

Lennox School District No. 41-4

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

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

Lennox School District No. 41-4

School District Officials

June 30, 2024

Board Members

Scott Sandal ----- Board President

Renaë Buehner -----Vice President

Nick Butler ----- Member

Heidi Bowers ----- Member

Melissa Daugherty ----- Member

Clayton Wulf ----- Member

Yvette Christian ----- Member

Chad Conaway -----Superintendent

Angela Arlt -----Business Manager

Lennox School District No. 41-4

Table of Contents

	Page
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 <i>Government Auditing Standards</i> -----	1-2
Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance -----	3-5
Schedule of Prior and Current Audit Findings and Questioned Costs -----	6
Independent Auditor's Report -----	7-9
Management Discussion and Analysis (MD&A) -----	10-20
Government-Wide Financial Statements	
Statement of Net Position-----	21
Statement of Activities-----	22
Fund Financial Statements	
Governmental Funds:	
Balance Sheet-----	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	24
Statement of Revenues, Expenditures and Changes in Fund Balances-----	25-27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities-----	28
Proprietary Funds:	
Statement of Net Position-----	29
Statement of Revenues, Expenses and Changes in Net Position-----	30
Statement of Cash Flows-----	31
Fiduciary Funds:	
Statement of Net Position-----	32
Statement of Changes in Fiduciary Net Position-----	33
Notes to the Financial Statements -----	34-62
Required Supplementary Information -----	63
Budgetary Comparison Schedule - General Fund - Budgetary Basis-----	64-65
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis-----	66
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis-----	67
Notes to the Required Supplementary Information – Budgetary Comparison Schedules-----	68
Schedule of Changes in Total OPEB Liability-----	69
Schedule of the Proportionate Share of the Net Pension Liability (Asset)-----	70
Schedule of School District Contributions-----	71
Notes to the Required Supplementary Information – Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of School District Contributions-----	72
Supplementary Information -----	73
Schedule of Expenditures of Federal Awards-----	74-75



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

School Board
Lennox School District No. 41-4
Lincoln County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lennox School District No. 41-4, South Dakota (School District), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated October 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Elk Point, South Dakota
October 15, 2024



Independent Auditor’s Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

School Board
Lennox School District No. 41-4
Lincoln County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lennox School District No. 41-4, South Dakota (School District), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2024. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the Lennox School District No. 41-4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

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

Elk Point, South Dakota

October 15, 2024

Lennox School District No. 41-4
 Schedule of Prior and Current Audit Findings and Questioned Costs
 Year Ended June 30, 2024

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: Yes X None Reported

Significant deficiencies identified not considered to be material weaknesses: Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major program:

Material weakness identified: Yes X None Reported

Significant deficiencies identified not considered to be material weaknesses: Yes X None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): Yes X No

Identification of major program:

CFDA Number	Name of Federal Program
84.425U	Education Stabilization Fund (ESSER III)

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

There are no findings which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.156(a).



Independent Auditor's Report

School Board
Lennox School District No. 41-4
Lincoln County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lennox School District No. 41-4, South Dakota (School District), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lennox School District No. 41-4 as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
October 15, 2024

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

This section of Lennox School District No. 41-4's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2024. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the district's revenues generated from taxes and other revenues of the governmental and business-type programs were \$1,149,517 more than the \$16,053,820 governmental and business-type program expenditures. This is a decrease of 32.05%.
- The total cost of the district's programs increased by 10.76%. This was due primarily to increases in interest on long-term debt and instruction.
- The district's general, capital outlay, and special education funds total expenditures came in under budget.
- For FY 2024, the district adopted a balanced general fund budget with the use of \$329,606 of fund balance. However, the general fund ended the year with a \$219,984 decrease in fund balance with an ending fund balance of \$1,463,773.
- The food service fund's net income was \$1,087 of which \$18,442 was depreciation expense which is a non-cash expense. For FY 2024, overall food service revenue decreased by 1.006% from the prior year. Operating expenses increased by .53% due to the increase in food purchased during the summer months and for increased meals served during the school year.
- The OST/preschool fund had net loss of \$17,532. Expenses increased for salaries and benefits and purchased food.

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School’s operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. There are two proprietary funds operated by the school which are the food service and the Out of School Time/preschool.
 - Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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.

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Figure A-1

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

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

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Government-Wide Statements

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

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

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

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

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch and breakfast services to all students. The food service fund also receives federal and state assistance to subsidize the food service program. The OST/preschool program receives most of its funds from student fees.

Fund Financial Statements

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

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

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

The School has three kinds of funds:

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

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Lennox School District 41-4
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	2023-2024
Current and Other Assets	\$ 9,108,418	\$ 26,600,722	\$ 548,348	\$ 509,240	\$ 9,656,766	\$ 27,109,962	180.74%
Capital Assets (Net of Depreciation)	33,071,901	36,518,474	158,807	148,507	33,230,708	36,666,981	10.34%
Total Assets	42,180,319	63,119,196	707,155	657,747	42,887,474	63,776,943	48.71%
OPEB Related Deferred Outflows	128,795	112,117	--	--	128,795	112,117	-12.95%
Pension Related Deferred Outflows	2,663,693	2,466,670	--	--	2,663,693	2,466,670	-7.40%
Total Deferred Outflows or Resources	2,792,488	2,578,787	--	--	2,792,488	2,578,787	-7.65%
Long-Term Liabilities Outstanding	12,131,260	30,006,071	--	--	12,131,260	30,006,071	147.35%
Other Liabilities	1,477,055	3,493,046	123,526	90,563	1,600,581	3,583,609	123.89%
Total Liabilities	13,608,315	33,499,117	123,526	90,563	13,731,841	33,589,680	144.61%
Taxes Levied for Future Period	3,917,488	3,693,142	--	--	3,917,488	3,693,142	-5.73%
OPEB Related Deferred Inflows	467,069	519,080	--	--	467,069	519,080	11.14%
Pension Related Deferred Inflows	1,561,866	1,402,613	--	--	1,561,866	1,402,613	-10.20%
Total Deferred Inflows of Resources	5,946,423	5,614,835	--	--	5,946,423	5,614,835	-5.58%
Net Investment in Capital Assets	21,369,830	21,766,826	158,807	148,507	21,528,637	21,915,333	1.80%
Restricted	3,328,663	4,080,880	--	--	3,328,663	4,080,880	22.60%
Unrestricted	719,576	736,325	424,822	418,677	1,144,398	1,155,002	0.93%
Total Net Position	25,418,069	26,584,031	583,629	567,184	26,001,698	27,151,215	4.42%
Beginning Net Position	23,633,144	25,418,069	625,478	583,629	24,258,622	26,001,698	7.19%
Increase (Decrease) in Net Position	\$ 1,784,925	\$ 1,165,962	\$ (41,849)	\$ (16,445)	\$ 1,743,076	\$ 1,149,517	34.05%
Percentage of Increase (Decrease) in Net Position	7.55%	4.59%	-6.69%	-2.82%	7.19%	4.42%	

The School's combined net position of approximately \$26 million is approximately \$2 million or 7.19% larger than on June 30, 2023. The increase in the School's financial position was primarily in its governmental activities due in part to charges for services, taxes, and state resources.

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

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Changes in Net Position

The Lennox School District’s total revenues (excluding transfers and extraordinary items) in FY24 were \$17,203,337. More than 48% of the School’s revenue comes from property and other taxes, with approximately 31% coming from state aid. (See Table A-2).

Table A-2
Lennox School District 41-4
Sources of Revenues
Fiscal Year 2023-2024

Taxes	\$ 8,272,160	48.08%
State Sources	5,394,988	31.36%
Operating Grants & Contributions	1,397,252	8.12%
Charges For Services	961,783	5.59%
Other General Revenues	474,128	2.76%
Unrestricted Investment Earnings	703,026	4.09%
Total Revenue	\$ 17,203,337	100.00%

Total expenditures of all programs and services increased by approximately 10.76%. The Lennox School District expenses totaled \$16,053,820 (See Table A-4). The School’s expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, food services, and OST/preschool. (See Table A-3).

Table A-3
Lennox School District 41-4
Statement of Expenditures
Fiscal Year 2023-2024

Instruction	\$ 7,251,911	45.17%
Support Services	5,459,143	34.01%
Interest - on Long-Term Debt	1,502,552	9.36%
Cocurricular Activities	592,029	3.69%
Food Service	864,270	5.38%
Nonprogrammed Charges	1,758	0.01%
OST/Preschool	382,157	2.38%
Total Expenditures	\$ 16,053,820	100.00%

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Governmental and Business-Type Activities

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

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

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	
Revenues							
Program Revenues							
Charge for Services	\$ 187,105	\$ 55,795	\$ 882,204	\$ 905,988	\$ 1,069,309	\$ 961,783	-10.06%
Operating Grants/ Contributions	1,202,467	1,082,491	335,750	314,761	1,538,217	1,397,252	-9.16%
General Revenues							
Taxes	7,602,324	8,272,160	--	--	7,602,324	8,272,160	8.81%
Revenue State Sources	5,186,614	5,394,988	--	--	5,186,614	5,394,988	4.02%
Other							
Other general revenues	273,986	474,128	(3,051)	--	270,935	474,128	75.00%
Unrestricted Investment Earnings	60,521	691,244	9,421	11,782	69,942	703,026	905.16%
	<u>14,513,017</u>	<u>15,970,806</u>	<u>1,224,324</u>	<u>1,232,531</u>	<u>15,737,341</u>	<u>17,203,337</u>	<u>9.32%</u>
Expenses							
Instruction	6,849,785	7,251,911	--	--	6,849,785	7,251,911	5.87%
Support Services	5,312,349	5,459,143	--	--	5,312,349	5,459,143	2.76%
Non-programmed Charges	497	1,758	--	--	497	1,758	253.72%
Interest on long-term debt	430,152	1,502,552	--	--	430,152	1,502,552	249.31%
Co-curricular Activities	638,196	592,029	--	--	638,196	592,029	-7.23%
Food Service	--	--	859,728	864,270	859,728	864,270	0.53%
Other Enterprise	--	--	403,984	382,157	403,984	382,157	-5.40%
	<u>13,230,979</u>	<u>14,807,393</u>	<u>1,263,712</u>	<u>1,246,427</u>	<u>14,494,691</u>	<u>16,053,820</u>	<u>10.76%</u>
Excess (Deficiency)							
Before Transfers	1,282,038	1,163,413	(39,388)	(13,896)	1,242,650	1,149,517	-7.49%
Transfers	2,461	2,549	(2,461)	(2,549)	--	--	0.00%
Extraordinary items - tornado	500,426	--	--	--	500,426	--	100.00%
Increase (Decrease) in Net Position	1,784,925	1,165,962	(41,849)	(16,445)	1,743,076	1,149,517	-34.05%
Beginning Net Position	<u>23,633,144</u>	<u>25,418,069</u>	<u>625,478</u>	<u>583,629</u>	<u>24,258,622</u>	<u>26,001,698</u>	<u>7.19%</u>
Ending Net Position	<u>\$ 25,418,069</u>	<u>\$ 26,584,031</u>	<u>\$ 583,629</u>	<u>\$ 567,184</u>	<u>\$ 26,001,698</u>	<u>\$ 27,151,215</u>	<u>4.42%</u>

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Governmental Activities

Revenues for the governmental activities increased by approximately 10.04% due to an increase in taxes, other general revenues, and unrestricted investment earnings. Expenses increased by 11.91% due to increased interest on long-term debt and instruction expenses.

Business-Type Activities

Revenues for the business-type activities increased by approximately 0.67% due to an increase in charges for services and unrestricted investment earnings. Expenses decreased by -1.37% due to decreases in salaries and benefits.

Financial Analysis of the School's Funds

The capital projects fund and bond redemption fund increased from FY23 mainly due to ad valorem taxes and the issuance of long-term debt. The general fund, capital outlay fund, special education fund, food service fund, and the OST preschool funds did not have any significant changes in fund balance for the year.

Budgetary Highlights

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

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

The budget was supplemented with additional grants, donations, extraordinary items for tornado damage, and fund balance. Other than these items, there were no other significant budget changes or budget variances for the year.

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

Capital Asset Administration

By the end of 2024, the school had invested \$36,666,981 across a broad range of capital assets, including, land, buildings, improvements, and various machinery and equipment. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$3,436,273 or approximately 10.34%, above last year resulting mainly from the Lennox Elementary addition project, the purchase of other assets, and depreciation.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2023	2024	2023	2024		
Land	\$ 445,534	\$ 445,534	\$ --	\$ --	\$ --	0.00%
Construction in progress	706,913	3,287,152	--	--	2,580,239	100.00%
Buildings & Improvements	30,026,236	30,856,177	--	--	829,941	2.76%
Machinery & Equipment	1,562,360	1,576,360	158,807	148,507	3,700	0.21%
Intangible Lease Assets	166,725	159,498	--	--	(7,227)	-4.33%
Library Books	164,133	193,753	--	--	29,620	18.05%
Total Capital Assets	\$ 33,071,901	\$ 36,518,474	\$ 158,807	\$ 148,507	\$ 3,436,273	10.34%

This year's major capital asset purchases consisted of the Lennox Performing Arts Center and Auxiliary Gym project, the Lennox and Worthing HVAC project, Lennox Elementary parking lot repair, LHS light poles and lights, a 77 passenger bus, a 2023 Chevy Suburban, a 2022 Chevy Silverado, a copier lease, and a phone lease.

Long-Term Debt

At year-end, the school had \$30,006,071 in capital outlay certificates and other long-term obligations. This is an increase of 147.35% as shown on Table A-6 below which is due primarily to issuance of new debt..

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2023	2024		
General Obligation Bonds	\$ --	\$ 17,000,000	\$ 17,000,000	100.00%
Plus: Unamortized Premiums	--	1,710,084	1,710,084	100.00%
Capital Outlay Certificates	11,480,000	10,760,000	(720,000)	-6.27%
Leases	166,725	162,131	(4,594)	-2.76%
Other Post Employment Benefits	429,189	350,160	(79,029)	-18.41%
Early Retirement Payable	48,629	16,501	(32,128)	-66.07%
Accrued Compensated Absences	6,717	7,195	478	7.12%
Total Outstanding Debt	\$ 12,131,260	\$ 30,006,071	\$ 17,874,811	147.35%

Lennox School District No. 41-4
Management Discussion and Analysis (MD&A)
June 30, 2024

The school is liable for the repayment of General Obligation Bonds, Capital Outlay Certificates, leases, OPEB, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District.

The school also maintains an early retirement plan, which allows those meeting certain qualifications, to retire early and receive 80% of their last year's salary in 6 equal payments spread over the next three years. This plan allows the school to reduce the overall program cost by hiring lower paid teachers to replace the higher paid teachers.

Economic Factors And Next Year's Budgets And Rates

The School's current economic position has shown little change. The School did experience an increase in total property valuation from the prior year. The increase in property valuation allows the School the ability to increase the amount of revenue generated from property taxes, however, the total amount which can be levied is limited by the State of South Dakota.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Lennox School District's Business Office, 305 W. 5th Ave, P.O. Box 38, Lennox, SD 57039.

Lennox School District No. 41-4
Statement of Net Position – Government-Wide
June 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 12,740,083	\$ 484,929	\$ 13,225,012
Investments-Certificates of deposit	9,213,433	--	9,213,433
Accounts receivable	865,712	10,045	875,757
Taxes receivable	3,753,542	--	3,753,542
Inventories	--	14,266	14,266
Net pension asset	27,952	--	27,952
Capital assets:			
Land and construction in progress	3,732,686	--	3,732,686
Other capital assets, net of depreciation	32,785,788	148,507	32,934,295
Total Assets	63,119,196	657,747	63,776,943
Deferred Outflows of Resources:			
OPEB-related deferred outflows	112,117	--	112,117
Pension-related deferred outflows	2,466,670	--	2,466,670
Total Deferred Outflows of Resources	2,578,787	--	2,578,787
Liabilities:			
Unearned revenue	--	29,614	29,614
Other current liabilities	3,493,046	60,949	3,553,995
Long-term liabilities:			
Due within one year	927,874	--	927,874
Due in more than one year	29,078,197	--	29,078,197
Total Liabilities	33,499,117	90,563	33,589,680
Deferred Inflows of Resources:			
Taxes levied for future periods	3,693,142	--	3,693,142
Pension related deferred inflows	1,402,613	--	1,402,613
OBEP-related deferred inflows	519,080	--	519,080
Total Deferred Inflows of Resources	5,614,835	--	5,614,835
Net Position:			
Net investment in capital assets	21,766,826	148,507	21,915,333
Restricted for:			
Capital outlay	1,907,857	--	1,907,857
Special education	544,033	--	544,033
Debt service	536,981	--	536,981
SDRS pension purposes	1,092,009	--	1,092,009
Unrestricted	736,325	418,677	1,155,002
Total Net Position	\$ 26,584,031	\$ 567,184	\$ 27,151,215

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

Lennox School District No. 41-4
Statement of Activities – Government-Wide
June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 7,251,911	\$ --	\$ 1,082,491	\$ (6,169,420)	\$ --	\$ (6,169,420)
Support services	5,459,143	--	--	(5,459,143)	--	(5,459,143)
Nonprogrammed charges	1,758	--	--	(1,758)	--	(1,758)
Interest on long-term debt*	1,502,552	--	--	(1,502,552)	--	(1,502,552)
Cocurricular activities	592,029	55,795	--	(536,234)	--	(536,234)
Total Governmental Activities	14,807,393	55,795	1,082,491	(13,669,107)	--	(13,669,107)
Business-Type Activities:						
Food service	864,270	549,585	306,539	--	(8,146)	(8,146)
Other enterprise	382,157	356,403	8,222	--	(17,532)	(17,532)
Total Business Type Activities	1,246,427	905,988	314,761	--	(25,678)	(25,678)
Total Primary Government	\$ 16,053,820	\$ 961,783	\$ 1,397,252	(13,669,107)	(25,678)	(13,694,785)
		General Revenues:				
		Taxes:				
			Property taxes	7,940,339	--	7,940,339
			Gross receipts taxes	331,821	--	331,821
		Revenue from state sources:				
			State aid	4,789,239	--	4,789,239
			Other	605,749	--	605,749
			Unrestricted investment earnings	691,244	11,782	703,026
			Other general revenues	474,128	--	474,128
			Transfers	2,549	(2,549)	--
		Total General Revenues, Extraordinary items, and Transfers		14,835,069	9,233	14,844,302
			Change in Net Position	1,165,962	(16,445)	1,149,517
		Net Position - Beginning of Year		25,418,069	583,629	26,001,698
		Net Position - End of Year		\$ 26,584,031	\$ 567,184	\$ 27,151,215

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

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

Lennox School District No. 41-4
Balance Sheet – Governmental Funds
June 30, 2024

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>High School Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 1,860,306	\$ 1,902,246	\$ 523,377	\$ 956,504	\$ 7,497,650	\$ 12,740,083
Investments-certificates of deposit	--	--	--	--	9,213,433	9,213,433
Accounts receivable	3,414	4,389	--	--	--	7,803
Taxes receivable - current	1,499,415	1,073,964	720,730	399,033	--	3,693,142
Taxes receivable - delinquent	29,675	15,331	9,917	5,477	--	60,400
Due from other governments	439,959	36,680	235,607	--	--	712,246
Interest Receivable	--	--	--	--	145,663	145,663
Total Assets	<u>\$ 3,832,769</u>	<u>\$ 3,032,610</u>	<u>\$ 1,489,631</u>	<u>\$ 1,361,014</u>	<u>\$ 16,856,746</u>	<u>\$ 26,572,770</u>
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 66,167	\$ 50,789	\$ 12,535	\$ --	\$ 1,952,483	\$ 2,081,974
Contracts payable	669,213	--	178,385	--	--	847,598
Sales Tax Payable	62	--	--	--	--	62
Due to Other Fund	464	--	--	--	--	464
Accrued Interest Payable	--	--	--	425,000	--	425,000
Payroll deductions and withholding and employer matching payable	104,000	--	33,948	--	--	137,948
Total Liabilities	<u>839,906</u>	<u>50,789</u>	<u>224,868</u>	<u>425,000</u>	<u>1,952,483</u>	<u>3,493,046</u>
Deferred Inflows of Resources:						
Taxes levied for future period	1,499,415	1,073,964	720,730	399,033	--	3,693,142
Unavailable Revenue - Property Taxes	29,675	15,331	9,917	5,477	--	60,400
Total Deferred Inflows of Resources	<u>1,529,090</u>	<u>1,089,295</u>	<u>730,647</u>	<u>404,510</u>	<u>--</u>	<u>3,753,542</u>
Fund Balances:						
Restricted:						
For capital outlay	--	1,892,526	--	--	14,904,263	16,796,789
For special education	--	--	534,116	--	--	534,116
For debt service	--	--	--	531,504	--	531,504
Unassigned	1,463,773	--	--	--	--	1,463,773
Total Fund Balances	<u>1,463,773</u>	<u>1,892,526</u>	<u>534,116</u>	<u>531,504</u>	<u>14,904,263</u>	<u>19,326,182</u>
Total Liabilities and Fund Balances	<u>\$ 3,832,769</u>	<u>\$ 3,032,610</u>	<u>\$ 1,489,631</u>	<u>\$ 1,361,014</u>	<u>\$ 16,856,746</u>	<u>\$ 26,572,770</u>

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

Lennox School District No. 41-4
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2024

Total Fund Balances - Governmental Funds \$ 19,326,182

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 36,518,474

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

Leases	(162,131)	
GO Bonds	(18,710,084)	
Other Postemployment Benefits Payable	(350,160)	
Capital Outlay Certificates	(10,760,000)	
Compensated Absences	(7,195)	
Retirement Payable	<u>(16,501)</u>	(30,006,071)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds. 60,400

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 27,952

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,921,693)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 2,578,787

Net Position - Governmental Activities \$ 26,584,031

Lennox School District No. 41-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2024

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>High School Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 3,160,926	\$ 2,367,069	\$ 1,559,952	\$ 728,846	\$ --	\$ 7,816,793
Prior years' ad valorem taxes	40,091	20,643	12,621	7,213	--	80,568
Utility taxes	331,821	--	--	--	--	331,821
Penalties and interest on taxes	8,638	5,088	3,277	1,774	--	18,777
Earnings on Investments and Deposits	37,809	14,679	8,957	17,466	612,333	691,244
Cocurricular Activities:						
Admissions	42,077	--	--	--	--	42,077
Rentals	1,040	--	--	--	--	1,040
Other student activity income	12,678	--	--	--	--	12,678
Other Revenue from Local Sources:						
Rentals	1,000	--	--	--	--	1,000
Contributions and donations	41,052	59,645	--	--	--	100,697
Charges for services	23,183	--	22,406	--	--	45,589
Other	37,621	228,021	--	--	--	265,642
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	40,912	--	--	--	--	40,912
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	4,789,239	--	--	--	--	4,789,239
Restricted grants-in-aid	15,375	--	590,374	--	--	605,749
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted grants-in-aid received from federal government through the state	156,609	609,263	316,619	--	--	1,082,491
Total Revenues	<u>\$ 8,740,071</u>	<u>\$ 3,304,408</u>	<u>\$ 2,514,206</u>	<u>\$ 755,299</u>	<u>\$ 612,333</u>	<u>\$ 15,926,317</u>

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

Lennox School District No. 41-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2024 (Continued)

<u>Expenditures</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>High School Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Instructional Services:						
Regular programs:						
Elementary	\$ 2,392,019	\$ 252,388	\$ --	\$ --	\$ --	\$ 2,644,407
Middle/junior high	726,408	64,061	--	--	--	790,469
High school	1,368,006	279,495	--	--	--	1,647,501
Special programs:						
Programs for special education	--	--	1,597,161	--	--	1,597,161
Culturally different	17,466	--	--	--	--	17,466
Educationally deprived	101,704	--	--	--	--	101,704
Support Services:						
Students:						
Attendance and social work	15,360	--	--	--	--	15,360
Guidance	234,154	--	77,417	--	--	311,571
Health	112,493	--	--	--	--	112,493
Psychological	--	--	178,982	--	--	178,982
Speech pathology	--	--	257,124	--	--	257,124
Student therapy services	--	--	84,009	--	--	84,009
Instructional Staff:						
Improvement of instruction	153,956	--	--	--	--	153,956
Educational media	318,842	22,189	--	--	--	341,031
General Administration:						
Board of education	73,143	--	--	--	--	73,143
Executive administration	229,674	1,250	--	--	--	230,924
School Administration:						
Office of the principal	661,789	--	--	--	--	661,789
Other	865	--	--	--	--	865
Business:						
Fiscal services	281,840	19,181	--	--	--	301,021
Facilities acquisition and construction	--	3,077	--	--	--	3,077
Operation and maintenance of plant	1,364,987	150,008	--	--	--	1,514,995
Student transportation	428,633	4,928	--	--	--	433,561
Internal services	7,923	--	--	--	--	7,923
Other	6,060	--	--	--	--	6,060
Special Education:						
Administrative costs	--	--	215,682	--	--	215,682
Transportation costs	--	--	30,830	--	--	30,830

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

Lennox School District No. 41-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2024 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>High School Bond Redemption</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonprogrammed Charges:						
Payments to state - unemployment	\$ 1,280	\$ --	\$ --	\$ --	\$ --	\$ 1,280
Early retirement payments	32,128	--	--	--	--	32,128
Debt Services	--	1,140,424	--	350	1,134,078	2,274,852
Cocurricular Activities:						
Male activities	86,222	16,690	--	--	--	102,912
Female activities	71,292	1,310	--	--	--	72,602
Transportation	32,530	--	--	--	--	32,530
Combined activities	286,775	29,712	--	--	--	316,487
Capital Outlay	--	1,210,197	--	--	3,277,576	4,487,773
Total Expenditures	<u>9,005,549</u>	<u>3,194,910</u>	<u>2,441,205</u>	<u>350</u>	<u>4,411,654</u>	<u>19,053,668</u>
Excess of Revenue Over (Under) Expenditures	(265,478)	109,498	73,001	754,949	(3,799,321)	(3,127,351)
Other Financing Sources (Uses):						
Transfer in	43,651	--	--	--	--	43,651
Transfer out	--	(14,679)	(8,957)	(17,466)	--	(41,102)
General Long-Term Debt Issued	--	47,706	--	--	18,710,084	18,757,790
Sale of surplus property	1,843	40,450	--	--	--	42,293
Total Other Financing Sources (Uses)	<u>45,494</u>	<u>73,477</u>	<u>(8,957)</u>	<u>(17,466)</u>	<u>18,710,084</u>	<u>18,802,632</u>
Net Change in Fund Balances	(219,984)	182,975	64,044	737,483	14,910,763	15,675,281
Fund Balance, Beginning of Year	<u>1,683,757</u>	<u>1,709,551</u>	<u>470,072</u>	<u>(205,979)</u>	<u>(6,500)</u>	<u>3,650,901</u>
Fund Balance, End of Year	<u>\$ 1,463,773</u>	<u>\$ 1,892,526</u>	<u>\$ 534,116</u>	<u>\$ 531,504</u>	<u>\$ 14,904,263</u>	<u>\$ 19,326,182</u>

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

Lennox School District No. 41-4

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2024

Net Change in Fund Balances - Total Governmental Funds		\$ 15,675,281
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		4,487,773
The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.		(1,019,195)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (+gains, -losses, -proceeds=amount)		(22,005)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		
Lease	52,300	
CO Certificate	<u>720,000</u>	772,300
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		24,201
Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.		31,650
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		(18,757,790)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		(36,593)
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.		<u>10,340</u>
Change in net position of governmental activities		<u>\$ 1,165,962</u>

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

Lennox School District No. 41-4
Statement of Net Position – Proprietary Funds
June 30, 2024

	Enterprise Funds		
	Food Service Fund	OST/Preschool Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 352,149	\$ 132,780	\$ 484,929
Accounts receivable, net	--	9,581	9,581
Due from other funds	464	--	464
Inventory of Supplies	3,327	--	3,327
Inventory - stores for resale	10,939	--	10,939
Total Current Assets	<u>366,879</u>	<u>142,361</u>	<u>509,240</u>
Noncurrent Assets:			
Machinery and equipment - local funds	446,951	--	446,951
Less accumulated depreciation	(298,444)	--	(298,444)
Total Noncurrent Assets	<u>148,507</u>	<u>--</u>	<u>148,507</u>
Total Assets	<u>\$ 515,386</u>	<u>\$ 142,361</u>	<u>\$ 657,747</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 387	\$ 5,393	\$ 5,780
Contracts payable	630	48,199	48,829
Accrued payroll expenses	2,544	3,796	6,340
Unearned revenue	26,924	2,690	29,614
Total Current Liabilities	<u>30,485</u>	<u>60,078</u>	<u>90,563</u>
Net Position:			
Net investment in capital assets	148,507	--	148,507
Unrestricted net position	<u>336,394</u>	<u>82,283</u>	<u>418,677</u>
Total Net Position	<u>\$ 484,901</u>	<u>\$ 82,283</u>	<u>\$ 567,184</u>

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

Lennox School District No. 41-4

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

June 30, 2024

	Enterprise Funds		Totals
	Food Service Fund	OST/Preschool Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 96,474	\$ 96,474
Driver's education fees	--	13,560	13,560
Other fees	--	2,548	2,548
Afterschool fees	--	234,112	234,112
Food Sales:			
Student	545,244	7,568	552,812
Adult	4,341	--	4,341
Other charges for goods and services	--	2,141	2,141
Total Operating Revenue	549,585	356,403	905,988
Operating Expenses:			
Food Service:			
Salaries	325,185	299,689	624,874
Employee benefits	99,768	52,127	151,895
Purchased services	8,058	160	8,218
Supplies	23,965	8,510	32,475
Cost of sales - purchased	331,364	19,445	350,809
Cost of sales - donated	54,369	--	54,369
Other	3,139	2,226	5,365
Depreciation	18,422	--	18,422
Total Operating Expenses	864,270	382,157	1,246,427
Operating Income(Loss)	(314,685)	(25,754)	(340,439)
Nonoperating Revenues/Expenses:			
Investment Earnings	9,233	2,549	11,782
Other local revenue	6,975	--	6,975
State grants	1,662	--	1,662
Federal grants	243,533	8,222	251,755
Donated food	54,369	--	54,369
Total Nonoperating Revenue/ (Expenses)	315,772	10,771	326,543
Income (Loss) Before Transfers	1,087	(14,983)	(13,896)
Transfer out	--	(2,549)	(2,549)
Change in Net Position	1,087	(17,532)	(16,445)
Net Position - Beginning of Year	483,814	99,815	583,629
Net Position - End of Year	\$ 484,901	\$ 82,283	\$ 567,184

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

Lennox School District No. 41-4
Statement of Cash Flows – Proprietary Funds
June 30, 2024

	Enterprise Funds		Totals
	Food Service Fund	OST/Preschool Fund	
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 521,908	\$ 352,866	\$ 874,774
Cash payments to suppliers	(374,904)	(34,833)	(409,737)
Cash payments to employees	(425,386)	(347,033)	(772,419)
Net Cash (Used) by Operating Activities	<u>(278,382)</u>	<u>(29,000)</u>	<u>(307,382)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers Out	--	(2,549)	(2,549)
Other local revenue	6,975	--	6,975
Cash reimbursements - state	1,662	--	1,662
Cash reimbursements - federal	243,533	8,222	251,755
Net Cash Provided by Noncapital Financing Activities	<u>252,170</u>	<u>5,673</u>	<u>257,843</u>
Cash Flows from Capital and related Financing Activities:			
Capital assets purchased	(8,122)	--	(8,122)
Net Cash Provided by Noncapital Financing Activities	<u>(8,122)</u>	<u>--</u>	<u>(8,122)</u>
Cash Flows from Investing Activities:			
Investment Earnings	9,233	2,549	11,782
Net Cash Provided by Investing Activities	<u>9,233</u>	<u>2,549</u>	<u>11,782</u>
Net Change in Cash and Cash Equivalents	(25,101)	(20,778)	(45,879)
Cash and Cash Equivalents, Beginning of Year	377,250	153,558	530,808
Cash and Cash Equivalents, End of Year	<u>\$ 352,149</u>	<u>\$ 132,780</u>	<u>\$ 484,929</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (314,685)	\$ (25,754)	\$ (340,439)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	18,422	--	18,422
Value of commodities used	54,369	--	54,369
Change in Assets and Liabilities:			
Accounts receivable	1,015	(3,104)	(2,089)
Inventory	(4,682)	--	(4,682)
Deferred revenue	(28,692)	(433)	(29,125)
Contracts payable	250	4,813	5,063
Accrued payroll expenses	(683)	(30)	(713)
Accounts payable	(3,696)	(4,492)	(8,188)
Net cash (used) by operating activities:	<u>\$ (278,382)</u>	<u>\$ (29,000)</u>	<u>\$ (307,382)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 54,369</u>	<u>\$ --</u>	<u>\$ 54,369</u>

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

Lennox School District No. 41-4
Statement of Net Position – Fiduciary Funds
June 30, 2024

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 38,429	\$ 117,591
Accounts receivable	--	150
Total Assets	\$ 38,429	\$ 117,741
Accounts payable	\$ --	\$ 4,834
Total Liabilities	--	4,834
Net Position:		
Individuals, organizations, and other governments	38,429	112,907
Total Net Position	38,429	112,907
Total Liabilities and Net Position	\$ 38,429	\$ 117,741

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

Lennox School District No. 41-4
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2024

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 720	\$ --
Interest	2,976	--
Collections for student activities	--	481,618
	<u>3,696</u>	<u>481,618</u>
Total Additions	<u>3,696</u>	<u>481,618</u>
Deductions:		
Trust deductions for scholarships awarded	750	--
Payments for student activities	--	462,986
	<u>750</u>	<u>462,986</u>
Total Deductions	<u>750</u>	<u>462,986</u>
 Change in Net Position	 <u>2,946</u>	 <u>18,632</u>
 Net Position - Beginning	 <u>35,483</u>	 <u>94,275</u>
Net Position - Ending	<u>\$ 38,429</u>	<u>\$ 112,907</u>

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Lennox School District No. 41-4, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

The Bond Redemption Funds: Fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The 2023 General Obligation Bonds are paid from the High School Bond Redemption Fund. This is a major fund.

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Lennox High School Performing Arts Center and Auxiliary Gym Project is the current capital project maintained by the school and was opened in FY23.

Proprietary Funds:

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

OST/Preschool Fund--A fund used to record financial transactions related to OST/Preschool programs conducted for the benefit of the children. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

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

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

Custodial Fund Types – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Lennox School District No. 41-4, the length of that cycle is 60 days. Revenues accrued at June 30, 2024 are amounts due from grants, accrued interest, and other receivables.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2024 balance of capital assets for governmental activities includes approximately 1.75% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals. The total June 30, 2024 balance of capital assets for business-type activities are valued at original costs.

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All Land	--	--
Buildings	\$ 50,000	Straight-line	50 years
Improvements	\$ 15,000	Straight-line	10-25 years
Intangible lease assets	\$ 45,000	Straight-line	5-50 years
Equipment - governmental activities	\$ 5,000	Straight-line	5-20 years
Equipment - proprietary funds	\$ 1,000	Straight-line	12 years

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

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

h. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

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

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

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

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

i. Subscription-Based Information Technology Arrangements:

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

j. Deferred Outflows/Inflows of Resources:

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

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

k. 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:

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

q. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

r. Pensions:

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

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

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

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

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

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

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.

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. The school district does not have any investments with an external investment pool as of June 30, 2024.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund except the Food Service Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investments, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restriction on interfund transfers.

3. Inventory:

Inventory held for consumption is stated at cost.

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

3. Inventory: (Continued)

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

4. Property Tax:

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

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

5. Receivables and Payables:

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

6. Changes in Capital Assets:

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

	7/1/2023		Increases		Decreases		6/30/2024
	Balance						Balance
Governmental Activities:							
Capital assets, not being depreciated/amortized:							
Land	\$ 445,534	\$ --		\$ --		\$ 445,534	
Construction in progress	706,913	4,078,880		1,498,641		3,287,152	
Total capital assets not being depreciated/amortized	1,152,447	4,078,880		1,498,641		3,732,686	
Capital assets being depreciated/amortized:							
Buildings	33,761,665	--		--		33,761,665	
Improvements	4,261,063	1,518,490		116,170		5,663,383	
Machinery & equipment	3,206,958	279,024		268,613		3,217,369	
Intangible lease assets	166,725	47,706		--		214,431	
Library books	591,568	62,314		--		653,882	
Total capital assets being depreciated/amortized	41,987,979	1,907,534		384,783		43,510,730	
Less accumulated depreciation/amortization for:							
Buildings	6,853,155	453,089		--		7,306,244	
Improvements	1,143,337	216,098		96,808		1,262,627	
Machinery & equipment	1,644,598	262,381		265,970		1,641,009	
Intangible lease assets	--	54,933		--		54,933	
Library books	427,435	32,694		--		460,129	
Total accumulated depreciation/amortization	10,068,525	1,019,195		362,778		10,724,942	
Total capital assets being depreciated/amortized, net	31,919,454	888,339		22,005		32,785,788	
Net Capital Assets	\$ 33,071,901	\$ 4,967,219		\$ 1,520,646		\$ 36,518,474	

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 453,203
Support services	443,561
Amortization	54,933
Co-curricular activities	67,498
Total Depreciation/Amortization Expense	\$ 1,019,195

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

6. Changes in Capital Assets: (Continued)

	7/1/2023 Balance	Increases	Decreases	6/30/2024 Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 442,556	\$ 8,122	\$ 3,727	\$ 446,951
Less accumulated depreciation for:				
Less: Accumulated Depreciation	283,749	18,422	3,727	298,444
Total capital assets being depreciated, net	\$ 158,807	\$ (10,300)	\$ --	\$ 148,507

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 18,422

Construction Work in Progress at June 30, 2024 is comprised of the following:

Project name	Project Authorization	Expended through 6/30/2024	Committed	Required Future Financing
LHS Performing Arts Center and Auxiliary Gym	\$ 18,020,000	\$ 3,284,076	\$ 14,735,924	\$ --
Worthing RTU Project	3,076	3,076	--	--
Total Construction in Progress	\$ 18,023,076	\$ 3,287,152	\$ 14,735,924	\$ --

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

7. Long-Term Liabilities:

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

Primary Government	<u>7/1/2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2024</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and CO Certificates Payable:					
General obligation bonds	\$ --	\$ 17,000,000	\$ --	\$ 17,000,000	\$ --
Plus: Unamortized Premiums	--	1,710,084	--	1,710,084	71,254
Capital outlay certificates	11,480,000	--	720,000	10,760,000	775,000
	<u>11,480,000</u>	<u>18,710,084</u>	<u>720,000</u>	<u>29,470,084</u>	<u>846,254</u>
Other Liabilities:					
Compensated absences	6,717	478	--	7,195	7,195
OPEB	429,189	59,643	138,672	350,160	--
Early retirement payable	48,629	--	32,128	16,501	16,501
Leases	166,725	47,706	52,300	162,131	57,924
Total Long-Term Liabilities	<u>\$ 12,131,260</u>	<u>\$ 18,817,911</u>	<u>\$ 943,100</u>	<u>\$ 30,006,071</u>	<u>\$ 927,874</u>

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

Capital Outlay Certificates at June 30, 2024 is comprised of the following:

Lennox School District No 41-4 Capital Outlay Certificate Bonds, Series 2017A	During 2017, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,400,000. There is a varying interest rate from 1.35 to 3.00% assessed on these bonds. Final payment is June 2031. The Capital Outlay Fund makes payment on this debt.	\$ 1,730,000
Lennox School District No 41-4 Capital Outlay Certificate Bonds, Series 2017B	During 2017, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,775,000. There is a varying interest rate from 1.35 to 3.00% assessed on these bonds. Final payment is August, 2033. The Capital Outlay Fund makes payment on this debt.	\$ 2,205,000

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

7. Long-Term Liabilities: (Continued)

Lennox School District No 41-4 Capital Outlay Certificate Bonds, Series 2018	During 2018, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$7,800,000. There is a varying interest rate from 4.00 to 3.00% assessed on these certificates. Final payment is June 2039. The Capital Outlay Fund makes payment on this debt.	\$ 6,825,000
Lennox School District No 41-4 GO Bonds, Series 2023	During FY2024, the School District entered into an agreement to receive GO Bonds in the amount of \$17,000,000. There is an interest rate of 5.00% assessed on these certificates. Final payment is August 2048. The Bond Redemption Fund makes payment on this debt.	\$ 17,000,000

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

Compensated Absences –		
Payable from the fund to which payroll expenditures are charged.	\$	7,195
Early Retirement Payable –		
Retirement benefits payable to participating employees; semi-annual payments are made from the General Fund.	\$	16,501
OPEB –		
Obligations to individuals who are retired or will retire from the School District and will receive post-employment benefits. Payments are made from the General Fund.	\$	350,160
Leases –		
Copier lease due in annual installments of \$44,550 including interest at 3%; final maturity in June 2027; Payments are made from the Capital Outlay Fund.	\$	127,081
Phone lease due in annual installments of \$16,953 including interest at 4.2%; final maturity in August 2026; Payments are made from the Capital Outlay Fund.	\$	35,050

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

7. Long-Term Liabilities: (Continued)

The annual requirements to amortize all debt outstanding, other than other post-employment benefits outstanding at June 30, 2024, are as follows:

Year Ending June 30,	Capital Outlay Certificates		Early Retirement Payable		GO Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 775,000	\$ 338,358	\$ 16,501	\$ --	\$ 71,254	\$ 850,000
2026	800,000	314,383	--	--	296,254	844,375
2027	825,000	289,584	--	--	336,254	832,125
2028	850,000	265,365	--	--	386,254	817,625
2029	870,000	240,500	--	--	401,254	801,500
2030-2034	3,960,000	810,685	--	--	2,601,270	3,715,375
2035-2039	2,680,000	270,791	--	--	3,901,270	2,983,625
2040-2044	--	--	--	--	5,251,270	1,937,625
2045-2049	--	--	--	--	5,465,004	537,500
Totals	<u>\$ 10,760,000</u>	<u>\$ 2,529,666</u>	<u>\$ 16,501</u>	<u>\$ --</u>	<u>\$ 18,710,084</u>	<u>\$ 13,319,750</u>

Year Ending, June 30,	Leases		Totals	
	Principal	Interest	Principal	Interest
2025	\$ 57,924	\$ 4,749	\$ 920,679	\$ 1,193,107
2026	59,297	2,700	1,155,551	1,161,458
2027	44,910	796	1,206,164	1,122,505
2028	--	--	1,236,254	1,082,990
2029	--	--	1,271,254	1,042,000
2030-2034	--	--	6,561,270	4,526,060
2035-2039	--	--	6,581,270	3,254,416
2040-2044	--	--	5,251,270	1,937,625
2045-2049	--	--	5,465,004	537,500
Totals	<u>\$ 162,131</u>	<u>\$ 8,245</u>	<u>\$ 29,648,716</u>	<u>\$ 15,857,661</u>

8. Interfund Transfers:

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

Transfer interest income from Capital Outlay, Bond Redemption, Special Education, and Food Service Funds to General Fund.	\$ 43,651
---	-----------

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

9. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 1,907,857
Special Education	Law	544,033
Debt Service	Debt Covenant	536,981
SDRS Pension Purposes	Law	1,092,009
Total		\$ 4,080,880

10. Pension Plan:

a. Plan Information:

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

b. 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 Foundations members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

10. Pension Plan: (Continued)

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earning based on investment returns.

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

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

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

10. Pension Plan: (Continued)

State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District’s share of contributions to the SDRS for the years ended June 30, 2024, 2023 and 2022, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 526,783
2023	443,210
2022	418,218

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

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

Proportionate share of pension liability	\$ 41,498,735
Less proportionate share of net pension restricted for pension benefits	<u>41,526,687</u>
Proportionate share of net pension (asset)	<u>\$ (27,952)</u>

At June 30, 2024, the School District reported an (asset) of (\$27,952) 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 0.28638200%, which is an increase of 0.0030690% from its proportion measured as of June 30, 2022.

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

10. Pension Plan: (Continued)

For the year ended June 30, 2024, the School District recognized a pension expense of \$36,593. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 792,318	\$ --
Changes in assumption	955,646	1,396,941
Net difference between projected and actual earnings on pension plan investments	186,096	--
Changes in proportion and difference between district contributions and proportionate share of contributions	5,827	5,672
District contributions subsequent to the measurement date	526,783	--
Total	\$ 2,466,670	\$ 1,402,613

\$526,783 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2025	\$ 381,635
2026	(423,291)
2027	540,176
2028	38,754
Total	\$ 537,274

e. Actuarial Assumptions:

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

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

10. Pension Plan: (Continued)

Mortality Rates:

All mortality rates based on the 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 2% per year until 111% rates at age 83 and above
- Public Safety Retirees: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

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

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

To produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

10. Pension Plan: (Continued)

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 5,729,212	\$ (27,952)	\$ (4,736,214)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

11. Risk Management:

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

11. Risk Management: (Continued)

Employee Health Insurance

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The school District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage from either Sanford Health Plan or DAKOTACARE Administrative Services with the premiums it receives from the members. The coverage includes the option of four different plans with a deductible from \$2,000 to \$4,000.

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

Liability Insurance

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

Worker's Compensation

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

Unemployment Benefits

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

During the year ended June 30, 2024, 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.

12. Postemployment Healthcare Plan:

Plan Description: Lennox School District has a pooled defined benefit medical plan administered by either the Sanford Health Plan or DakotaCare3-. The Plan provides medical and prescription drug insurance benefits to eligible retirees and their spouses. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any school district to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the district. The Plan issues a publicly available actuarial report that includes required supplementary information. That report may be obtained by writing to the Lennox School District, P.O. Box 38, Lennox, SD 57039 or by calling 1 (605) 647-2202.

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

12. Postemployment Healthcare Plan: (Continued)

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

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

Retirees currently receiving benefit payments	3
Active Employees	<u>163</u>
	<u><u>166</u></u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2021 Actuarial Valuation Report. See Note 11 – Pension Note.

Changes in the Total OPEB Liability

Beginning of Year Balance	\$	429,189
Service cost		43,213
Interest on total OPEB liability		16,430
Effect of economic/demographic gains or losses		(48,376)
Effect of assumption changes or inputs		(73,582)
Benefit payments		<u>(16,714)</u>
End of Year Balance	\$	<u><u>350,160</u></u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 2.16%.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 391,297</u>	<u>\$ 350,160</u>	<u>\$ 314,652</u>

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

12. Postemployment Healthcare Plan: (Continued)

For the year ended June 30, 2024, the School District recognized an OPEB revenue of \$10,340. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 60,347	\$ 44,084
Changes in assumption	51,770	474,996
Total	\$ 112,117	\$ 519,080

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

Year Ended June 30,	
2025	\$ (53,269)
2026	(53,269)
2027	(52,979)
2028	(49,045)
2029	(47,433)
Thereafter	(150,968)
Total	\$ (406,963)

13. Joint Ventures:

The school district participates in the East Dakota Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing education services to the member school districts.

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

Lennox School District	15%
Brandon Valley School District	66%
West Central School District	19%

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

Lennox School District No. 41-4
Notes to the Financial Statements
June 30, 2024

13. Joint Ventures: (Continued)

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

At June 30, 2024, this joint venture had total assets of \$5,116,138, total liabilities of \$3,420,252, and net position of \$1,695,886 in the General and Special Education Funds.

14. Early Retirement Plan:

The district maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement between the ages of 54 and 61 for teachers or 55 and 64 for administrators and have at least fifteen years of continuous service with the district. Under the plan, the district will pay 80% of the current salary contract. Such amounts are payable in six equal installments, spread over the next three years following retirement. The district uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2024, 3 employees participated in the early retirement plan. The amount paid for such benefits during the year was \$32,128.

15. Subsequent Events:

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

Required Supplementary Information

Lennox School District No. 41-4
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,050,185	\$ 3,050,185	\$ 3,160,926	\$ 110,741
Prior years' ad valorem taxes	20,000	20,000	40,091	20,091
Utility taxes	315,000	315,000	331,821	16,821
Penalties and interest on taxes	10,000	10,000	8,638	(1,362)
Earnings on Investments and Deposits	60,000	60,000	37,809	(22,191)
Cocurricular Activities:				
Admissions	39,500	39,500	42,077	2,577
Rentals	500	500	1,040	540
Other student activity income	4,050	4,050	12,678	8,628
Other Revenue from Local Sources:				
Rentals	500	500	1,000	500
Contributions and donations	--	20,000	41,052	21,052
Charges for services	26,000	26,000	23,183	(2,817)
Other	33,900	33,900	37,621	3,721
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	35,000	35,000	40,912	5,912
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	4,984,621	4,984,621	4,789,239	(195,382)
Restricted grants-in-aid	--	15,875	15,375	(500)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	<u>154,898</u>	<u>162,303</u>	<u>156,609</u>	<u>(5,694)</u>
Total Revenues	<u>\$ 8,734,154</u>	<u>\$ 8,777,434</u>	<u>\$ 8,740,071</u>	<u>\$ (37,363)</u>

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

Lennox School District No. 41-4
 Budgetary Comparison Schedule – General Fund – Budgetary Basis
 June 30, 2024 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 2,400,673	\$ 2,404,098	\$ 2,392,019	\$ 12,079
Middle/junior high	715,720	726,462	726,408	54
High school	1,357,270	1,368,417	1,368,006	411
Special programs				
Culturally different	16,420	17,467	17,466	1
Educationally deprived	107,897	107,897	101,704	6,193
Support Services:				
Students:				
Attendance and social work	15,360	15,360	15,360	--
Guidance	239,430	239,430	234,154	5,276
Health	110,410	112,493	112,493	--
Instructional Staff:				
Improvement of instruction	138,548	159,421	153,956	5,465
Educational media	336,997	336,997	318,842	18,155
General Administration:				
Board of education	82,228	82,228	73,143	9,085
Executive administration	233,612	233,612	229,674	3,938
School Administration:				
Office of the principal	688,552	688,552	661,789	26,763
Other	2,400	2,400	865	1,535
Business:				
Fiscal services	274,945	281,839	281,840	(1)
Operation and maintenance of plant	1,409,540	1,409,540	1,364,987	44,553
Student transportation	447,130	447,130	428,633	18,497
Internal service	8,100	8,100	7,923	177
Other	6,000	6,061	6,060	1
Nonprogrammed Charges:				
Payments to state - unemployment	500	1,280	1,280	--
Early retirement payments	32,130	32,130	32,128	2
Cocurricular Activities:				
Male activities	88,425	88,425	86,222	2,203
Female activities	73,623	73,623	71,292	2,331
Transportation	21,207	32,531	32,530	1
Combined activities	256,643	286,845	286,775	70
Total Expenditures	<u>9,063,760</u>	<u>9,162,338</u>	<u>9,005,549</u>	<u>156,789</u>
Excess of Revenues Over Expenditures	<u>(329,606)</u>	<u>(384,904)</u>	<u>(265,478)</u>	<u>119,426</u>
Other Financing Sources:				
Operating transfers in	--	--	43,651	43,651
Sale of surplus property	--	--	1,843	1,843
Total Other Financing Sources:	<u>--</u>	<u>--</u>	<u>45,494</u>	<u>45,494</u>
Net Change in Fund Balances	(329,606)	(384,904)	(219,984)	164,920
Fund Balance, Beginning of Year	<u>1,683,757</u>	<u>1,683,757</u>	<u>1,683,757</u>	<u>--</u>
Fund Balance, End of year	<u>\$ 1,354,151</u>	<u>\$ 1,298,853</u>	<u>\$ 1,463,773</u>	<u>\$ 164,920</u>

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

Lennox School District No. 41-4
 Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
 June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,382,336	\$ 2,382,336	\$ 2,367,069	\$ (15,267)
Prior years' ad valorem taxes	3,000	3,000	20,643	17,643
Penalties and interest on taxes	2,000	2,000	5,088	3,088
Earnings on Investments & Deposits	--	--	14,679	14,679
Other Revenue from Local Sources:				
Contributions and donations	--	--	59,645	59,645
Other	206,680	206,680	228,021	21,341
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	44,275	609,264	609,263	(1)
Total Revenues	<u>2,638,291</u>	<u>3,203,280</u>	<u>3,304,408</u>	<u>101,128</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	276,236	300,565	300,094	471
Middle/junior high	60,884	68,040	64,061	3,979
High school	337,369	351,204	341,809	9,395
Support Services:				
Students:				
Health	500	500	--	500
Instructional Staff:				
Educational media	19,000	23,470	22,189	1,281
General Administration:				
Executive administration	1,000	1,250	1,250	--
Business:				
Fiscal services	2,300	39,031	39,030	1
Facilities acquisition and construction	--	564,989	564,989	--
Operation and maintenance of plant	144,301	460,351	459,112	1,239
Student transportation	182,697	188,020	188,020	--
Debt Services	1,143,552	1,143,552	1,140,424	3,128
Cocurricular Activities:				
Male activities	9,700	16,690	16,690	--
Female activities	1,000	1,310	1,310	--
Combined activities	459,752	459,752	55,932	403,820
Total Expenditures	<u>2,638,291</u>	<u>3,618,724</u>	<u>3,194,910</u>	<u>423,814</u>
Excess of Revenue Over (Under)				
Expenditures	--	(415,444)	109,498	524,942
Other Financing Sources (Uses):				
Transfers out	--	--	(14,679)	(14,679)
Proceeds of general long-term liabilities	--	47,706	47,706	--
Sale of surplus property	--	40,450	40,450	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>88,156</u>	<u>73,477</u>	<u>(14,679)</u>
Net Change in Fund Balances	--	(327,288)	182,975	510,263
Fund Balance, Beginning of Year	<u>1,709,551</u>	<u>1,709,551</u>	<u>1,709,551</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,709,551</u>	<u>\$ 1,382,263</u>	<u>\$ 1,892,526</u>	<u>\$ 510,263</u>

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

Lennox School District No. 41-4
 Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis
 June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,519,590	\$ 1,519,590	\$ 1,559,952	\$ 40,362
Prior years' ad valorem taxes	4,000	4,000	12,621	8,621
Penalties and interest on taxes	1,500	1,500	3,277	1,777
Earnings on Investments & Deposits	--	--	8,957	8,957
Other Revenue from Local Sources:				
Charges for services	12,000	12,000	22,406	10,406
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	637,236	637,236	590,374	(46,862)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	276,722	276,722	316,619	39,897
Total Revenues	<u>2,451,048</u>	<u>2,451,048</u>	<u>2,514,206</u>	<u>63,158</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	1,714,517	1,730,006	1,597,161	132,845
Support Services:				
Students:				
Guidance services	79,710	79,710	77,417	2,293
Psychological	185,970	185,970	178,982	6,988
Speech pathology	265,310	265,310	257,124	8,186
Student therapy services	91,253	91,253	84,009	7,244
Special Education:				
Administrative costs	191,149	191,149	215,682	(24,533)
Transportation costs	55,810	68,189	30,830	37,359
Total Expenditures	<u>2,583,719</u>	<u>2,611,587</u>	<u>2,441,205</u>	<u>170,382</u>
Excess of Revenues Over (Under) Expenditures	<u>(132,671)</u>	<u>(160,539)</u>	<u>73,001</u>	<u>233,540</u>
Other Financing Sources (Uses):				
Transfer out	--	--	(8,957)	(8,957)
Net Change in Fund Balance	(132,671)	(160,539)	64,044	224,583
Fund Balance, Beginning of Year	<u>470,072</u>	<u>470,072</u>	<u>470,072</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 337,401</u>	<u>\$ 309,533</u>	<u>\$ 534,116</u>	<u>\$ 224,583</u>

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

Lennox School District No. 41-4

Notes to the Required Supplementary Information – Budgetary Comparison Schedules June 30, 2024

1. Basis of Presentation:

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

2. Budgets and Budgetary Accounting:

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

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

Lennox School District No. 41-4
Schedule of Changes in Total OPEB Liability
June 30, 2024

Total OPEB Liability

Service cost	\$ 43,213
Interest on total OPEB liability	16,430
Effect of economic/demographic gains or losses	(48,376)
Effect of assumption changes or inputs	(73,582)
Benefit payments	<u>(16,714)</u>
Net change in total OPEB liability	(79,029)
Total OPEB liability, beginning	<u>429,189</u>
Total OPEB liability, ending	<u><u>\$ 350,160</u></u>

Lennox School District No. 41-4
Schedule of the Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.2863820%	0.2833130%	0.2883690%	0.2684813%	0.2703343%	0.2611143%	0.2672876%	0.2556809%	0.2545211%	0.2573053%
District's proportionate share of net pension liability (asset)	\$ (27,952)	\$ (26,775)	\$ (2,208,413)	\$ (11,660)	\$ (28,648)	\$ (6,090)	\$ (24,257)	\$ 863,665	\$ (1,079,497)	\$ (1,853,779)
District's covered-employee payroll	\$ 7,386,816	\$ 6,970,286	\$ 6,523,077	\$ 5,892,215	\$ 5,747,856	\$ 5,428,586	\$ 5,436,565	\$ 4,861,766	\$ 4,646,787	\$ 4,499,832
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.38%	33.86%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

Lennox School District No. 41-4
Schedule of the School District Contributions
South Dakota Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 526,783	\$ 443,210	\$ 418,218	\$ 391,386	\$ 353,533	\$ 344,872	\$ 325,348	\$ 326,194	\$ 291,706	\$ 278,810
Contributions in relation to the contractually-required contribution	<u>526,783</u>	<u>443,210</u>	<u>418,218</u>	<u>391,386</u>	<u>353,533</u>	<u>344,872</u>	<u>325,348</u>	<u>326,194</u>	<u>291,706</u>	<u>278,810</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 8,780,208	\$ 7,386,816	\$ 6,970,286	\$ 6,523,077	\$ 5,892,215	\$ 5,747,856	\$ 5,428,586	\$ 5,436,565	\$ 4,861,766	\$ 4,646,787
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	5.99%	6.00%	6.00%	6.00%

Lennox School District No. 41-4

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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

Supplementary Information

Lennox School District No. 41-4
Schedule of Expenditures of Federal Awards
June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NSLP-41004-24	\$ 54,369
Cash Assistance: (Note 5)			
School Breakfast Program	10.553	NSLP-41004-24	20,408
National School Lunch Program	10.555	NSLP-41004-24	152,541
Performance Based Requirement	10.555	NSLP-41004-24	10,664
Supply Chain Assistance	10.555	NSLP-41004-24	59,921
Total Child Nutrition Cluster			<u>297,903</u>
Child Care Food Program	10.558	NA	<u>8,222</u>
Total U.S. Department of Agriculture			<u>306,125</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-41004-24	101,704
Supporting Effective Instruction State Grant	84.367	TIIA-41004-24	43,632
Student Support and Academic Enrichment Program	84.424A	TIVA-41004-24	10,773
Elementary and Secondary School Emergency Relief Fund (Note 4)	84.425U	ESSERIIIILL-41004-24	564,989
Special Education Cluster:			
Special Education Grants to States	84.027	611-41004-24	305,957
Special Education - Preschool Grants	84.173	NA	10,662
Total Special Education Cluster			<u>316,619</u>
Total U.S. Department of Education			<u>1,037,717</u>
U.S. Environmental Protection Agency			
Pass through SD Department of Agriculture and Natural Resources			
State Clean Diesel Grant Program	66.040	NA	44,274
Total U.S. Environmental Protection Agency			<u>44,274</u>
Grand Total			<u>\$ 1,388,116</u>

Lennox School District No. 41-4
Schedule of Expenditures of Federal Awards
June 30, 2024 (Continued)

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lennox School District No. 41-4 under programs of the federal government for the year ended . The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Lennox School District No. 41-4, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lennox School District No. 41-4.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate:

Lennox School District has elected use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Major Federal Financial Assistance Program:

This represents a Major Federal Financial Assistance Program.

5. Federal Reimbursements:

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.