School District’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 Lemmon School District 52-4 Business Office, 905 5<sup>th</sup> Ave. West, Lemmon, South Dakota 57638.

## Lemmon School District No. 52-4

Statement of Net Position – Exhibit I

June 30, 2024

|                                       | <u>Governmental<br/>Activities</u> |
|---------------------------------------|------------------------------------|
| <b>Assets</b>                         |                                    |
| Cash                                  | \$ 5,537,820                       |
| Taxes receivable                      | 1,436,781                          |
| Inventories                           | 6,388                              |
| Accounts receivable                   | 1,313                              |
| Due from other governments            | 506,466                            |
| Net pension asset                     | 7,572                              |
| Capital assets not being depreciated  |                                    |
| Land                                  | 10,580                             |
| Capital assets being depreciated      |                                    |
| Improvements                          | 419,556                            |
| Buildings                             | 12,180,503                         |
| Machinery/equipment                   | 867,787                            |
| Total assets                          | <u>20,974,766</u>                  |
| <b>Deferred Outflows of Resources</b> |                                    |
| Pension related deferred outflows     | <u>664,545</u>                     |
| <b>Liabilities</b>                    |                                    |
| Accounts payable                      | 40,053                             |
| Other current liabilities             | 301,055                            |
| Unearned revenue                      | 9,574                              |
| Noncurrent liabilities                |                                    |
| Due within one year                   |                                    |
| Compensated absences                  | 21,098                             |
| Bonds payable                         | 335,000                            |
| Due in more than one year             |                                    |
| Bonds payable                         | 8,426,844                          |
| OPEB obligation                       | 94,531                             |
| Total liabilities                     | <u>9,228,155</u>                   |
| <b>Deferred Inflows of Resources</b>  |                                    |
| Taxes levied for future period        | 1,597,656                          |
| Pension related deferred inflows      | <u>380,241</u>                     |
| Total deferred inflows of resources   | <u>1,977,897</u>                   |
| <b>Net Position</b>                   |                                    |
| Net investment in capital assets      | 4,716,582                          |
| Restricted for                        |                                    |
| Special Education                     | 1,549,466                          |
| Capital Outlay                        | 1,616,074                          |
| Debt Service                          | 384,346                            |
| SDRS pension purposes                 | 291,876                            |
| Unrestricted                          | <u>1,874,915</u>                   |
| Total net position                    | <u>\$ 10,433,259</u>               |

See Notes to Financial Statements

16

Lemmon School District No. 52-4

Statement of Activities – Exhibit II

Year Ended June 30, 2024

| Functions/Programs                      | Expenses            | Program Revenues        |  | Capital<br>Grants and<br>Contributions | Net (Expense)                             |
|---|---------------------|-------------------------|--|--|---|
|   |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  | Revenue and<br>Changes in<br>Net Position |
|   |                     |                         |  |  | Total<br>Governmental<br>Activities       |
| Primary Government                      |                     |                         |  |  |   |
| Governmental activities                 |                     |                         |  |  |   |
| Instruction                             | \$ 2,275,978        | \$ 61,600               | \$ 547,037                               | \$ 133,920                             | \$ (1,533,421)                            |
| Support services                        | 1,522,796           | 89,637                  | 111,361                                  | -                                      | (1,321,798)                               |
| Co-curricular activities                | 735,443             | 186,126                 | -  | -                                      | (549,317)                                 |
| Interest on long-term debt              | 268,186             | -                       | -  | -                                      | (268,186)                                 |
| Nonprogrammed charges                   | 45,875              | -                       | -  | -                                      | (45,875)                                  |
| Total Primary Government                | <u>\$ 4,848,278</u> | <u>\$ 337,363</u>       | <u>\$ 658,398</u>                        | <u>\$ 133,920</u>                      | <u>(3,718,597)</u>                        |
| General Revenues                        |                     |                         |  |  |   |
| Taxes                                   |                     |                         |  |  |   |
| Property taxes                          |                     |                         |  |  | 2,971,404                                 |
| Gross receipts taxes                    |                     |                         |  |  | 147,219                                   |
| Revenue from state sources              |                     |                         |  |  |   |
| State aid                               |                     |                         |  |  | 1,361,944                                 |
| Revenue from federal sources            |                     |                         |  |  | 208,226                                   |
| Unrestricted investment earnings        |                     |                         |  |  | 43,465                                    |
| Other general revenues                  |                     |                         |  |  | 49,662                                    |
| Compensation for loss on capital assets |                     |                         |  |  | 912                                       |
| Total general revenues                  |                     |                         |  |  | <u>4,782,832</u>                          |
| Change in Net Position                  |                     |                         |  |  | 1,064,235                                 |
| Net Position - Beginning                |                     |                         |  |  | <u>9,369,024</u>                          |
| Net Position - Ending                   |                     |                         |  |  | <u>\$ 10,433,259</u>                      |

Lemmon School District No. 52-4  
Balance Sheet – Governmental Funds – Exhibit III  
June 30, 2024

|  | General<br>Fund     | Special Revenue Funds |                      | Bond<br>Redemption | Other                                 | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------|----------------------|--------------------|---------------------------------------|--------------------------------|
|  |                     | Capital<br>Outlay     | Special<br>Education |                    | Governmental<br>Funds<br>Food Service |                                |
| <b>Assets</b>  |                     |                       |                      |                    |                                       |                                |
| 101 Cash   | \$ 1,715,096        | \$ 1,822,823          | \$ 1,577,759         | \$ 412,834         | \$ 7,145                              | \$ 5,535,657                   |
| 110 Taxes receivable-current   | 520,264             | 457,198               | 170,731              | 276,936            | -                                     | 1,425,129                      |
| 112 Taxes receivable-delinquent  | 6,587               | 2,397                 | 1,131                | 1,537              | -                                     | 11,652                         |
| 120 Accounts receivable  | 1,313               | -                     | -                    | -                  | -                                     | 1,313                          |
| 130 Due from other fund  | 290,000             | -                     | -                    | -                  | -                                     | 290,000                        |
| 140 Due from other governments   | 342,753             | 133,920               | 29,793               | -                  | -                                     | 506,466                        |
| 150 Imprest account  | 2,163               | -                     | -                    | -                  | -                                     | 2,163                          |
| 170 Inventory  | -                   | -                     | -                    | -                  | 6,388                                 | 6,388                          |
| <b>Total Assets</b>  | <b>\$ 2,878,176</b> | <b>\$ 2,416,338</b>   | <b>\$ 1,779,414</b>  | <b>\$ 691,307</b>  | <b>\$ 13,533</b>                      | <b>\$ 7,778,768</b>            |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>        |                     |                       |                      |                    |                                       |                                |
| <b>Liabilities</b>   |                     |                       |                      |                    |                                       |                                |
| 402 Accounts payable   | \$ 28,451           | \$ 3,665              | \$ 1,275             | \$ -               | \$ 6,662                              | \$ 40,053                      |
| 404 Contracts payable  | 198,409             | -                     | 34,865               | -                  | -                                     | 233,274                        |
| 410 Due to other fund  | -                   | 290,000               | -                    | -                  | -                                     | 290,000                        |
| 415 Amounts held for others  | 7,691               | -                     | -                    | -                  | -                                     | 7,691                          |
| 450 Payroll deductions and withholdings and employer matching payable      | 36,223              | -                     | 4,602                | -                  | 245                                   | 41,070                         |
| 475 Unearned revenue   | -                   | -                     | -                    | -                  | 9,574                                 | 9,574                          |
| <b>Total Liabilities</b>   | <b>270,774</b>      | <b>293,665</b>        | <b>40,742</b>        | <b>-</b>           | <b>16,481</b>                         | <b>621,662</b>                 |
| <b>Deferred Inflows of Resources:</b>                                      |                     |                       |                      |                    |                                       |                                |
| 551 Unavailable revenue-property taxes                                     | 6,587               | 2,397                 | 1,131                | 1,537              | -                                     | 11,652                         |
| 553 Taxes levied for future periods  | 594,890             | 506,599               | 189,206              | 306,961            | -                                     | 1,597,656                      |
| 559 Other deferred inflows of resources                                    | 20,628              | -                     | -                    | -                  | -                                     | 20,628                         |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>622,105</b>      | <b>508,996</b>        | <b>190,337</b>       | <b>308,498</b>     | <b>-</b>                              | <b>1,629,936</b>               |
| <b>Fund Balances</b>   |                     |                       |                      |                    |                                       |                                |
| 703 Nonspendable   | -                   | -                     | -                    | -                  | 6,388                                 | 6,388                          |
| 720 Restricted for Special Education                                       | -                   | -                     | 1,548,335            | -                  | -                                     | 1,548,335                      |
| Capital Outlay   | -                   | 1,613,677             | -                    | -                  | -                                     | 1,613,677                      |
| Debt Service   | -                   | -                     | -                    | 382,809            | -                                     | 382,809                        |
| 704 Unassigned   | 1,985,297           | -                     | -                    | -                  | (9,336)                               | 1,975,961                      |
| <b>Total Fund Balances (Deficit)</b>                                       | <b>1,985,297</b>    | <b>1,613,677</b>      | <b>1,548,335</b>     | <b>382,809</b>     | <b>(2,948)</b>                        | <b>5,527,170</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <b>\$ 2,878,176</b> | <b>\$ 2,416,338</b>   | <b>\$ 1,779,414</b>  | <b>\$ 691,307</b>  | <b>\$ 13,533</b>                      | <b>\$ 7,778,768</b>            |

|   |    |             |                    |
|---|----|-------------|--------------------|
| Total Fund Balances - Governmental Funds  |    | \$          | 5,527,170          |
| Amounts Reported for Governmental Activities in the Statement of Net Position Are Different Because:  |    |             |                    |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                                   |    |             | 13,478,426         |
| Assets such as taxes and grants receivable that are not available to pay for current period expenditures are deferred inflows in the fund level statements. |    |             | 32,280             |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.              |    |             | 284,304            |
| The net pension asset does not represent available financial resources and, therefore, is not reported in the funds.  |    |             | 7,572              |
| Unamortized balance of debt premiums are not due and payable in the current period and, therefore, are not reported in the funds.                           |    |             | (121,844)          |
| Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.                                      |    |             | (19,020)           |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.  |    |             |                    |
| Compensated absences  | \$ | (21,098)    |                    |
| Bonds payable   |    | (8,640,000) |                    |
| OPEB obligation   |    | (94,531)    |                    |
|   |    |             | <u>(8,755,629)</u> |
| Net Position - Governmental Activities  |    | \$          | <u>10,433,259</u>  |

Lemmon School District No. 52-4  
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Exhibit IV  
Year Ended June 30, 2024

|   | General Fund     | Special Revenue Funds |                   | Bond Redemption | Governmental Funds | Total Governmental Funds |
|---|------------------|-----------------------|-------------------|-----------------|--------------------|--------------------------|
|   |                  | Capital Outlay        | Special Education |                 | Food Service       |                          |
| Revenues  |                  |                       |                   |                 |                    |                          |
| 1000 Revenue from local sources   |                  |                       |                   |                 |                    |                          |
| 1100 Taxes  |                  |                       |                   |                 |                    |                          |
| 1110 Ad valorem taxes   | \$ 1,132,191     | \$ 988,247            | \$ 366,831        | \$ 572,243      | \$ -               | \$ 3,059,512             |
| 1120 Prior years' ad valorem taxes  | 7,297            | 4,042                 | 1,564             | 2,427           | -                  | 15,330                   |
| 1130 Tax deed revenue   | 1,737            | -                     | -                 | -               | -                  | 1,737                    |
| 1140 Gross receipts taxes   | 147,219          | -                     | -                 | -               | -                  | 147,219                  |
| 1190 Penalties and interest on taxes  | 4,992            | 3,956                 | 1,613             | 2,081           | -                  | 12,642                   |
| 1300 Tuition and fees   |                  |                       |                   |                 |                    |                          |
| 1310 Out-of-state tuition   | 61,600           | -                     | -                 | -               | -                  | 61,600                   |
| 1500 Earnings on investments and deposits   | 43,465           | -                     | -                 | -               | -                  | 43,465                   |
| 1600 Food service   | -                | -                     | -                 | -               | 89,637             | 89,637                   |
| 1700 Co-curricular activities   |                  |                       |                   |                 |                    |                          |
| 1790 Other pupil activity income  | 186,126          | -                     | -                 | -               | -                  | 186,126                  |
| 1900 Other revenue from local sources   |                  |                       |                   |                 |                    |                          |
| 1920 Contributions and donations  | 5,575            | -                     | -                 | -               | -                  | 5,575                    |
| 1970 Charges for services   | 1,838            | -                     | -                 | -               | -                  | 1,838                    |
| 1990 Other  | 21,270           | 395                   | -                 | -               | -                  | 21,665                   |
| 2000 Revenue from intermediate sources  |                  |                       |                   |                 |                    |                          |
| 2100 County sources   |                  |                       |                   |                 |                    |                          |
| 2110 County apportionment   | 17,379           | -                     | -                 | -               | -                  | 17,379                   |
| 2120 Lease of county-owned land   | 381              | -                     | -                 | -               | -                  | 381                      |
| 2200 Revenue in lieu of taxes   | 2,824            | -                     | -                 | -               | -                  | 2,824                    |
| 3000 Revenue from state sources   |                  |                       |                   |                 |                    |                          |
| 3110 Unrestricted grants-in-aid   | 1,361,944        | -                     | -                 | -               | -                  | 1,361,944                |
| 3810 State reimbursements   | -                | -                     | -                 | -               | 352                | 352                      |
| 4000 Revenue from federal sources   |                  |                       |                   |                 |                    |                          |
| 4100 Grants-in-aid  |                  |                       |                   |                 |                    |                          |
| 4110 Unrestricted grants-in-aid received directly from federal government         | 65,999           | -                     | -                 | -               | -                  | 65,999                   |
| 4120 Unrestricted grants-in-aid received from federal government through state    | 14,184           | -                     | -                 | -               | -                  | 14,184                   |
| 4150-4199 Restricted grants-in-aid received from federal government through state | 351,090          | 300,074               | 29,793            | -               | -                  | 680,957                  |
| 4200 Revenue in Lieu of Taxes (PILT)  | 128,043          | -                     | -                 | -               | -                  | 128,043                  |
| 4810 Federal reimbursements   | -                | -                     | -                 | -               | 97,147             | 97,147                   |
| 4820 Donated commodities  | -                | -                     | -                 | -               | 13,862             | 13,862                   |
| Total revenues  | <u>3,555,154</u> | <u>1,296,714</u>      | <u>399,801</u>    | <u>576,751</u>  | <u>200,998</u>     | <u>6,029,418</u>         |

Lemmon School District No. 52-4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Exhibit IV  
Year Ended June 30, 2024

|   | General Fund | Special Revenue Funds |                   | Bond Redemption | Other Governmental Funds | Total Governmental Funds |
|---|--------------|-----------------------|-------------------|-----------------|--------------------------|--------------------------|
|   |              | Capital Outlay        | Special Education |                 | Food Service             |                          |
| Expenditures                              |              |                       |                   |                 |                          |                          |
| Current                                   |              |                       |                   |                 |                          |                          |
| 1000 Instruction                          |              |                       |                   |                 |                          |                          |
| 1100 Regular programs                     |              |                       |                   |                 |                          |                          |
| 1110 Elementary                           | 557,528      | 6,757                 | -                 | -               | -                        | 564,285                  |
| 1120 Middle school                        | 164,653      | 2,465                 | -                 | -               | -                        | 167,118                  |
| 1130 High school                          | 558,811      | 210,921               | -                 | -               | -                        | 769,732                  |
| 1190 Other regular programs               | 106,032      | -                     | -                 | -               | -                        | 106,032                  |
| 1200 Special programs                     |              |                       |                   |                 |                          |                          |
| 1220 Programs for special education       | -            | -                     | 327,497           | -               | -                        | 327,497                  |
| 1270 Educationally deprived               | 200,161      | -                     | -                 | -               | -                        | 200,161                  |
| 1300 Adult continuing education programs  |              |                       |                   |                 |                          |                          |
| 2000 Support services                     |              |                       |                   |                 |                          |                          |
| 2120 Guidance                             | 36,070       | -                     | -                 | -               | -                        | 36,070                   |
| 2130 Health                               | 4,209        | -                     | -                 | -               | -                        | 4,209                    |
| 2140 Psychological                        | -            | -                     | 14,600            | -               | -                        | 14,600                   |
| 2150 Speech pathology                     | -            | -                     | 55,944            | -               | -                        | 55,944                   |
| 2170 Student therapy services             | -            | -                     | 5,747             | -               | -                        | 5,747                    |
| 2200 Instructional staff                  |              |                       |                   |                 |                          |                          |
| 2210 Improvement of instruction           | 41,125       | -                     | -                 | -               | -                        | 41,125                   |
| 2220 Educational media                    | 25,442       | 60,360                | -                 | -               | -                        | 85,802                   |
| 2300 General administration               |              |                       |                   |                 |                          |                          |
| 2310 Board of Education                   | 84,490       | -                     | -                 | -               | -                        | 84,490                   |
| 2320 Executive administration             | 130,741      | -                     | -                 | -               | -                        | 130,741                  |
| 2400 School administration                |              |                       |                   |                 |                          |                          |
| 2410 Office of the Principal              | 263,276      | -                     | -                 | -               | -                        | 263,276                  |
| 2490 Other                                | 117          | -                     | -                 | -               | -                        | 117                      |
| 2500 Support services - business          |              |                       |                   |                 |                          |                          |
| 2520 Fiscal services                      | 111,244      | -                     | -                 | -               | -                        | 111,244                  |
| 2530 Facility construction                | -            | 3,958                 | -                 | -               | -                        | 3,958                    |
| 2540 Operation and maintenance of plant   | 505,850      | 40,217                | -                 | -               | -                        | 546,067                  |
| 2550 Pupil transportation                 | 107,226      | 290,000               | -                 | -               | -                        | 397,226                  |
| 2560 Food service                         | 10,519       | -                     | -                 | -               | 231,836                  | 242,355                  |
| 2700 Support services - special education |              |                       |                   |                 |                          |                          |
| 2710 Administrative costs                 | -            | -                     | 8,595             | -               | -                        | 8,595                    |
| 4000 Nonprogrammed charges                |              |                       |                   |                 |                          |                          |
| 4300 Scholarships                         | 27,155       | -                     | -                 | -               | -                        | 27,155                   |
| 4900 Other nonprogrammed costs            | 18,720       | -                     | -                 | -               | -                        | 18,720                   |

Lemmon School District No. 52-4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Exhibit IV  
Year Ended June 30, 2024

|  | General Fund        | Special Revenue Funds |                     | Bond Redemption   | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------|---------------------|-------------------|--------------------------|--------------------------|
|  |                     | Capital Outlay        | Special Education   |                   | Food Service             |                          |
| 5000 Debt services                                   | -                   | 13,085                | -                   | 555,340           | -                        | 568,425                  |
| 6000 Co-curricular activities                        |                     |                       |                     |                   |                          |                          |
| 6100 Male activities                                 | 99,749              | -                     | -                   | -                 | -                        | 99,749                   |
| 6200 Female activities                               | 54,602              | -                     | -                   | -                 | -                        | 54,602                   |
| 6900 Combined activities                             | 252,421             | 12,010                | -                   | -                 | -                        | 264,431                  |
| <b>Total expenditures</b>                            | <b>3,360,141</b>    | <b>639,773</b>        | <b>412,383</b>      | <b>555,340</b>    | <b>231,836</b>           | <b>5,199,473</b>         |
| <b>Excess of Revenues Over (Under) Expenditures</b>  | <b>195,013</b>      | <b>656,941</b>        | <b>(12,582)</b>     | <b>21,411</b>     | <b>(30,838)</b>          | <b>829,945</b>           |
| <b>Other Financing Sources (Uses)</b>                |                     |                       |                     |                   |                          |                          |
| 5110 Transfers in                                    | -                   | -                     | -                   | -                 | 35,000                   | 35,000                   |
| 8110 Transfers out                                   | (35,000)            | -                     | -                   | -                 | -                        | (35,000)                 |
| 5140 Compensation for loss of general capital assets | 912                 | -                     | -                   | -                 | -                        | 912                      |
| <b>Total Other Financing Sources (Uses)</b>          | <b>(34,088)</b>     | <b>-</b>              | <b>-</b>            | <b>-</b>          | <b>35,000</b>            | <b>912</b>               |
| <b>Net Change in Fund Balance</b>                    | <b>160,925</b>      | <b>656,941</b>        | <b>(12,582)</b>     | <b>21,411</b>     | <b>4,162</b>             | <b>830,857</b>           |
| <b>Fund Balance - June 30, 2023</b>                  | <b>1,824,372</b>    | <b>956,736</b>        | <b>1,560,917</b>    | <b>361,398</b>    | <b>(7,110)</b>           | <b>4,696,313</b>         |
| <b>Fund Balance (Deficit) - June 30, 2024</b>        | <b>\$ 1,985,297</b> | <b>\$ 1,613,677</b>   | <b>\$ 1,548,335</b> | <b>\$ 382,809</b> | <b>\$ (2,948)</b>        | <b>\$ 5,527,170</b>      |



Lemmon School District No. 52-4  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the  
 Government-Wide Statement of Activities – Exhibit IV  
 Year Ended June 30, 2024

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|  |                            |
|--|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$ 830,857                 |
| Amounts Reported for Governmental Activities in the Statement of<br>Activities are Different Because:  |                            |
| Governmental funds report capital outlays as expenditures;<br>however, in the statement of activities, the cost of those assets is allocated<br>over their estimated useful lives and reported as depreciation expense.  | 634,864                    |
| This amount represents the current-year depreciation expense reported in the<br>statement of activities which is not reported on the fund financial statements<br>because it does not require the use of current financial resources.                              | (523,696)                  |
| In the statement of activities, gains or losses on disposal of capital assets are<br>reported; whereas, in the governmental funds, no gain or loss is realized.  | (27,500)                   |
| Revenues in the statement of activities that do not provide current financial<br>resources are not reported as revenues in the funds.  | (117,817)                  |
| Principal payments on long-term liabilities are an expenditure in the<br>governmental funds, but the payments decrease long-term liabilities in the<br>statement of net position.  | 333,085                    |
| Governmental funds report the effect of premiums and discounts when debt is<br>first issued; whereas, these amounts are reported as part of debt and<br>amortized in the statement of activities. This is the current-year amortization<br>of the premium on debt. | 6,261                      |
| Changes in the pension related deferred outflows/inflows are direct components<br>of pension liability (asset) and are not reflected in the governmental funds.  | (35,376)                   |
| Accrued interest reported in the statement of activities does not require the use<br>of current financial resources and, therefore, is not reported as expenditures<br>in governmental funds.  | (39,107)                   |
| Some expenses reported in the statement of activities do not require the use of<br>current financial resources and, therefore, are not reported as expenditures in<br>governmental funds.  | <u>2,664</u>               |
| Change in Net Position of Governmental Activities  | <u><u>\$ 1,064,235</u></u> |

**Note 1 - Summary of Significant Accounting Policies**

The following is a summary of the Lemmon School District No. 52-4's significant accounting policies:

**Reporting Entity**

The reporting entity of the Lemmon School District No. 52-4 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

**Basis of Presentation**

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

**Government-Wide Statements**

The statement of net position and the statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

The statement of activities presents a comparison between direct expenses and program revenues for each 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expense. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined; or
3. Management has elected to classify one or more governmental 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 are described below within their respective governmental fund types:

|                        | Description  |
|------------------------|--|
| General Fund           | The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund. The General Fund is always a major fund.  |
| Special Revenue Funds  |  |
| Special Education Fund | A fund established by South Dakota Codified Law (SDCL) 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.       |
| 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. This fund is financed by property taxes. This is a major fund.  |
| Food Service Fund      | A fund used to record financial transactions related to food service operations. This fund is financed partially by user charges, but primarily by grants from the federal government. This is not a major fund.   |
| Bond Redemption Fund   | A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund. |

**Interfund Eliminations**

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. In order to eliminate the grossing-up effect on the assets and liabilities within the governmental funds, the advances between funds have been eliminated.

**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, governmental 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.

**Basis of Accounting****Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, governmental 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 School District, the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2024, are revenues from federal, state and local sources.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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

### **Deposits and Investments**

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.

Deposits are reported at cost plus interest, if the account is of the add-on type.

Investments – In general, SDCL 4-5-6 permits School District funds to be invested only in a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or b) repurchase agreements fully collateralized by securities described in (a); or (c) 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 did not have any investments.

### **Custodial and Concentration of Credit Risk**

Custodial Credit Risk - Deposits: The risk that, in the event of a depository failure, the School District’s deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2024, the School District’s bank balances were \$5,581,319 which includes various bank accounts. Of these deposits, \$250,000 was covered by the FDIC and the remaining balance was uninsured but collateralized with securities held by the pledging financial institution.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. As of June 30, 2024, the School District did not have any investments.

**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.

**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.

**Assignment of Investment Income:** State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the General Fund. United States generally accepted accounting principles, on the other hand, require 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 investments earnings may be reported, while in the government-wide financial statements, they have been eliminated. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

### **Receivables and Payables**

The School District does not aggregate receivables and payables in the financial statements. The amount recorded as due from other governments consists of \$124,307 for utility tax revenues in the General Fund from the state and county. The General Fund, Capital Outlay Fund, and Special Education Fund have amounts due from the federal government relating to grants in the amounts of \$218,446, \$133,920, and \$29,793, respectively. The School District expects all receivables to be collected within one year. Based on the nature of the receivables, no allowances for estimated uncollectible amounts have been established.

### **Inventory**

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list (average for the year). In the government-wide financial statements and in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the governmental fund financial statements, the "consumption method" of recording inventory is used.

### **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. 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. Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total June 30, 2024, balance of capital assets for governmental activities includes estimates of the original costs. These estimated original costs were established by deflated current replacement cost.

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

|                     | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|---------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land                | All                                 | N/A                            | N/A                              |
| Improvements        | \$ 1,000                            | Straight-line                  | 30 years                         |
| Buildings           | 1,000                               | Straight-line                  | 50 years                         |
| Machinery/equipment | 1,000                               | Straight-line                  | 5 - 20 years                     |

Land is an inexhaustible capital asset and is not depreciated.

**Fund Financial Statements**

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

**Long-Term Liabilities**

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences, direct borrowings, and general obligation bonds.

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

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. The School District reports contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension expense (revenue) reported in the government-wide statement of net position as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The first item is property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in the statement of net position. The second item is deferred inflows related to pension plans as a result of various estimate differences that will be recognized as expense (revenue) in future years reported in the government-wide statement of net position.

Receivables, such as taxes receivable, 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. Reported unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. According to SDCL 10-33, deferred inflows of resources would also be recognized for gross receipts tax if they are received after their 60-day period of availability after the current period.

### **Pensions**

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

### **Program Revenues**

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

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



## Equity Classifications

### *Government-Wide Statements*

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

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.

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.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### *Fund Financial Statements*

Governmental fund equity is classified as fund balance and is distinguished between nonspendable, restricted, committed, assigned, or unassigned components.

## Restricted and Unrestricted Resources

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.

## Fund Balance Classification Policies and Procedures

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

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

The nonspendable fund balance is comprised of nonspendable amounts in the form of inventory.

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

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

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

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

**Note 2 - Property Tax**

Property taxes are levied on or before each October 1, attach as an enforceable lien on property and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District’s taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current-year property taxes receivable, which is not intended to be used to finance the current year's appropriations and, therefore, is not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

**Note 3 - Changes in Capital Assets**

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

**Governmental Activities**

|   | Balance<br>June 30, 2023 | Additions         | Deletions          | Balance<br>June 30, 2024 |
|---|--------------------------|-------------------|--------------------|--------------------------|
| Capital assets not being depreciated        |                          |                   |                    |                          |
| Land  | \$ 10,580                | \$ -              | \$ -               | \$ 10,580                |
| Total capital assets not being depreciated  | <u>10,580</u>            | <u>-</u>          | <u>-</u>           | <u>10,580</u>            |
| Capital assets being depreciated            |                          |                   |                    |                          |
| Improvements                                | 758,829                  | 88,459            | -                  | 847,288                  |
| Buildings                                   | 14,302,682               | 4,688             | -                  | 14,307,370               |
| Machinery/equipment                         | <u>2,122,459</u>         | <u>541,717</u>    | <u>(269,289)</u>   | <u>2,394,887</u>         |
| Total capital assets being depreciated      | <u>17,183,970</u>        | <u>634,864</u>    | <u>(269,289)</u>   | <u>17,549,545</u>        |
| Less accumulated depreciation for           |                          |                   |                    |                          |
| Improvements                                | (419,049)                | (8,683)           | -                  | (427,732)                |
| Buildings                                   | (1,831,746)              | (295,121)         | -                  | (2,126,867)              |
| Machinery/equipment                         | <u>(1,548,997)</u>       | <u>(219,892)</u>  | <u>241,789</u>     | <u>(1,527,100)</u>       |
| Total accumulated depreciation              | <u>(3,799,792)</u>       | <u>(523,696)</u>  | <u>241,789</u>     | <u>(4,081,699)</u>       |
| Total capital assets being depreciated, net | <u>13,384,178</u>        | <u>111,168</u>    | <u>(27,500)</u>    | <u>13,467,846</u>        |
| Governmental activities capital assets, net | <u>\$ 13,394,758</u>     | <u>\$ 111,168</u> | <u>\$ (27,500)</u> | <u>\$ 13,478,426</u>     |

Depreciation expense was charged to functions as follows:

|   |                   |
|---|-------------------|
| Governmental activities                   |                   |
| Instruction                               | \$ 108,441        |
| Support services                          | 98,594            |
| Co-curricular activities                  | <u>316,661</u>    |
| Total depreciation expense - governmental | <u>\$ 523,696</u> |

**Note 4 - Long-Term Liabilities**

A summary of the changes in long-term liabilities follows:

|   | Primary Government - Governmental Activities |                                    |  | Total<br>Debt       | Total<br>Governmental<br>Activities |
|---|--|------------------------------------|--|---------------------|-------------------------------------|
|   | Compensated<br>Absences                      | Direct Borrowing<br>Energy<br>Loan | Bonds Payable<br>General<br>Obligation |                     |                                     |
| Noncurrent liabilities payable, June 30, 2023     | \$ 19,015                                    | \$ 13,085                          | \$ 9,088,105                           | \$ 9,101,190        | \$ 9,120,205                        |
| Increases   | 20,717                                       | -                                  | -                                      | -                   | 20,717                              |
| Decreases   | (18,634)                                     | (13,085)                           | (326,261)                              | (339,346)           | (357,980)                           |
| Noncurrent liabilities payable, June 30, 2024     | <u>21,098</u>                                | <u>-</u>                           | <u>8,761,844</u>                       | <u>8,761,844</u>    | <u>8,782,942</u>                    |
| Current liabilities, due within one year          | <u>21,098</u>                                | <u>-</u>                           | <u>335,000</u>                         | <u>335,000</u>      | <u>356,098</u>                      |
| Noncurrent liabilities, due in more than one year | <u>\$ -</u>                                  | <u>\$ -</u>                        | <u>\$ 8,426,844</u>                    | <u>\$ 8,426,844</u> | <u>\$ 8,426,844</u>                 |

Compensated absences for governmental activities typically have been liquidated from the General Fund.

The energy loan is a non-interest-bearing loan and must be paid off in 10 years. The School District makes annual payments from the Capital Outlay Fund from the savings they receive in their electrical bill after completing the lighting project. The energy loan matured in fiscal year 2024 and was fully paid off as of June 30, 2024.

The Series 2019 general obligation bonds are paid from property taxes from the Bond Redemption Fund and are due December 1, 2043. Annual payments of principal and semi-annual payments of interest at rates ranging from 2% – 4% are required. The payment requirements to maturity for the bonds outstanding as of June 30, 2024, excluding the unamortized debt premium of \$121,844, are as follows:

| Year Ending June 30, | Bonds Payable       |                     |                      |
|----------------------|---------------------|---------------------|----------------------|
|                      | Principal           | Interest            | Total                |
| 2025                 | \$ 335,000          | \$ 221,540          | \$ 556,540           |
| 2026                 | 350,000             | 207,840             | 557,840              |
| 2027                 | 360,000             | 197,240             | 557,240              |
| 2028                 | 370,000             | 189,940             | 559,940              |
| 2029                 | 375,000             | 182,490             | 557,490              |
| 2030-2034            | 2,010,000           | 782,138             | 2,792,138            |
| 2035-2039            | 2,255,000           | 528,830             | 2,783,830            |
| 2040-2044            | <u>2,585,000</u>    | <u>192,813</u>      | <u>2,777,813</u>     |
| Total                | <u>\$ 8,640,000</u> | <u>\$ 2,502,831</u> | <u>\$ 11,142,831</u> |

**Note 5 - Interfund Balances and Transactions**

During the year ended June 30, 2024, the School District made the following interfund transfers:

|                               | Transfer to<br>Food Service<br>Fund |
|-------------------------------|-------------------------------------|
| Transfer from<br>General fund | \$ 35,000                           |

Transfers to the Food Service Fund from the General Fund were to cover the shortfall in revenue and prepare for the fiscal year 2025 purchases. The School District had a loan from the General Fund to the Capital Outlay Fund for \$290,000 which was used for the purchase of a bus in fiscal year 2024. Repayment terms will last 18 months starting in July 2024 and are to be paid off in January 2026.

**Note 6 - Restricted Net Position**

The following details the net position restricted for other purposes as shown on the statement of net position:

| Major Purpose                 | Restricted by | Amount       |
|-------------------------------|---------------|--------------|
| Special Education             | Law           | \$ 1,549,466 |
| Capital Outlay                | Law           | 1,616,074    |
| Debt Service                  | Law           | 384,346      |
| SDRS pension purposes         | Law           | 291,876      |
| Total restricted net position |               | \$ 3,841,762 |

**Note 7 - Pension Plan**

**Plan Information**

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

**Benefits Provided**

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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

**Contributions**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023 and 2022, equal to required contributions each year, were \$123,515, \$120,060 and \$124,265, respectively.

**Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

At June 30, 2023, SDRS is 100.1% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the 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                                 | \$ 11,241,445            |
| Less proportionate share of net position restricted for pension benefits | <u>(11,249,017)</u>      |
| Proportionate share of net pension liability (asset)                     | <u><u>\$ (7,572)</u></u> |

At June 30, 2024, the School District reported an asset of \$7,572 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the School District's proportion was 0.07757700%, which was a decrease of 0.0091570% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$35,377. 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<br>Outflows<br>of Resources | Deferred<br>Inflows<br>of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience   | \$ 214,628                           | \$ -                                |
| Changes in assumption   | 258,871                              | 378,412                             |
| Net difference between projected and actual earnings on pension plan investments                                    | 50,411                               | -                                   |
| Changes in proportion and difference between School District contributions and proportionate share of contributions | 17,120                               | 1,829                               |
| School District contributions subsequent to the measurement date  | <u>123,515</u>                       | <u>-</u>                            |
| Total   | <u><u>\$ 664,545</u></u>             | <u><u>\$ 380,241</u></u>            |

The \$123,515 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:

| <u>Year Ending June 30</u> |                   |
|----------------------------|-------------------|
| 2025                       | \$ 107,617        |
| 2026                       | (110,491)         |
| 2027                       | 151,336           |
| 2028                       | <u>12,327</u>     |
| Total                      | <u>\$ 160,789</u> |

**Actuarial Assumptions**

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

|                  |   |
|------------------|---|
| Inflation        | 2.50 percent  |
| Salary Increases | 7.66% at entry to 3.15% at 25 years of service, graded by years of service                                      |
| Discount Rate    | 6.50% net of plan investment expense. Composed of an average inflation rate of 2.50% and real returns of 4.00%. |
| Future COLAs     | 1.91%   |

**Mortality Rates**

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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



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 portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| 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%              |  |

**Discount Rate**

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions 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 asset.

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

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

|  | 1% Decrease  | Current Discount Rate | 1% Increase    |
|--|--------------|-----------------------|----------------|
| School District's proportionate share of the net pension liability (asset) | \$ 1,551,966 | \$ (7,572)            | \$ (1,282,976) |

**Pension Plan Fiduciary Net Position**

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

**Note 8 - Other Post-Employment Benefits**

**Plan Description**

The School District’s defined benefit OPEB plan is a single-employer plan that provides medical insurance benefits to eligible retirees as permitted by South Dakota Codified Law 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Benefits Provided**

Any professional staff member who retires from the School District with at least 15 years of consecutive service with the School District may be eligible for retiree health insurance coverage. Effective July 1, 2015, the professional staff members may select the COBRA group medical insurance coverage upon retirement. The School District will contribute up to \$700 per month toward the COBRA family, 2-party or single group medical insurance premium for a period of up to 18 months. The professional staff member must contribute the remaining premium balance.

**Employees Covered by Benefit Terms**

At the valuation date of June 30, 2024, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefit payments | -  |
| Inactive employees entitled to but not yet receiving benefit payments    | -  |
| Active employees   | 14 |
| Total  | 14 |

**Total OPEB Liability**

The School District’s total OPEB liability of \$94,531 was measured as of June 30, 2024. The School District has elected to calculate the total OPEB liability and related information using the alternative measurement method as permitted for employers with plans that have fewer than 100 total members.

### Assumptions and Other Inputs

Valuation of the total OPEB liability as of June 30, 2024, involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the post-employment benefit plan valuation, the alternative measurement method was used. This included a 0.95% discount rate which is the expected long-term rate of return on cash deposits balances which are used to make all future benefit payments. Significant assumptions such as annual healthcare cost trend, inflation, salary changes, and ad hoc post-employment benefit changes were not used in the actuarial calculation because the employer's contribution is fixed based on the negotiated agreement between School District certified staff and the governing board, regardless of those factors. Mortality rates were based on National Vital Statistics Reports, United States Life Tables published by the Centers for Disease Control. The liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2024, was 1.5 years.

### Changes in the Total OPEB Liability

|  |                         |
|--|-------------------------|
| Balance at June 30, 2023               | \$ 99,278               |
| Changes for the year                   |                         |
| Service cost                           | 5,356                   |
| Interest                               | 943                     |
| Changes in assumptions or other inputs | <u>(11,046)</u>         |
| Net changes                            | <u>(4,747)</u>          |
| Balance at June 30, 2024               | <u><u>\$ 94,531</u></u> |

For the year ended June 30, 2024, the School District recognized OPEB reduction of expenses of \$4,747.

**Note 9 - Risk Management**

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

**Employee Health Insurance**

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a portion of the monthly medical insurance premium, with the remainder coming from the employee to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum per person.

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

**Liability Insurance**

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information, and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to, and cooperate with, the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District.

The School District pays an annual premium to provide liability coverage detailed below under a claims-made policy, and the premiums are accrued based on the ultimate cost of the experience-to-date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to provide coverage for property, general liability, employee benefits liability, crime, and auto.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverages will be provided to a \$300,000,000 limit for property, \$5,000,000 limit for general, \$5,000,000 limit for auto liability, \$5,000,000 limit for employee benefits liability, and a \$1,000,000 limit for crime. Member premiums are used by the pool for payment of claims and to pay for re-insurance for claims in excess of \$100,000 to the upper limit for property, general liability, and auto and employee benefits liability. The School District carries a \$5,000 deductible for the property, and a \$1,000 deductible for crime coverage.

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

**Workers' Compensation**

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to, and cooperate with, the fund to resolve any worker's compensation claims. The School District pays an annual premium to provide workers' compensation coverage for its employees under a retrospectively rated policy, and the premiums are accrued based on the ultimate cost of the experience-to-date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

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

**Unemployment Benefits**

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

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

**Note 10 - Cost-Sharing Arrangement**

The School District participates in a cost-sharing arrangement for vocational education funds. The school districts included in this arrangement include Mobridge, Bison and Lemmon. The grant application includes the amounts each school is requesting for the Carl Perkins Vocational Funds. The funds are sent directly to each school; therefore, Lemmon School District records only their share of the revenue and expenditures in the General Fund. Lemmon School District is listed as the fiscal agent on the application, but it provides no fiscal accounting to the schools. Any pooled expenditures are billed to, and reimbursed by, the schools involved.

**Note 11 - Commitments and Contingencies**

At June 30, 2024, the School District was not involved in any litigation material to the financial statements.



Required Supplementary Information  
June 30, 2024

## Lemmon School District No. 52-4

Lemmon School District No. 52-4  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2024

|   | Budgeted Amounts |                  | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|---|---|
|   | Original         | Final            |   |   |
| <b>Revenues</b>   |                  |                  |   |   |
| 1000 Revenue from local sources   |                  |                  |   |   |
| 1100 Taxes  |                  |                  |   |   |
| 1110 Ad valorem taxes   | \$ 1,063,885     | \$ 1,071,320     | \$ 1,132,191                              | \$ 60,871   |
| 1120 Prior years' ad valorem taxes  | -                | 7,200            | 7,297                                     | 97  |
| 1130 Tax deed revenue   | -                | 1,700            | 1,737                                     | 37  |
| 1140 Gross receipts taxes   | 135,000          | 135,000          | 147,219                                   | 12,219  |
| 1190 Penalties and interest on taxes  | 6,000            | 6,000            | 4,992                                     | (1,008)   |
| 1300 Tuition and fees   |                  |                  |   |   |
| 1310 Out-of-state tuition   | 60,000           | 60,000           | 61,600                                    | 1,600   |
| 1500 Earnings on investments and deposits   | 10,000           | 43,000           | 43,465                                    | 465   |
| 1700 Co-curricular activities   |                  |                  |   |   |
| 1790 Other pupil activity income  | 23,550           | 23,550           | 186,126                                   | 162,576   |
| 1900 Other revenue from local sources   |                  |                  |   |   |
| 1920 Contribution and donations   | -                | -                | 5,575                                     | 5,575   |
| 1970 Charges for services   | 2,000            | 2,000            | 1,838                                     | (162)   |
| 1990 Other  | 8,000            | 9,500            | 21,270                                    | 11,770  |
| 2000 Revenue from intermediate sources  |                  |                  |   |   |
| 2100 County source  |                  |                  |   |   |
| 2110 County apportionment   | 15,000           | 17,300           | 17,379                                    | 79  |
| 2120 Lease of county-owned land   | -                | -                | 381                                       | 381   |
| 2200 Revenue in lieu of taxes   | 4,000            | 4,000            | 2,824                                     | (1,176)   |
| 3000 Revenue from state source  |                  |                  |   |   |
| 3100 Grant-in-aid   |                  |                  |   |   |
| 3110 Unrestricted grants-in-aid   | 1,341,462        | 1,366,762        | 1,361,944                                 | (4,818)   |
| 4000 Revenue from federal sources   |                  |                  |   |   |
| 4100 Grants-in-aid  |                  |                  |   |   |
| 4110 Received directly from federal government  | 65,000           | 65,000           | 65,999                                    | 999   |
| 4120 Unrestricted grants-in-aid received from federal government through state        | 15,000           | 15,000           | 14,184                                    | (816)   |
| 4150-4199 Restricted grants-in-aid received from federal government through the state | 329,144          | 447,803          | 351,090                                   | (96,713)  |
| 4200 Revenue in lieu of taxes (PILT)  | 129,000          | 129,000          | 128,043                                   | (957)   |
| <b>Total revenues</b>   | <b>3,207,041</b> | <b>3,404,135</b> | <b>3,555,154</b>                          | <b>151,019</b>  |

Lemmon School District No. 52-4  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2024

|   | Budgeted Amounts |                  | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------------|---|---|
|   | Original         | Final            |   |   |
| Expenditures                            |                  |                  |   |   |
| 1000 Instruction                        |                  |                  |   |   |
| 1100 Regular program                    |                  |                  |   |   |
| 1110 Elementary                         | 582,350          | 612,097          | 557,528                                   | 54,569  |
| 1120 Middle school                      | 181,660          | 184,125          | 164,653                                   | 19,472  |
| 1130 High school                        | 589,260          | 630,482          | 558,811                                   | 71,671  |
| 1190 Other regular programs             | 144,339          | 150,719          | 106,032                                   | 44,687  |
| 1200 Special programs                   |                  |                  |   |   |
| 1270 Educationally deprived             | 139,500          | 220,930          | 200,161                                   | 20,769  |
| 2000 Support services                   |                  |                  |   |   |
| 2100 Pupils                             |                  |                  |   |   |
| 2120 Guidance                           | 34,374           | 49,155           | 36,070                                    | 13,085  |
| 2130 Health                             | 5,790            | 5,990            | 4,209                                     | 1,781   |
| 2200 Instructional staff                |                  |                  |   |   |
| 2210 Improvement of instruction         | 72,525           | 77,037           | 41,125                                    | 35,912  |
| 2220 Educational media                  | 39,550           | 39,550           | 25,442                                    | 14,108  |
| 2300 General administration             |                  |                  |   |   |
| 2310 Board of Education                 | 95,723           | 106,931          | 84,490                                    | 22,441  |
| 2320 Executive administration           | 166,500          | 137,830          | 130,741                                   | 7,089   |
| 2400 School administration              |                  |                  |   |   |
| 2410 Office of the Principal            | 248,400          | 273,629          | 263,276                                   | 10,353  |
| 2490 Other                              | 100              | 120              | 117                                       | 3   |
| 2500 Business                           |                  |                  |   |   |
| 2520 Fiscal services                    | 107,550          | 122,625          | 111,244                                   | 11,381  |
| 2540 Operation and maintenance of plant | 710,300          | 711,510          | 505,850                                   | 205,660   |
| 2550 Pupil transportation               | 147,282          | 147,282          | 107,226                                   | 40,056  |
| 2560 Food service                       | 7,362            | 10,519           | 10,519                                    | -   |
| 3000 Community services                 |                  |                  |   |   |
| 3900 Other                              | 1,000            | 1,000            | -   | 1,000   |
| 4000 Nonprogrammed charges              |                  |                  |   |   |
| 4300 Scholarships                       | -                | -                | 27,155                                    | (27,155)  |
| 4600 Insurance costs                    | 8,400            | 8,400            | -   | 8,400   |
| 4900 Other nonprogrammed costs          | -                | -                | 18,720                                    | (18,720)  |
| 6000 Co-curricular activities           |                  |                  |   |   |
| 6100 Male activities                    | 124,090          | 126,440          | 99,749                                    | 26,691  |
| 6200 Female activities                  | 63,865           | 67,275           | 54,602                                    | 12,673  |
| 6900 Combined activities                | 109,137          | 116,302          | 252,421                                   | (136,119)   |
| Total expenditures                      | <u>3,579,057</u> | <u>3,799,948</u> | <u>3,360,141</u>                          | <u>439,807</u>  |
| Revenues over (under)<br>expenditures   | <u>(372,016)</u> | <u>(395,813)</u> | <u>195,013</u>                            | <u>590,826</u>  |



Lemmon School District No. 52-4  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2024

|   | Budgeted Amounts    |                     | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---|---|
|   | Original            | Final               |   |   |
| Other Financing Sources (Uses)                          |                     |                     |   |   |
| 5110 Transfers in                                       | 300,000             | 300,000             | -   | (300,000)   |
| 8110 Transfers out                                      | (39,900)            | (39,900)            | (35,000)                                  | 4,900   |
| 5130 Sale of surplus property                           | 1,200               | 1,200               | -   | (1,200)   |
| 5140 Compensation for loss of general<br>capital assets | 2,000               | 2,000               | 912                                       | (1,088)   |
| Total other financing sources (uses)                    | <u>263,300</u>      | <u>263,300</u>      | <u>(34,088)</u>                           | <u>(297,388)</u>  |
| Net Change in Fund Balance                              | (108,716)           | (132,513)           | 160,925                                   | 293,438   |
| Fund Balance - June 30, 2023                            | <u>1,824,372</u>    | <u>1,824,372</u>    | <u>1,824,372</u>                          | <u>-</u>  |
| Fund Balance - June 30, 2024                            | <u>\$ 1,715,656</u> | <u>\$ 1,691,859</u> | <u>\$ 1,985,297</u>                       | <u>\$ 293,438</u>                                       |

Lemmon School District No. 52-4  
 Budgetary Comparison Schedule – Capital Outlay Fund  
 Year Ended June 30, 2024

|  | Budgeted Amounts  |                   | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------|-------------------|---|---|
|  | Original          | Final             |   |   |
| <b>Revenues</b>  |                   |                   |   |   |
| 1000 Revenue from local sources  |                   |                   |   |   |
| 1100 Taxes   |                   |                   |   |   |
| 1110 Ad valorem taxes  | \$ 992,423        | \$ 1,029,410      | \$ 988,247                                | \$ (41,163)   |
| 1120 Prior years' ad valorem taxes   | -                 | 3,500             | 4,042                                     | 542   |
| 1190 Penalties and interest on taxes   | 2,000             | 3,900             | 3,956                                     | 56  |
| 1900 Other revenue from local sources  |                   |                   |   |   |
| 1990 other   | -                 | -                 | 395                                       | 395   |
| 4000 Revenue from federal sources  |                   |                   |   |   |
| 4150-4199 Restricted grants-in-aid received<br>from federal government through the state | 128,232           | 151,164           | 300,074                                   | 148,910   |
| Total revenues   | <u>1,122,655</u>  | <u>1,187,974</u>  | <u>1,296,714</u>                          | <u>108,740</u>  |
| <b>Expenditures</b>  |                   |                   |   |   |
| 1000 Instruction   |                   |                   |   |   |
| 1100 Regular program   |                   |                   |   |   |
| 1110 Elementary  | 32,000            | 32,000            | 6,757                                     | 25,243  |
| 1140 Middle School   | 21,000            | 21,000            | 2,465                                     | 18,535  |
| 1130 High school   | 200,000           | 320,532           | 210,921                                   | 109,611   |
| 2200 Instructional staff   |                   |                   |   |   |
| 2220 Educational media   | 85,000            | 85,000            | 60,360                                    | 24,640  |
| 2500 Support services - business   |                   |                   |   |   |
| 2530 Facility construction   | -                 | 4,000             | 3,958                                     | 42  |
| 2540 Operation and maintenance of plant  | 261,000           | 373,236           | 40,217                                    | 333,019   |
| 2550 Pupil transportation  | 183,464           | 290,000           | 290,000                                   | -   |
| 5000 Debt services   | 13,100            | 13,100            | 13,085                                    | 15  |
| 6900 Combined activities   | -                 | 12,015            | 12,010                                    | 5   |
| Total expenditures   | <u>795,564</u>    | <u>1,150,883</u>  | <u>639,773</u>                            | <u>511,110</u>  |
| Revenues over (under) expenditures   | <u>327,091</u>    | <u>37,091</u>     | <u>656,941</u>                            | <u>619,850</u>  |
| <b>Other Financing Sources (Uses)</b>  |                   |                   |   |   |
| 8110 Transfers out   | (300,000)         | (300,000)         | -   | 300,000   |
| Total other financing sources (uses)   | <u>(300,000)</u>  | <u>(300,000)</u>  | <u>-</u>                                  | <u>300,000</u>  |
| Net Change in Fund Balance   | 27,091            | (262,909)         | 656,941                                   | 919,850   |
| Fund Balance - June 30, 2023   | <u>956,736</u>    | <u>956,736</u>    | <u>956,736</u>                            | <u>-</u>  |
| Fund Balance - June 30, 2024   | <u>\$ 983,827</u> | <u>\$ 693,827</u> | <u>\$ 1,613,677</u>                       | <u>\$ 919,850</u>                                       |

Lemmon School District No. 52-4  
 Budgetary Comparison Schedule – Special Education Fund  
 Year Ended June 30, 2024

|  | Budgeted Amounts    |                     | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---|---|
|  | Original            | Final               |   |   |
| <b>Revenues</b>  |                     |                     |   |   |
| 1000 Revenue from local sources  |                     |                     |   |   |
| 1100 Taxes   |                     |                     |   |   |
| 1110 Ad valorem taxes  | \$ 353,500          | \$ 386,280          | \$ 366,831                                | \$ (19,449)   |
| 1120 Prior years' ad valorem taxes   | -                   | 1,500               | 1,564                                     | 64  |
| 1190 Penalties and interest on taxes   | 2,000               | 2,000               | 1,613                                     | (387)   |
| 1900 Other revenue from local sources  |                     |                     |   |   |
| 1970 Charges for services  | 100                 | 100                 | -   | (100)   |
| 4000 Revenue from federal sources  |                     |                     |   |   |
| 4150-4199 Restricted grants-in-aid received<br>from federal government through the state | 102,304             | 102,304             | 29,793                                    | (72,511)  |
| <b>Total revenues</b>  | <b>457,904</b>      | <b>492,184</b>      | <b>399,801</b>                            | <b>(92,383)</b>   |
| <b>Expenditures</b>  |                     |                     |   |   |
| 1200 Special program   |                     |                     |   |   |
| 1220 Programs for special education  | 416,300             | 424,530             | 327,497                                   | 97,033  |
| 2000 Support services  |                     |                     |   |   |
| 2100 Pupils  |                     |                     |   |   |
| 2140 Psychological   | 23,191              | 32,691              | 14,600                                    | 18,091  |
| 2150 Speech pathology  | 63,500              | 94,785              | 55,944                                    | 38,841  |
| 2170 Student therapy services  | 8,000               | 10,900              | 5,747                                     | 5,153   |
| 2700 Support services - special education  |                     |                     |   |   |
| 2710 Administrative costs  | 18,010              | 18,095              | 8,595                                     | 9,500   |
| 2740 Transportation costs  | 3,000               | 3,000               | -   | 3,000   |
| 2760 Autism program  | 4,000               | 4,000               | -   | 4,000   |
| <b>Total expenditures</b>  | <b>536,001</b>      | <b>588,001</b>      | <b>412,383</b>                            | <b>175,618</b>  |
| Net Change in Fund Balance   | (78,097)            | (95,817)            | (12,582)                                  | 83,235  |
| Fund Balance - June 30, 2023   | 1,560,917           | 1,560,917           | 1,560,917                                 | -   |
| Fund Balance - June 30, 2024   | <u>\$ 1,482,820</u> | <u>\$ 1,465,100</u> | <u>\$ 1,548,335</u>                       | <u>\$ 83,235</u>  |

**Note 1 - Basis of Presentation**

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function while the governmental funds statement of revenues, expenditures, and changes in fund balances present capital outlay expenditures as a separate function.

**Note 2 - Budgetary Legal Requirements**

South Dakota Codified Law prescribes the budgetary procedures to be followed by the School District as follows:

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

Lemmon School District No. 52-4

Other Post-Employment Benefit Schedules – Schedule of Changes in the Total OPEB Liability and Related Ratios  
June 30, 2024

| Year Ending | Service Cost | Interest | Changes of assumptions or other inputs | Benefit payments | Total OPEB liability - beginning | Net change in total OPEB liability | Total OPEB liability - ending | Covered employee payroll | Total OPEB liability as a percentage of covered employee payroll |
|-------------|--------------|----------|--|------------------|----------------------------------|------------------------------------|-------------------------------|--------------------------|--|
| 2024        | \$ 5,356     | \$ 943   | \$ (11,046)                            | \$ -             | \$ 99,278                        | \$ (4,747)                         | \$ 94,531                     | \$ 786,892               | 12.01%   |
| 2023        | 6,925        | 1,022    | (10,900)                               | -                | 102,231                          | (2,953)                            | 99,278                        | 910,783                  | 10.90%   |
| 2022        | 8,524        | 99       | (5,158)                                | -                | 98,766                           | 3,465                              | 102,231                       | 940,186                  | 10.87%   |
| 2021        | 7,846        | 96       | (5,598)                                | -                | 96,422                           | 2,344                              | 98,766                        | 863,094                  | 11.44%   |
| 2020        | 6,709        | 412      | 6,981                                  | -                | 82,320                           | 14,102                             | 96,422                        | 961,116                  | 10.03%   |
| 2019        | 5,725        | 949      | (10,059)                               | (9,239)          | 94,944                           | (12,624)                           | 82,320                        | 811,793                  | 10.14%   |
| 2018        | 15,487       | 777      | 5,192                                  | (4,221)          | 77,709                           | 17,235                             | 94,944                        | 761,698                  | 12.46%   |
| 2017        | 4,518        | 893      | (4,626)                                | (12,399)         | 89,323                           | (11,614)                           | 77,709                        | 801,811                  | 9.69%  |
| 2016        | 5,577        | 943      | 2,178                                  | (13,718)         | 94,343                           | (5,020)                            | 89,323                        | 815,450                  | 10.95%   |
| 2015        | 5,422        | 1,194    | (10,578)                               | (21,104)         | 119,409                          | (25,066)                           | 94,343                        | 880,200                  | 10.72%   |

\*GASB Statement No. 75 requires ten years of information to be presented in this table.

No assets are accumulated in a trust for the OPEB Plan that meets that meets the criteria in paragraph 4 of GASB Statement No. 75.

In place of an actuarial valuation, the School District has elected to calculate the total OPEB liability and related information using the alternative measurement method as permitted for employers with plans that have fewer than 100 total members.

**Schedule of Employer's Share of Net Pension Liability (Asset)  
Last 10 Fiscal Years**

| <u>Pension Plan</u> | <u>Measurement Date</u> | <u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u> | <u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u> | <u>Employer's Covered Payroll (b)</u> | <u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u> |
|---------------------|-------------------------|--|---|---------------------------------------|---|---|
| SDRS                | 6/30/2024               | 0.0775770%   | \$ (7,572)  | \$ 2,001,003                          | -0.38%  | 100.10%   |
| SDRS                | 6/30/2023               | 0.0867340%   | (8,197)   | 2,071,075                             | -0.40%  | 100.10%   |
| SDRS                | 6/30/2022               | 0.0850070%   | (651,008)   | 1,929,090                             | -33.75%   | 105.52%   |
| SDRS                | 6/30/2021               | 0.0792482%   | (3,442)   | 1,739,259                             | -0.20%  | 100.04%   |
| SDRS                | 6/30/2020               | 0.0801404%   | (8,493)   | 1,703,948                             | -0.50%  | 100.09%   |
| SDRS                | 6/30/2019               | 0.0814764%   | (1,900)   | 1,693,818                             | -0.11%  | 100.02%   |
| SDRS                | 6/30/2018               | 0.0853179%   | (7,743)   | 1,733,482                             | -0.45%  | 100.10%   |
| SDRS                | 6/30/2017               | 0.0791318%   | 267,299   | 1,504,689                             | 17.76%  | 96.89%  |
| SDRS                | 6/30/2016               | 0.0794857%   | (337,122)   | 1,454,787                             | -23.17%   | 104.10%   |
| SDRS                | 6/30/2015               | 0.0929221%   | (669,466)   | 1,625,033                             | -41.20%   | 107.30%   |

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

**Schedule of Employer's Contributions  
Last 10 Fiscal Years**

| <u>Pension Plan</u> | <u>Fiscal Year Ending</u> | <u>Statutorily Required Contributions (a)</u> | <u>Contributions in Relation to the Statutorily Required Contribution (b)</u> | <u>Contribution Deficiency (Excess) (a-b)</u> | <u>Covered Payroll (d)</u> | <u>Contributions as a Percentage of Covered Payroll (b/d)</u> |
|---------------------|---------------------------|---|---|---|----------------------------|---|
| SDRS                | 6/30/2024                 | \$ 123,515                                    | \$ 123,515  | \$ -  | \$ 2,058,620               | 6.00%   |
| SDRS                | 6/30/2023                 | 120,060                                       | 120,060   | -   | 2,001,003                  | 6.00%   |
| SDRS                | 6/30/2022                 | 124,265                                       | 124,265   | -   | 2,071,075                  | 6.00%   |
| SDRS                | 6/30/2021                 | 115,745                                       | 115,745   | -   | 1,929,090                  | 6.00%   |
| SDRS                | 6/30/2020                 | 104,356                                       | 104,356   | -   | 1,739,259                  | 6.00%   |
| SDRS                | 6/30/2019                 | 102,237                                       | 102,237   | -   | 1,703,948                  | 6.00%   |
| SDRS                | 6/30/2018                 | 101,629                                       | 101,629   | -   | 1,693,818                  | 6.00%   |
| SDRS                | 6/30/2017                 | 104,009                                       | 104,009   | -   | 1,733,482                  | 6.00%   |
| SDRS                | 6/30/2016                 | 90,282  | 90,282  | -   | 1,504,689                  | 6.00%   |
| SDRS                | 6/30/2015                 | 87,287  | 87,287  | -   | 1,454,787                  | 6.00%   |

### **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 valuations, 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.





**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***

To the School Board  
Lemmon School District No. 52-4  
Lemmon, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lemmon School District No. 52-4, as of and for the year then ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Lemmon School District No. 52-4’s basic financial statements and have issued our report thereon dated January 16, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lemmon School District No. 52-4’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 Lemmon School District No. 52-4’s internal control. Accordingly, we do not express an opinion on the effectiveness of Lemmon School District No. 52-4’s internal control.

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

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

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

As part of obtaining reasonable assurance about whether Lemmon School District No. 52-4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Lemmon School District No. 52-4's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Lemmon School District No. 52-4's response to the findings identified in our audit and described in the accompanying schedule of findings. Lemmon School District No. 52-4's response was not subjected to the 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 school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Aberdeen, South Dakota  
January 16, 2025

## Financial Statement Findings

### 2024-001 Segregation of Duties

#### Material Weakness

*Condition:* The Lemmon School District No. 52-4 has a lack of segregation of duties in certain areas due to a limited staff.

*Criteria:* A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that manual journal entries posted to account balances are reviewed by an individual separate from the preparer for proper reasonableness and business purpose.

*Cause:* The School District has a limited number of staff to that prohibits complete and adequate separation of duties in key accounting functions, and also inhibits the implementation of internal controls over the review of manual journal entries.

*Effect:* This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected and corrected on a timely basis by employees in the normal course of performing their assigned function.

*Recommendation:* While it is recognized that the number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function through review of regular financial information, bank statements, etc.

*Management's Response:* The Lemmon School District is a small school district and has limited office staff which does not permit the complete segregation of duties in all desired areas. The School District has in place an internal control procedure to fit our office size. To have a complete segregation of duties of all accounting and reporting functions, the School District would need to hire additional office staff. This is not feasible or economically possible for a School District of our size.

**2024-002 Auditor Preparation of Financial Statements, Footnotes, Audit Journal Entries, and Passed Audit Adjustments****Material Weakness**

*Condition:* The Lemmon School District No. 52-4 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 audit and financial statement preparation process, the external auditors proposed adjustments that were not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement of the School District's financial statements. Additionally, certain audit adjustments that were not material to the financial statements individually or in the aggregate, were passed on for adjustment by management.

*Criteria:* 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 limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes and could result in identified misstatements that cause the need for auditors to propose material audit adjustments.

*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, and the existence of auditor-proposed adjustments and management-elected passed adjustments increases the risk that further misstatements potential remain undetected in the financial statements.

*Recommendation:* This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, management and those charged with governance should continually be aware of the financial reporting of the School District and changes in reporting requirements and should perform a thorough review of all transactions and amounts presented in annual financial statements to identify any potential material misstatements.

*Management's Response:* The Lemmon School District requested the auditor's assistance in preparation of the financial statements and the related footnotes due to cost/benefit and other considerations. At times, we acknowledge the auditors identify material audit adjustments and accept the risk associated with these conditions.