

Montrose School District No. 43-2

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

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

Montrose School District No. 43-2

School District Officials

June 30, 2024

Board Members

Brian Smith ----- Board President

Jason McAreavey-----Vice President

Katrina Zimmer ----- Member

Jackie Jandl ----- Member

Jill Johnson----- Member

Lonny Johnson -----Superintendent

Makenzi Miles -----Business Manager

Montrose School District No. 43-2

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

School Board
Montrose School District No. 43-2
McCook 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 Montrose School District No. 43-2, 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 February 19, 2025, which was qualified because the School District did not adopt Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2024-001 to be a material weakness.

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, and contracts 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Current Audit Findings as item 2024-002 to be a material weakness.

School District's Response to Findings

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

Purpose of this Report

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



Elk Point, South Dakota
February 19, 2025

Montrose School District No. 43-2
Schedule of Prior and Current Audit Findings
June 30, 2024

Prior Audit Findings:

Finding Number 2023-001 – Internal Control Finding

A material weakness was reported for internal control over year-end closing procedures including preparation of the financial statements. This finding has not been corrected and will be restated as current audit finding number 2024-001.

Current Audit Findings:

Finding 2024-001 – Internal Control Finding

Material Weakness

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

Condition, Cause, and Effect: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles. The limited size of the School District's staff and resources cause the inability to prepare the financial statements and footnotes. This condition may affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Criteria: Montrose School District No. 43-2 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2024. As part of the financial statement preparation process, at times we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Auditor's Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

View of Management: Management agrees with the finding

Montrose School District No. 43-2
Schedule of Prior and Current Audit Findings
June 30, 2024

Finding Number 2024-002 – Compliance Finding

Material Weakness

There is a material weakness resulting in budgeted expenditures exceeding budgeted means for the Special Education Fund.

Condition, Cause, and Effect: SDCL-13-11-2 requires that the School Board adopt a levy sufficient to meet the budget for the year for each governmental fund. The District adopted a budget that did not reflect the means of finance. As a result, this transaction resulted in the use of fund balance in excess of available fund balance, creating a negative budgeted fund balance for the Special Education Fund.

Criteria: There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund.

Auditor's Recommendation: We recommend that the District Officials be aware of and adhere to the budgetary requirements and supplement the budget when necessary in the future.

View of Management: Management agrees with the finding.



Independent Auditor's Report

School Board
Montrose School District No. 43-2
McCook County, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Montrose School District No. 43-2, 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, except for the matters described in the "Basis for Qualified and Unmodified Opinions" section of our report, 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 Montrose School District No. 43-2 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 Qualified and Unmodified 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 qualified and unmodified audit opinions.

The School District did not adopt Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which is a departure from accounting principles generally accepted in the United States of America (USGAAP). The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses/expenditures of the governmental activities, the general governmental fund, and the aggregate remaining fund information is not reasonably determinable.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2025 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
February 19, 2025

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

This section of Montrose School District 43-2'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

- The School's net position from governmental and business-type activities (government-wide statements) was \$6,358,988. This is an increase of \$84,801 from prior year.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 1. The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like a business. The only proprietary funds operated by the school are the Food Service Operation and Other Enterprise Fund.
 3. 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.

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Required Components of Montrose School's Annual Financial Report

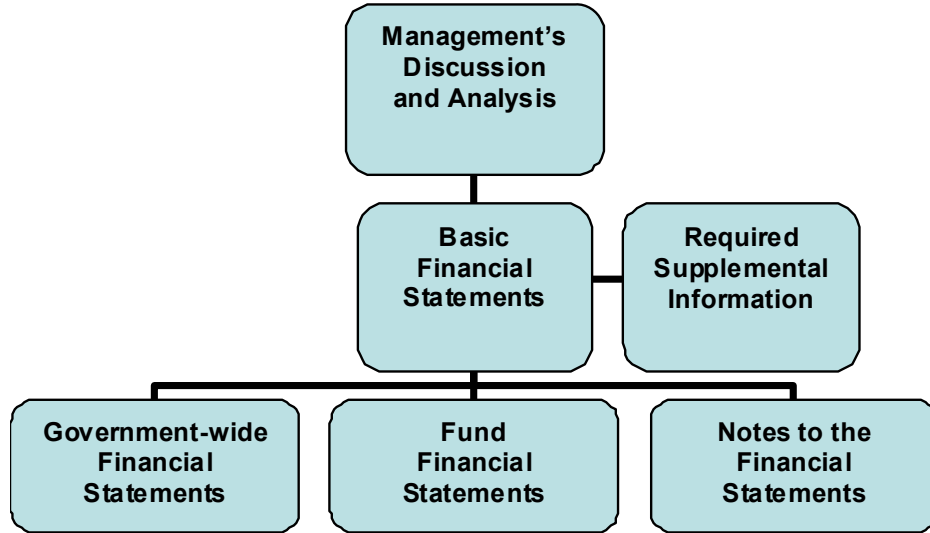


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

Figure A-2

Major Features of Montrose School District'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 other enterprise.	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 Net Position • Statement of Changes in 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

Montrose School District No. 43-2
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 district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the School 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 counselors, 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 services to all students. The Food Service and Other Enterprise Funds are the only business-type activities of the School.

Fund Financial Statements

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

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

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

The School has three generic 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 convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short and long-term financial information. The Food Service and Enterprise Funds are 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.

Montrose School District No. 43-2
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
Montrose School District 43-2
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	\$ 2,676,094	\$ 2,733,859	\$ 92,318	\$ 70,905	\$ 2,768,412	\$ 2,804,764	1.31%
Capital Assets (Net of Depreciation)	4,390,347	4,410,178	21,668	20,498	4,412,015	4,430,676	0.42%
Total Assets	<u>7,066,441</u>	<u>7,144,037</u>	<u>113,986</u>	<u>91,403</u>	<u>7,180,427</u>	<u>7,235,440</u>	<u>0.77%</u>
OPEB Related Deferred Outflows	4,802	3,881	--	--	4,802	3,881	-19.18%
Pension Related Deferred Outflows	681,311	586,715	--	--	681,311	586,715	-13.88%
Total Deferred Outflows or Resources	<u>686,113</u>	<u>590,596</u>	<u>--</u>	<u>--</u>	<u>686,113</u>	<u>590,596</u>	<u>-13.92%</u>
Long-Term Liabilities Outstanding	77,859	62,867	--	--	77,859	62,867	-19.26%
Other Liabilities	421,146	280,761	42,169	70,588	463,315	351,349	-24.17%
Total Liabilities	<u>499,005</u>	<u>343,628</u>	<u>42,169</u>	<u>70,588</u>	<u>541,174</u>	<u>414,216</u>	<u>-23.46%</u>
Taxes Levied for Future Period	625,935	677,822	--	--	625,935	677,822	8.29%
OPEB Related Deferred Inflows	22,147	36,218	--	--	22,147	36,218	63.53%
Pension Related Deferred Inflows	403,097	338,792	--	--	403,097	338,792	-15.95%
Total Deferred Inflows of Resources	<u>1,051,179</u>	<u>1,052,832</u>	<u>--</u>	<u>--</u>	<u>1,051,179</u>	<u>1,052,832</u>	<u>0.16%</u>
Net Investment in Capital Assets	4,390,347	4,410,178	21,668	20,498	4,412,015	4,430,676	0.42%
Restricted	1,012,685	953,258	--	--	1,012,685	953,258	-5.87%
Unrestricted	799,338	974,737	50,149	317	849,487	975,054	14.78%
Total Net Position	<u>6,202,370</u>	<u>6,338,173</u>	<u>71,817</u>	<u>20,815</u>	<u>6,274,187</u>	<u>6,358,988</u>	<u>1.35%</u>
Beginning Net Position	<u>5,985,148</u>	<u>6,202,370</u>	<u>106,052</u>	<u>71,817</u>	<u>6,091,200</u>	<u>6,274,187</u>	<u>3.00%</u>
Increase (Decrease) in Net Position	<u>\$ 217,222</u>	<u>\$ 135,803</u>	<u>\$ (34,235)</u>	<u>\$ (51,002)</u>	<u>\$ 182,987</u>	<u>\$ 84,801</u>	<u>53.66%</u>
Percentage of Increase (Decrease) in Net Position	<u>3.63%</u>	<u>2.19%</u>	<u>-32.28%</u>	<u>-71.02%</u>	<u>3.00%</u>	<u>1.35%</u>	

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

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

Changes in Net Position

The School’s total revenues totaled \$3,952,787. Approximately 41% of the School’s revenue comes from property taxes, with approximately another 48% coming from State Aid . (See Table A-2).

Table A-2
Montrose School District 43-2
Sources of Revenues
Fiscal Year 2023-2024

Taxes	\$ 1,631,636	41.28%
State Sources	1,910,387	48.33%
Operating Grants & Contributions	150,205	3.80%
Charges For Services	144,991	3.67%
Other General Revenues	73,543	1.86%
Unrestricted Investment Earnings	42,025	1.06%
Total Revenue	\$ 3,952,787	100.00%

The School’s expenses totaled \$3,867,986 and covered a range of services, including instruction, support services, interest on long-term debt, co-curricular activities, food service, and other enterprise (See Table A-3).

Table A-3
Montrose School District 43-2
Statement of Expenditures
Fiscal Year 2023-2024

Instruction	\$ 2,048,422	52.96%
Support Services	1,419,641	36.70%
Interest - on Long-Term Debt	4,613	0.12%
Cocurricular Activities	138,147	3.57%
Food Service	197,519	5.11%
Other Enterprise	59,644	1.54%
Total Expenditures	\$ 3,867,986	100.00%

Montrose School District No. 43-2
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
Montrose School District 43-2
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	\$ 36,132	\$ 19,830	\$ 114,283	\$ 125,161	\$ 150,415	\$ 144,991	-3.61%
Operating Grants/ Contributions	179,611	87,566	69,080	62,639	248,691	150,205	-39.60%
General Revenues							
Taxes	1,549,843	1,631,636	--	--	1,549,843	1,631,636	5.28%
Revenue State Sources	1,786,859	1,910,387	--	--	1,786,859	1,910,387	6.91%
Other general revenues	69,326	73,543	--	--	69,326	73,543	6.08%
Unrestricted Investment Earnings	10,908	42,025	--	--	10,908	42,025	285.27%
	<u>3,632,679</u>	<u>3,764,987</u>	<u>183,363</u>	<u>187,800</u>	<u>3,816,042</u>	<u>3,952,787</u>	<u>3.58%</u>
Expenses							
Instruction	1,928,015	2,048,422	--	--	1,928,015	2,048,422	6.25%
Support Services	1,300,455	1,419,641	--	--	1,300,455	1,419,641	9.16%
Interest on long-term debt	4,618	4,613	--	--	4,618	4,613	-0.11%
Co-curricular Activities	138,509	138,147	--	--	138,509	138,147	-0.26%
Food Service	--	--	197,359	197,519	197,359	197,519	0.08%
Other Enterprise	--	--	64,099	59,644	64,099	59,644	-6.95%
	<u>3,371,597</u>	<u>3,610,823</u>	<u>261,458</u>	<u>257,163</u>	<u>3,633,055</u>	<u>3,867,986</u>	<u>6.47%</u>
Excess (Deficiency)							
Before Transfers	261,082	154,164	(78,095)	(69,363)	182,987	84,801	-53.66%
Transfers	<u>(43,860)</u>	<u>(18,361)</u>	<u>43,860</u>	<u>18,361</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	217,222	135,803	(34,235)	(51,002)	182,987	84,801	-53.66%
Beginning Net Position	<u>5,985,148</u>	<u>6,202,370</u>	<u>106,052</u>	<u>71,817</u>	<u>6,091,200</u>	<u>6,274,187</u>	<u>3.00%</u>
Ending Net Position	<u>\$ 6,202,370</u>	<u>\$ 6,338,173</u>	<u>\$ 71,817</u>	<u>\$ 20,815</u>	<u>\$ 6,274,187</u>	<u>\$ 6,358,988</u>	<u>1.35%</u>

Governmental Activities

Revenues for the governmental activities stayed relatively consistent with prior year with a slight increase in state aid. Expenses increased by approximately 7.10%.

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

Business Type Activities

Revenues of the School’s business-type activities increased by 2.42% due to an increase in charges for services. Expenses decreased by 1.64%.

Financial Analysis of the School’s Funds

Fund balances changed as follows: General Fund increased \$156,043 mainly due to an increase in ad valorem taxes and state aid while keeping expenditures at a similar amount compared to prior year. The Capital Outlay Fund increased \$12,721 mainly due to increases in ad valorem taxes and interest earned The Special Education Fund decreased \$27,672 due to an increase in expenditures.

Budgetary Highlights

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

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

Capital Asset Administration

At the end of 2024, the School had the following changes in Capital Assets (See Table A-5).

Table A-5
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Dollar Change</u>	<u>Total % Change</u>
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>		
Land	\$ 54,631	\$ 54,631	\$ --	\$ --	\$ --	0.00%
Construction in progress	397,824	--	--	--	(397,824)	-100.00%
Buildings & Improvements	3,624,002	4,041,272	--	--	417,270	11.51%
Machinery & Equipment	282,712	286,592	21,668	20,498	2,710	0.89%
Library Books	31,178	27,683	--	--	(3,495)	-11.21%
Total Capital Assets	<u>\$ 4,390,347</u>	<u>\$ 4,410,178</u>	<u>\$ 21,668</u>	<u>\$ 20,498</u>	<u>\$ 18,661</u>	<u>0.42%</u>

Some of this year’s major capital asset purchases were parking lot improvements, snowguards, gutters, gym speakers, a server, a 14 passenger bus, a replacement rooftop unit, and library books.

Montrose School District No. 43-2
Management Discussion and Analysis (MD&A)
June 30, 2024

Long-Term Debt

The Montrose School District had \$62,867 in outstanding debt and obligations see individual balances on Table A-6. This is a 19.26% decrease from last year as shown on Table A-6.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2023	2024		
	Other Post Employment Benefits Accrued Compensated Absences - Governmental Funds	\$ 64,850	\$ 52,012	\$ (12,838)
	<u>13,009</u>	<u>10,855</u>	<u>(2,154)</u>	<u>-16.56%</u>
Total Outstanding Debt	<u><u>\$ 77,859</u></u>	<u><u>\$ 62,867</u></u>	<u><u>\$ (14,992)</u></u>	<u><u>-19.26%</u></u>

Economic Factors and Next Year’s Budgets and Rates

The School's current economic position is strong as overall net position increased by \$84,801 from \$6,274,187 to \$6,358,988.

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 Montrose School District’s Business Office, 309 S Church Ave, Montrose, SD 57048.

Montrose School District No. 43-2
Statement of Net Position – Government-Wide
June 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 854,340	\$ 65,725	\$ 920,065
Investments-certificates of deposit	1,086,204	--	1,086,204
Accounts receivable	--	165	165
Taxes receivable	699,780	--	699,780
Due from other government	68,630	--	68,630
Inventories	--	5,015	5,015
Other assets	18,143	--	18,143
Net pension asset	6,762	--	6,762
Capital assets:			
Land and construction in progress	54,631	--	54,631
Other capital assets, net of depreciation	4,355,547	20,498	4,376,045
Total Assets	7,144,037	91,403	7,235,440
Deferred Outflows of Resources:			
OPEB-related deferred outflows	3,881	--	3,881
Pension-related deferred outflows	586,715	--	586,715
Total Deferred Outflows of Resources	590,596	--	590,596
Liabilities:			
Accounts payable	68,414	--	68,414
Unearned revenue	--	26,037	26,037
Other current liabilities	212,347	44,551	256,898
Long-term liabilities:			
Due within one year	3,500	--	3,500
Due in more than one year	59,367	--	59,367
Total Liabilities	343,628	70,588	414,216
Deferred Inflows of Resources:			
Taxes levied for future periods	677,822	--	677,822
Pension related deferred inflows	338,792	--	338,792
OBEP-related deferred inflows	36,218	--	36,218
Total Deferred Inflows of Resources	1,052,832	--	1,052,832
Net Position:			
Net investment in capital assets	4,410,178	20,498	4,430,676
Restricted for:			
Capital outlay	478,829	--	478,829
Special education	22,153	--	22,153
Library	50,465	--	50,465
Physics & chemistry	147,126	--	147,126
SDRS pension purposes	254,685	--	254,685
Unrestricted	974,737	317	975,054
Total Net Position	\$ 6,338,173	\$ 20,815	\$ 6,358,988

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

Montrose School District No. 43-2
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	\$ 2,048,422	\$ --	\$ 85,388	\$ (1,963,034)	\$ --	\$ (1,963,034)
Support services	1,419,641	13,243	2,178	(1,404,220)	--	(1,404,220)
Interest on long-term debt	4,613	--	--	(4,613)	--	(4,613)
Cocurricular activities	138,147	6,587	--	(131,560)	--	(131,560)
Total Governmental Activities	<u>3,610,823</u>	<u>19,830</u>	<u>87,566</u>	<u>(3,503,427)</u>	<u>--</u>	<u>(3,503,427)</u>
Business-Type Activities:						
Food service	197,519	90,198	62,639	--	(44,682)	(44,682)
Driver's education	59,644	34,963	--	--	(24,681)	(24,681)
Total Business Type Activities	<u>257,163</u>	<u>125,161</u>	<u>62,639</u>	<u>--</u>	<u>(69,363)</u>	<u>(69,363)</u>
Total Primary Government	<u>\$ 3,867,986</u>	<u>\$ 144,991</u>	<u>\$ 150,205</u>	<u>(3,503,427)</u>	<u>(69,363)</u>	<u>(3,572,790)</u>
General Revenues:						
Taxes:						
Property taxes				1,565,111	--	1,565,111
Utility taxes				66,525	--	66,525
Revenue from State Sources:						
State aid				1,910,387	--	1,910,387
Unrestricted investment earnings				42,025	--	42,025
Contributions and donations				10,150	--	10,150
Other general revenues				63,393	--	63,393
Transfers				(18,361)	18,361	--
Total General Revenues and Transfers				<u>3,639,230</u>	<u>18,361</u>	<u>3,657,591</u>
Change in Net Position				135,803	(51,002)	84,801
Net Position - Beginning of Year				<u>6,202,370</u>	<u>71,817</u>	<u>6,274,187</u>
Net Position - End of Year	<u>\$ 6,338,173</u>	<u>\$ 20,815</u>	<u>\$ 6,358,988</u>			

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

Montrose School District No. 43-2
Balance Sheet – Governmental Funds
June 30, 2024

	General	Capital Outlay	Special Education	Library Fund	Physics & Chemistry	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 789,985	\$ 7,132	\$ 57,223	\$ --	\$ --	\$ 854,340
Investments-certificates of deposit	414,631	465,552	--	52,034	153,987	1,086,204
Taxes receivable - current	225,651	288,445	163,726	--	--	677,822
Taxes receivable - delinquent	7,498	9,431	5,029	--	--	21,958
Due from other funds	8,430	--	--	--	--	8,430
Due from other governments	68,630	--	--	--	--	68,630
Prepaid items	--	--	18,143	--	--	18,143
Total Assets	\$ 1,514,825	\$ 770,560	\$ 244,121	\$ 52,034	\$ 153,987	\$ 2,735,527
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	\$ 32,091	\$ 3,286	\$ 33,037	\$ --	\$ --	\$ 68,414
Contracts payable	173,631	--	7,062	--	--	180,693
Due to other funds	--	--	--	1,569	6,861	8,430
Payroll deductions and withholding and employer matching payable	31,654	--	--	--	--	31,654
Total Liabilities	237,376	3,286	40,099	1,569	6,861	289,191
Deferred Inflows of Resources:						
Unavailable Revenue	225,651	288,445	163,726	--	--	677,822
Delinquent taxes not available	7,498	9,431	5,029	--	--	21,958
Total Deferred Inflows of Resources	233,149	297,876	168,755	--	--	699,780
Fund Balances:						
Nonspendable - prepaids	--	--	18,143	--	--	18,143
Restricted:						
For capital outlay	--	469,398	--	--	--	469,398
For special education	--	--	17,124	--	--	17,124
For library fund	--	--	--	50,465	--	50,465
For physics & chemistry	--	--	--	--	147,126	147,126
Assigned for unemployment	9,972	--	--	--	--	9,972
Unassigned	1,034,328	--	--	--	--	1,034,328
Total Fund Balances	1,044,300	469,398	35,267	50,465	147,126	1,746,556
Total Liabilities and Fund Balances	\$ 1,514,825	\$ 770,560	\$ 244,121	\$ 52,034	\$ 153,987	\$ 2,735,527

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

Montrose School District No. 43-2

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

Total Fund Balances - Governmental Funds		\$ 1,746,556
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		4,410,178
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the		
Other post employment benefits	(52,012)	
Accrued Leave	<u>(10,855)</u>	(62,867)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:		
Delinquent Property Taxes Receivable		21,958
Proportionate Share of Net Pension Asset		6,762
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(375,010)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not		<u>590,596</u>
Net Position - Governmental Activities		<u><u>\$ 6,338,173</u></u>

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

Montrose School District No. 43-2

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>Library Fund</u>	<u>Physics & Chemistry</u>	<u>Total Governmental Funds</u>
Revenues						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$ 512,752	\$ 661,833	\$ 372,138	\$ --	\$ --	\$ 1,546,723
Prior years' ad valorem taxes	3,128	3,551	2,002	--	--	8,681
Utility taxes	66,525	--	--	--	--	66,525
Penalties and interest on taxes	2,520	716	403	--	--	3,639
Tuition and Fees:						
Earnings on Investments and Deposits	14,742	18,033	--	1,460	7,790	42,025
Cocurricular Activities:						
Admissions	6,587	--	--	--	--	6,587
Other Revenue from Local Sources:						
Rentals	13,011	--	--	--	--	13,011
Contributions and donations	5,150	5,000	--	--	--	10,150
Services provided other school districts	--	--	13,243	--	--	13,243
Refund of prior years' expenditures	196	--	27	--	--	223
Charges for services	579	--	7,229	--	--	7,808
Other	15,593	--	--	--	--	15,593
Revenue from Intermediate Sources:						
County Sources:						
County apportionment	26,558	--	--	--	--	26,558
Revenue from State Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid	1,636,282	--	--	--	--	1,636,282
Restricted grants-in-aid	2,075	--	271,367	--	--	273,442
Other state revenue	663	--	--	--	--	663
Revenue from Federal Sources:						
Grants-in-Aid:						
Unrestricted grants-in-aid received from federal government through an intermediate source	1,085	703	390	--	--	2,178
Restricted grants-in-aid received from federal government through the state	49,367	--	--	--	--	49,367
Other Federal Revenue	--	36,021	--	--	--	36,021
Total Revenues	<u>\$ 2,356,813</u>	<u>\$ 725,857</u>	<u>\$ 666,799</u>	<u>\$ 1,460</u>	<u>\$ 7,790</u>	<u>\$ 3,758,719</u>

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

Montrose School District No. 43-2

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>Library Fund</u>	<u>Physics & Chemistry</u>	<u>Total Governmental Funds</u>
Expenditures						
Instructional Services:						
Regular Programs:						
Elementary	\$ 551,142	\$ 68,246	\$ --	\$ 6,212	\$ --	\$ 625,600
Middle/junior high	326,145	510	--	--	--	326,655
High school	452,748	1,676	--	--	3,788	458,212
Special Programs:						
Programs for special education	--	--	503,211	--	--	503,211
Educationally deprived	88,113	--	--	--	--	88,113
Support Services:						
Students:						
Guidance	63,334	--	--	--	--	63,334
Psychological	--	--	1,289	--	--	1,289
Health	28,473	--	--	--	--	28,473
Speech pathology	--	--	63,558	--	--	63,558
Student therapy services	--	--	41,934	--	--	41,934
Instructional Staff:						
Improvement of instruction	--	--	1,950	--	--	1,950
Educational media	75,123	63,754	194	--	--	139,071
General Administration:						
Board of education	15,449	--	3,261	--	--	18,710
Executive administration	155,346	--	--	--	--	155,346
School Administration:						
Office of the principal	110,048	--	--	--	--	110,048
Other	295	--	--	--	--	295
Business:						
Fiscal services	115,237	--	5,132	--	--	120,369
Operation and maintenance of plant	265,734	53,052	--	--	--	318,786
Student transportation	116,661	--	--	--	--	116,661

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

Montrose School District No. 43-2
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>Library Fund</u>	<u>Physics & Chemistry</u>	<u>Total Governmental Funds</u>
Special Education:						
Administrative costs	--	--	42,725	--	--	42,725
Transportation costs	--	--	31,217	--	--	31,217
Debt Services:	--	4,613	--	--	--	4,613
Cocurricular Activities:						
Male activities	36,729	--	--	--	--	36,729
Female activities	25,097	--	--	--	--	25,097
Transportation	33	--	--	--	--	33
Combined activities	47,425	6,110	--	--	--	53,535
Capital Outlay	--	224,652	--	--	--	224,652
Total Expenditures	<u>2,473,132</u>	<u>422,613</u>	<u>694,471</u>	<u>6,212</u>	<u>3,788</u>	<u>3,600,216</u>
Excess of Revenue Over (Under) Expenditures	(116,319)	303,244	(27,672)	(4,752)	4,002	158,503
Other Financing Sources (Uses):						
Transfer in	290,523	--	--	--	--	290,523
Transfer out	(18,361)	(290,523)	--	--	--	(308,884)
Compensation for loss of general capital assets	200	--	--	--	--	200
Total Other Financing Sources (Uses)	<u>272,362</u>	<u>(290,523)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(18,161)</u>
Net Change in Fund Balances	156,043	12,721	(27,672)	(4,752)	4,002	140,342
Fund Balance, Beginning of Year	<u>888,257</u>	<u>456,677</u>	<u>62,939</u>	<u>55,217</u>	<u>143,124</u>	<u>1,606,214</u>
Fund Balance, End of Year	<u>\$ 1,044,300</u>	<u>\$ 469,398</u>	<u>\$ 35,267</u>	<u>\$ 50,465</u>	<u>\$ 147,126</u>	<u>\$ 1,746,556</u>

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

Montrose School District No. 43-2

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 \$ 140,342

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. 224,652

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. (204,821)

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." 6,068

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 2,154

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (30,438)

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds. (2,154)

Change in net position of governmental activities \$ 135,803

Montrose School District No. 43-2
Statement of Net Position – Proprietary Funds
June 30, 2024

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 31,606	\$ 34,119	\$ 65,725
Accounts receivable, net	165	--	165
Inventory - supplies	142	--	142
Inventory - stores for resale	1,055	--	1,055
Inventory of donated food	3,818	--	3,818
Total Current Assets	<u>36,786</u>	<u>34,119</u>	<u>70,905</u>
Noncurrent Assets:			
Machinery and equipment - local funds	115,082	--	115,082
Less accumulated depreciation	<u>(94,584)</u>	<u>--</u>	<u>(94,584)</u>
Total Noncurrent Assets	<u>20,498</u>	<u>--</u>	<u>20,498</u>
Total Assets	<u><u>\$ 57,284</u></u>	<u><u>\$ 34,119</u></u>	<u><u>\$ 91,403</u></u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 199	\$ --	\$ 199
Contracts payable	6,032	7,583	13,615
Payroll deductions and withholdings and employer matching payable	5,349	25,388	30,737
Unearned revenue	<u>26,037</u>	<u>--</u>	<u>26,037</u>
Total Current Liabilities	<u>37,617</u>	<u>32,971</u>	<u>70,588</u>
Net Position:			
Net investment in capital assets	20,498	--	20,498
Unrestricted net position	<u>(831)</u>	<u>1,148</u>	<u>317</u>
Total Net Position	<u><u>\$ 19,667</u></u>	<u><u>\$ 1,148</u></u>	<u><u>\$ 20,815</u></u>

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

Montrose School District No. 43-2

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

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Food Sales:			
Student	\$ 86,040	\$ --	\$ 86,040
Adult	4,046	--	4,046
Other charges for goods and services	112	34,963	35,075
Total Operating Revenue	<u>90,198</u>	<u>34,963</u>	<u>125,161</u>
Operating Expenses:			
Food Service:			
Salaries	83,341	45,500	128,841
Employee benefits	17,903	13,069	30,972
Purchased services	8,547	--	8,547
Supplies	3,113	1,075	4,188
Cost of sales - purchased	72,383	--	72,383
Cost of sales - donated	11,011	--	11,011
Other	51	--	51
Depreciation	1,170	--	1,170
Total Operating Expenses	<u>197,519</u>	<u>59,644</u>	<u>257,163</u>
Operating (Loss)	(107,321)	(24,681)	(132,002)
Nonoperating Revenues/Expenses:			
State grants	356	--	356
Federal grants	52,704	--	52,704
Donations and contributions	9,579	--	9,579
Total Nonoperating Revenue/ (Expenses)	<u>62,639</u>	<u>--</u>	<u>62,639</u>
Income (Loss) Before Transfers	(44,682)	(24,681)	(69,363)
Transfers in	<u>--</u>	<u>18,361</u>	<u>18,361</u>
Change in Net Position	(44,682)	(6,320)	(51,002)
Net Position - Beginning of Year	<u>64,349</u>	<u>7,468</u>	<u>71,817</u>
Net Position - End of Year	<u>\$ 19,667</u>	<u>\$ 1,148</u>	<u>\$ 20,815</u>

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

Montrose School District No. 43-2
Statement of Cash Flows – Proprietary Funds
June 30, 2024

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 91,653	\$ 34,963	\$ 126,616
Cash payments to suppliers	(83,523)	(1,075)	(84,598)
Cash payments to employees	(96,313)	(35,925)	(132,238)
Net Cash (Used) by Operating Activities	<u>(88,183)</u>	<u>(2,037)</u>	<u>(90,220)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	18,361	18,361
Cash reimbursements - state	356	--	356
Cash reimbursements - federal	52,704	--	52,704
Net Cash Provided by Noncapital Financing Activities	<u>53,060</u>	<u>18,361</u>	<u>71,421</u>
Net Change in Cash and Cash Equivalents	(35,123)	16,324	(18,799)
Cash and Cash Equivalents, Beginning of Year	66,729	17,795	84,524
Cash and Cash Equivalents, End of Year	<u>\$ 31,606</u>	<u>\$ 34,119</u>	<u>\$ 65,725</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (107,321)	\$ (24,681)	\$ (132,002)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	1,170	--	1,170
Value of commodities used	11,011	--	11,011
Change in Assets and Liabilities:			
Accounts receivable	651	--	651
Inventory	531	--	531
Deferred revenue	804	--	804
Contracts payable	341	(499)	(158)
Accrued payroll expenses	4,590	23,143	27,733
Accounts payable	40	--	40
Net cash (used) by operating activities:	<u>\$ (88,183)</u>	<u>\$ (2,037)</u>	<u>\$ (90,220)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 9,579</u>	<u>\$ --</u>	<u>\$ 9,579</u>

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

Montrose School District No. 43-2
Statement of Net Position – Fiduciary Funds
June 30, 2024

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ --	\$ 78,688
Investments-certificates of deposit	30,255	--
Accounts receivable	--	373
	<u>\$ 30,255</u>	<u>\$ 79,061</u>
Total Assets	<u>\$ 30,255</u>	<u>\$ 79,061</u>
Liabilities:		
Amounts held for others	\$ --	\$ 79,061
	<u>\$ --</u>	<u>\$ 79,061</u>
Total Liabilities	<u>\$ --</u>	<u>\$ 79,061</u>
Net Position:		
Scholarships	<u>30,255</u>	
Total Net Position	<u>\$ 30,255</u>	

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

Montrose School District No. 43-2
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2024

	Private-Purpose Trust Funds
Additions:	
Interest	\$ 3,218
Total Additions	3,218
Deductions:	
Private Purpose Trust	7,001
Total Deductions	7,001
Change in Net Position	(3,783)
Net Position - Beginning	34,038
Net Position - Ending	\$ 30,255

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

Montrose School District No. 43-2

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. Financial Reporting Entity:

The reporting entity of Montrose School District No. 43-2, 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.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The 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.

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.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

Physics & Chemistry Fund – A fund established for the purpose of acquisition of equipment for the physics and chemistry laboratories which the school might not otherwise be able to acquire. This is a major fund.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Library Fund – A fund established for the purpose of library costs over and above the normal costs of library operations. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods 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).

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education instruction and out of school program. This fund is financed by user charges. 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 – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains several scholarship funds.

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

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2024 are amounts due from other governments for grants and utility taxes and amounts receivable for meals.

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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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.

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 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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

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

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

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

Depreciation 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 methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	NA	NA
Buildings	\$ 5,000	Straight-line	45-75 years
Improvements	\$ 5,000	Straight-line	20 years
Machinery and Equipment	\$ 5,000	Straight-line	5-25 years
Food Service Machinery and Equipment	\$ 500	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.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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 primarily consist of compensated absences and other postemployment benefits payable.

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

h. Leases:

The School District does not have any leases to be reported. If the School District had any leases, it would recognize a lease liability and intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$40,000 or more.

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

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

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

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

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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 District does not have any subscription-based information technology arrangements (SBITA's) with vendors to use the vendor-provided information technology to be reported. If School District had any, it would recognize a subscription liability and intangible right-to-use asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

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

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

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

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

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

j. 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:

Montrose School District No. 43-2
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.

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

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:

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between 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 are 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.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

The School District has an assigned balance of \$9,972 for unemployment claims.

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
Library Fund	Donations
Physics and Chemistry Fund	Donations

q. 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. Violations of Finance-Related Legal and Contractual Provisions:

The School District is prohibited by statutes from spending in excess of appropriated amounts and/or budgeted fund balance available at the fund level. The Special Education Fund for fiscal year 2024 was budgeted to spend in excess of available fund balance by \$176,367. The School District plans to monitor spending closely in the future and to supplement as necessary in order to prevent recurrence of this violation.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

3. 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.

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

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 has no investment policy that would further limit its investment choices.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investment to the General Fund, except for the Physics and Chemistry, Library, and private purpose trust funds which retain their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Interest earned was immaterial to the individual governmental funds and proprietary funds and was recorded directly in the General Fund.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

4. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The School District expects all receivables to be collected within one year. No allowance has been made for estimated uncollectible amounts.

5. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is 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 financial statements and in the enterprise fund financial statements, Food Service Fund inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2024 in the governmental funds.

6. Property Tax:

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

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

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

7. Changes in Capital Assets:

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

	6/30/2023	Increases	Decreases	6/30/2024
	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 54,631	\$ --	\$ --	\$ 54,631
Construction in progress	397,824	110,293	508,117	--
Total capital assets not being depreciated	452,455	110,293	508,117	54,631
Capital assets being depreciated:				
Buildings	4,960,501	39,920	--	5,000,421
Improvements	335,762	508,117	--	843,879
Machinery & Equipment	801,662	73,965	--	875,627
Library Books	78,915	474	--	79,389
Total capital assets being depreciated	6,176,840	622,476	--	6,799,316
Less accumulated depreciation for:				
Buildings	1,518,558	87,804	--	1,606,362
Improvements	153,703	42,963	--	196,666
Machinery & Equipment	518,950	70,085	--	589,035
Library Books	47,737	3,969	--	51,706
Total accumulated depreciation	2,238,948	204,821	--	2,443,769
Total capital assets being depreciated, net	3,937,892	417,655	--	4,355,547
Net Capital Assets	\$ 4,390,347	\$ 527,948	\$ 508,117	\$ 4,410,178

Depreciation expense was charged to functions as follows:

Instruction	\$ 46,633
Support services	135,435
Co-curricular activities	22,753
Total Depreciation Expense	\$ 204,821

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

7. Changes in Capital Assets: (Continued)

	<u>6/30/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2024</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 115,082	\$ --	\$ --	\$ 115,082
Less accumulated depreciation for:				
Machinery & Equipment	93,414	1,170	--	94,584
Total capital assets, net	<u>\$ 21,668</u>	<u>\$ (1,170)</u>	<u>\$ --</u>	<u>\$ 20,498</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$ 1,170</u>

8. Long-Term Liabilities:

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

	<u>6/30/2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2024</u>	<u>Due Within One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 13,009	\$ 10,855	\$ 13,009	\$ 10,855	\$ 3,500
Other Post Employment Benefits	64,850	11,020	23,858	52,012	--
Total Long-Term Liabilities	<u>\$ 77,859</u>	<u>\$ 21,875</u>	<u>\$ 36,867</u>	<u>\$ 62,867</u>	<u>\$ 3,500</u>

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

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

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 10,855
Other Post Employment Benefits --	
Payable from the fund to which payroll expenditures are charged	\$ 52,012

Montrose School District No. 43-2
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:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 478,829
Special Education	Law	22,153
Physics & chemistry	Donor Stipulation	147,126
Library	Donor Stipulation	50,465
SDRS Pension Purposes	Law	254,685
Total		<u>\$ 953,258</u>

10. Interfund Transfers:

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

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds.	\$ 290,523
Transfer from the General Fund to the Other Enterprise Fund for operations.	\$ 18,361

11. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and 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.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

11. Pension Plan: (Continued)

Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

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. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023, and 2022, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 111,423
2023	107,216
2022	104,751

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 share of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2023 and reported by the School District as of June 30, 2024 are as follows:

Proportionate share of pension liability	\$ 10,038,862
Less proportionate share of net pension restricted for pension benefits	<u>10,045,624</u>
Proportionate share of net pension (asset)	<u>\$ (6,762)</u>

At June 30, 2024, the School District reported an asset of (\$6,762) 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 0.06927800%, which is a decrease of 0.0038360% from its proportion measured as of June 30, 2022.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

11. Pension Plan: (Continued)

For the year ended June 30, 2024, the School District recognized a pension expense of \$30,440. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 191,668	\$ --
Changes in assumption	231,177	337,930
Net difference between projected and actual earnings on pension plan investments	45,018	--
Changes in proportion and difference between district contributions and proportionate share of contributions	7,429	862
District contributions subsequent to the measurement date	111,423	--
Total	\$ 586,715	\$ 338,792

\$111,423 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2025	\$ 94,189
2026	(100,764)
2027	132,862
2028	10,213
Total	\$ 136,500

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, from 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%

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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.

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

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

<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>	

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).

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 net pension (asset)	<u>\$ 1,385,940</u>	<u>\$ (6,762)</u>	<u>\$ (1,145,726)</u>

Pension Plan Fiduciary Net Position:

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

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

12. Other Post Employment Benefits:

Plan Description: Montrose School District has a single-employer defined benefit medical plan administered by Wellmark Blue Cross Blueshield of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. 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 Wellmark Blue Cross Blueshield Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Montrose School District, 309 S Church Ave, Montrose, SD 57058 or by calling (605) 363-5025.

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	0
Active employees	<u>40</u>
Total	<u><u>40</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, 2023 Actuarial Valuation Report. See Note 11 – Pension Note.

Changes in the Total OPEB Liability:	
Beginning of Year Balances	\$ 64,850
Service Cost	8,479
Interest	2,541
Effect on assumptions, changes or inputs	(20,715)
Benefit payments	<u>(3,143)</u>
End of Year Balances	<u><u>\$ 52,012</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 3.65%

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	\$ 56,821	\$ 52,012	\$ 47,510

Montrose School District No. 43-2

Notes to the Financial Statements

June 30, 2024

12. Other Post Employment Benefits: (Continued)

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District’s total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
\$ 44,841	\$ 52,012	\$ 60,479

For the year ended June 30, 2024, the School District recognized OPEB expense of \$5,297. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumption	\$ 3,881	\$ (36,218)

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

<u>Year Ended June 30,</u>	
2025	\$ (5,723)
2026	(5,455)
2027	(5,203)
2028	(4,491)
2029	(3,874)
Thereafter	<u>(7,591)</u>
Total	<u>\$ (32,337)</u>

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

13. Joint Ventures:

The School District participates in the Cornbelt Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing pupil support services to the member school districts.

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

Bridgewater/Emery School District No. 30-3	10.41%
Canistota School District No. 43-1	9.16%
Ethan School District No. 17-1	8.84%
Freeman School District No. 33-1	15.08%
Hanson School District No. 30-1	12.38%
Marion School District No. 60-3	6.22%
McCook Central School District No. 43-7	14.48%
Montrose School District No. 43-2	8.09%
Parker School District No. 60-4	15.34%

The Corn belt Educational Cooperative’s governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op’s budget and setting service fees at a level adequate to fund the adopted budget. The School District retains no equity in the net position of the co-op but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Cornbelt Educational Cooperative.

At June 30, 2024, the joint venture had the following:

	<u>June 30, 2024</u>
Total Assets	\$ 1,035,431
Total Liabilities	\$ 202,548
Total Net Position	\$ 832,883

14. Risk Management:

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

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a Joint Power Authority authorized by SDCL. To be eligible for membership, an applicant must be a governmental unit and a member of the pool. The objective of the pool is to formulate, develop, and administer on behalf of the member organizations, a program of health coverage through pooling risks, self-insurance and joint purchases of insurance.

Montrose School District No. 43-2
Notes to the Financial Statements
June 30, 2024

14. Risk Management: (Continued)

The pool's contract with its members requires that the members meet an annual participation requirement of seventy five percent of total eligible employees as defined by the benefits plan or plans. A member may voluntarily terminate participation in a plan funded through the pool effective as the close of any plan year following completion of the member's initial participation period as defined by the Joint Powers Agreement.

The School District pay a monthly premium to the pool to provide health insurance coverage for its employees. The coverage offered is on the occurrence basis which provides for the payment of claims that occur during the period of coverage regardless of when the claim is reported.

Liability Insurance:

The School District purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials, injuries to employees and natural disasters from a commercial insurance carrier.

During the year ended June 30, 2024, no claims were filed. As of June 30, 2024, it is not anticipated that any additional material claims for these matters will be filed.

Worker's Compensation:

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

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has an assigned fund balance in the General Fund in the amount of \$9,972 for the payment of future unemployment benefits.

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

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

Montrose School District No. 43-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 500,062	\$ 500,062	\$ 512,752	\$ 12,690
Prior years' ad valorem taxes	--	--	3,128	3,128
Utility taxes	66,368	66,368	66,525	157
Penalties and interest on taxes	1,400	1,400	2,520	1,120
Tuitions and Fees:				
Regular Day School Tuition				
Earnings on Investments and Deposits	5,000	5,000	14,742	9,742
Cocurricular Activities:				
Admissions	6,500	6,500	6,587	87
Other Revenue from Local Sources:				
Rentals	14,000	14,000	13,011	(989)
Contributions and donations	--	--	5,150	5,150
Refund of prior years expenditures	--	--	196	196
Charges for services	5,000	5,000	579	(4,421)
Other	13,000	13,000	15,593	2,593
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	13,690	13,690	26,558	12,868
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,596,274	1,596,274	1,636,282	40,008
Restricted grants-in-aid	--	--	2,075	2,075
Other State Revenue	--	--	663	663
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	1,000	--	1,085	1,085
Restricted grants-in-aid received from federal government through the state	26,652	26,652	49,367	22,715
Other Federal Revenue	16,489	16,489	--	(16,489)
Total Revenues	\$ 2,265,435	\$ 2,264,435	\$ 2,356,813	\$ 92,378

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

Montrose School District No. 43-2

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2024 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 554,870	\$ 554,870	\$ 551,142	\$ 3,728
Middle/junior high	332,007	332,007	326,145	5,862
High school	452,799	452,799	452,748	51
Special Programs:				
Educationally deprived	88,115	88,115	88,113	2
Support Services:				
Students:				
Guidance	70,741	70,741	63,334	7,407
Health	28,473	28,473	28,473	--
Instructional Staff:				
Educational media	75,377	75,377	75,123	254
General Administration:				
Board of education	15,449	15,449	15,449	--
Executive administration	179,951	179,951	155,346	24,605
School Administration:				
Office of the principal	110,112	110,112	110,048	64
Other	295	295	295	--
Business:				
Fiscal services	116,809	116,809	115,237	1,572
Operation and maintenance of plant	280,606	280,606	265,734	14,872
Student transportation	132,000	132,000	116,661	15,339
Cocurricular Activities:				
Male activities	46,505	46,505	36,729	9,776
Female activities	47,579	47,579	25,097	22,482
Transportation	--	--	33	(33)
Combined activities	67,598	67,598	47,425	20,173
Contingencies	20,000	20,000	--	20,000
Total Expenditures	<u>2,619,286</u>	<u>2,619,286</u>	<u>2,473,132</u>	<u>146,154</u>
Excess of Revenues Over Expenditures	<u>(353,851)</u>	<u>(354,851)</u>	<u>(116,319)</u>	<u>238,532</u>
Other Financing Sources:				
Operating transfers in	293,896	293,896	290,523	(3,373)
Operating transfers out	--	--	(18,361)	(18,361)
Sale of surplus property	--	--	200	200
Total Other Financing Sources:	<u>293,896</u>	<u>293,896</u>	<u>272,362</u>	<u>(21,534)</u>
Net Change in Fund Balances	(59,955)	(60,955)	156,043	216,998
Fund Balance, Beginning of Year	<u>888,257</u>	<u>888,257</u>	<u>888,257</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 828,302</u>	<u>\$ 827,302</u>	<u>\$ 1,044,300</u>	<u>\$ 216,998</u>

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

Montrose School District No. 43-2

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis
June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 680,654	\$ 680,654	\$ 661,833	\$ (18,821)
Prior years' ad valorem taxes	--	--	3,551	3,551
Penalties and interest on taxes	--	--	716	716
Earnings on Investments & Deposits	--	--	18,033	18,033
Other Revenue from Local Sources:				
Contributions and donations	--	--	5,000	5,000
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	703	703
Other Federal Revenue	36,021	36,021	36,021	--
Total Revenues	<u>716,675</u>	<u>716,675</u>	<u>725,857</u>	<u>9,182</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	68,246	68,246	68,246	--
Middle/junior high	2,000	2,000	510	1,490
High school	2,000	2,000	1,676	324
Support Services:				
Instructional Staff:				
Educational media	69,986	69,986	69,986	--
General Administration:				
Executive administration	19,221	19,221	19,221	--
Business:				
Operation and maintenance of plant	244,567	244,567	244,251	316
Student transportation	10,000	10,000	8,000	2,000
Debt Services:	5,120	5,120	4,613	507
Cocurricular Activities:				
Combined activities	10,000	10,000	6,110	3,890
Total Expenditures	<u>431,140</u>	<u>431,140</u>	<u>422,613</u>	<u>8,527</u>
Excess of Revenue Over (Under)				
Expenditures	<u>285,535</u>	<u>285,535</u>	<u>303,244</u>	<u>17,709</u>
Other Financing Sources (Uses):				
Transfers out	<u>(306,519)</u>	<u>(306,519)</u>	<u>(290,523)</u>	<u>15,996</u>
Total Other Financing Sources (Uses)	<u>(306,519)</u>	<u>(306,519)</u>	<u>(290,523)</u>	<u>15,996</u>
Net Change in Fund Balances	(20,984)	(20,984)	12,721	33,705
Fund Balance, Beginning of Year	<u>456,677</u>	<u>456,677</u>	<u>456,677</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 435,693</u>	<u>\$ 435,693</u>	<u>\$ 469,398</u>	<u>\$ 33,705</u>

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

Montrose School District No. 43-2
Required Supplementary Information – 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	\$ 319,656	\$ 319,656	\$ 372,138	\$ 52,482
Prior years' ad valorem taxes	--	--	2,002	2,002
Penalties and interest on taxes	--	--	403	403
Other Revenue from Local Sources:				
Services provided other school districts	--	--	13,243	13,243
Refund of prior years' expenditures	--	--	27	27
Charges for services	16,800	16,800	7,229	(9,571)
Revenue from Intermediate Sources:				
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	291,706	291,706	271,367	(20,339)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	390	390
Total Revenues	<u>628,162</u>	<u>628,162</u>	<u>666,799</u>	<u>38,637</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	657,619	657,619	503,211	154,408
Support Services:				
Students:				
Psychological	1,289	1,289	1,289	--
Speech pathology	61,768	61,768	63,558	(1,790)
Student therapy services	41,180	41,180	41,934	(754)
Support Services- Instructional staff:				
Improvement of Instruction	1,949	1,949	1,950	(1)
Educational Media	194	194	194	--
General Administration:				
Board of education	3,261	3,261	3,261	--
Business:				
Fiscal services	5,132	5,132	5,132	--
Special Education:				
Administrative costs	42,724	42,724	42,725	(1)
Transportation costs	52,352	52,352	31,217	21,135
Total Expenditures	<u>867,468</u>	<u>867,468</u>	<u>694,471</u>	<u>172,997</u>
Net Change in Fund Balance	(239,306)	(239,306)	(27,672)	211,634
Fund Balance, Beginning of Year	<u>62,939</u>	<u>62,939</u>	<u>62,939</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ (176,367)</u>	<u>\$ (176,367)</u>	<u>\$ 35,267</u>	<u>\$ 211,634</u>

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

Montrose School District No. 43-2
 Required Supplementary Information – Budgetary Comparison
 Schedule – Physics and Chemistry 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				
Earnings on Investments & Deposits	\$ --	\$ --	\$ 7,790	\$ 7,790
Total Revenues	<u>--</u>	<u>--</u>	<u>7,790</u>	<u>7,790</u>
Expenditures				
Instruction				
Regular programs				
High school	<u>5,000</u>	<u>5,000</u>	<u>3,788</u>	<u>1,212</u>
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>3,788</u>	<u>1,212</u>
Net Change in Fund Balance	(5,000)	(5,000)	4,002	9,002
Fund Balance, Beginning of Year	<u>143,124</u>	<u>143,124</u>	<u>143,124</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 138,124</u>	<u>\$ 138,124</u>	<u>\$ 147,126</u>	<u>\$ 9,002</u>

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

Montrose School District No. 43-2
Required Supplementary Information – Budgetary Comparison
Schedule – Library Fund – Budgetary Basis
June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Earnings on Investments & Deposits	\$ --	\$ --	\$ 1,460	\$ 1,460
Other Revenue from Local Sources:				
Other	<u>10,000</u>	<u>10,000</u>	<u>--</u>	<u>(10,000)</u>
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>1,460</u>	<u>(8,540)</u>
Expenditures				
Instruction				
Regular programs				
Elementary	<u>10,000</u>	<u>10,000</u>	<u>6,212</u>	<u>3,788</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>6,212</u>	<u>3,788</u>
Net Change in Fund Balance	--	--	(4,752)	(4,752)
Fund Balance, Beginning of Year	<u>55,217</u>	<u>55,217</u>	<u>55,217</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 55,217</u>	<u>\$ 55,217</u>	<u>\$ 50,465</u>	<u>\$ (4,752)</u>

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

Montrose School District No. 43-2
Notes to the Required Supplementary Information
June 30, 2024

1. Budgets and Budgetary Accounting:

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

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

2. USGAAP/Budgetary Accounting Basis Differences:

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

Montrose School District No. 43-2
Schedule of Changes in Total OPEB Liability
For the Year Ended June 30, 2024

<u>Total OPEB Liability</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 8,479	\$ 9,671	\$ 8,412	\$ 7,231	\$ 7,345	\$ 7,374
Interest on total OPEB liability	2,541	1,561	1,531	1,937	2,321	1,905
Effect of economic/demographic gains or losses	(9,333)	--	(1,041)	--	--	--
Effect of assumption changes or inputs	(11,382)	(8,357)	(5,419)	5,068	(12,988)	(1,497)
Benefit payments	<u>(3,143)</u>	<u>(1,285)</u>	<u>(2,106)</u>	<u>(912)</u>	<u>(1,516)</u>	<u>(444)</u>
Net change in total OPEB liability	(12,838)	1,590	1,377	13,324	(4,838)	7,338
Total OPEB liability, beginning	<u>64,850</u>	<u>63,260</u>	<u>61,883</u>	<u>48,559</u>	<u>53,397</u>	<u>46,059</u>
Total OPEB liability, ending	<u>\$ 52,012</u>	<u>\$ 64,850</u>	<u>\$ 63,260</u>	<u>\$ 61,883</u>	<u>\$ 48,559</u>	<u>\$ 53,397</u>

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

Montrose School District No. 43-2

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)	0.0692780%	0.0731140%	0.0723000%	0.0706806%	0.0727250%	0.0769075%	0.0741660%	0.0656897%	0.0607652%	0.0600132%
District's proportionate share of net pension liability (asset)	\$ (6,762)	\$ (6,909)	\$ (553,695)	\$ (3,070)	\$ (7,707)	\$ (1,794)	\$ (6,731)	\$ 221,893	\$ (257,723)	\$ (432,371)
District's covered-employee payroll	\$ 1,786,935	\$ 1,745,851	\$ 1,640,713	\$ 1,551,595	\$ 1,546,831	\$ 1,598,829	\$ 1,506,896	\$ 1,248,936	\$ 1,109,279	\$ 1,047,281
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.77%	23.23%	41.29%
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.

Montrose School District No. 43-2

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>
Contractually-required contribution	\$ 111,423	\$ 107,216	\$ 104,751	\$ 98,443	\$ 93,074
Contributions in relation to the contractually-required contribution	<u>111,423</u>	<u>107,216</u>	<u>104,751</u>	<u>98,443</u>	<u>93,074</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,857,053	\$ 1,786,935	\$ 1,745,851	\$ 1,640,713	\$ 1,551,595
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 92,777	\$ 95,930	\$ 90,414	\$ 74,951	\$ 66,564
Contributions in relation to the contractually-required contribution	<u>92,777</u>	<u>95,930</u>	<u>90,414</u>	<u>74,951</u>	<u>66,564</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 1,546,831	\$ 1,598,829	\$ 1,506,896	\$ 1,248,936	\$ 1,109,279
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%

Montrose School District No. 43-2

Notes to the 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.