

South Central School District No. 26-5

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

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

South Central School District No. 26-5

School District Officials

June 30, 2024

Board Members

Jason Jons----- Board President

Laurie Pistulka -----Vice President

Greg Hausmann ----- Member

Clinton Fuhrer----- Member

Dan Cahoy ----- Member

Jeremy Wollman -----Superintendent

Cheryl Thaler -----Business Manager

South Central School District No. 26-5

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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
South Central School District No. 26-5
Bonesteel, 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 South Central School District No. 26-5, South Dakota, as of June 30, 2024 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated October 1, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2024-001.

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 Prior and Current Audit Findings and Questioned Costs. 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 South Central 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
October 1, 2024



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

School Board
South Central School District No. 26-5
Bonesteel, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Central School District No. 26-5’s, South Dakota compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of South Central School District’s major federal programs for the year ended June 30, 2024. South Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the school District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of 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. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. 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 generally accepted 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 generally accepted 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 City of Beresford'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 City of Beresford'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.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. However, 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
October 1, 2024

South Central School District No. 26-5
Schedule of Current Audit Findings and Questioned Costs
Year Ended June 30, 2024 (Continued)

Section II - Financial Statement Findings

Finding Number 2024-001 - Compliance Finding

Material Weakness

There is a material weakness resulting from budgeted expenditures exceeding budgeted means for the Capital Outlay 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 had more expenditures than budgeted and didn't supplement for the additional costs. As a result, the expenditures are in excess of budget for the Capital Outlay Fund in total.

Criteria: There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance for the Capital Outlay Fund.

Recommendation: We recommend that district officials be aware of and adhere to the budgetary requirements and supplement budget when necessary in the future.

Views of Responsible Officials: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Repeat Finding from Prior Years: Yes

Section III - Federal Award Findings and Questioned Costs

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

South Central School District No. 26-5

*Office of the Business Manager
Phone: (605)-654-2314*

*401 Birdsell Street
Bonesteel, SD 57317*

Corrective Action Plan (Unaudited)

South Central School District No. 26-5 respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm:

ELO Prof. LLC
1101 W Main
Elk Point, SD 57025

The South Central School District's Board will continue monitor the budgets, and, if the expenditures are anticipated to exceed the annual appropriate the School District will adopt a supplemental appropriation to utilize unobligated fund balances only up to the maximum allowable.



Independent Auditor's Report

School Board
South Central School District No. 26-5
Bonesteel, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Central School District No. 26-5, Bonesteel, South Dakota, as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise South Central School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 South Central School District No. 26-5, South Dakota as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 South Central School District No. 26-5, Bonesteel, South Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 South Center School District, Bonesteel, South Dakota, 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 generally accepted 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 generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2024 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
October 1, 2024

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

This section of South Central School District 26-5'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 District's net assets from governmental and business-type activities increase from \$8,448,835 to \$9,262,242 from FY23 to FY24.
- The District's total revenue increased by 51.84%. Revenue increased mainly due to an increase of unrestricted investment earnings in FY24 compared to FY23.
- The total cost of all the District's programs increased by 2.10%
- The Impact Aid Fund is maintained throughout the year and at year-end it is blended with the General Fund for reporting purposes. During FY24 \$575,000 of Impact Aid funds was transferred to the General Fund.

Overview of the Financial Statements

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

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

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

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

Figure A-1

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

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation program	Instances in which the School is the trustee or agent for someone else's resources
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	<ul style="list-style-type: none"> • Accrual accounting and economic resources focus 	Modified accrual accounting and current financial resources focus	<ul style="list-style-type: none"> • Accrual accounting and economic resources focus 	<ul style="list-style-type: none"> • 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

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

Government-Wide Statements

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

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

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

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

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

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund is the only proprietary fund 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.

South Central School District No. 26-5
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
South Central School District 26-5
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	\$ 4,775,388	\$ 5,637,707	\$ 13,023	\$ 23,058	\$ 4,788,411	\$ 5,660,765	18.22%
Capital Assets (Net of Depreciation)	3,993,091	4,059,477	6,070	5,423	3,999,161	4,064,900	1.64%
Total Assets	8,768,479	9,697,184	19,093	28,481	8,787,572	9,725,665	10.68%
Pension Related Deferred Outflows	292,935	241,737	--	--	292,935	241,737	-17.48%
Total Deferred Outflows or Resources	292,935	241,737	--	--	292,935	241,737	-17.48%
Long-Term Liabilities Outstanding	4,610	--	--	--	4,610	--	-100.00%
Other Liabilities	87,539	131,979	10,126	14,936	97,665	146,915	50.43%
Total Liabilities	92,149	131,979	10,126	14,936	102,275	146,915	43.65%
Taxes Levied for Future Period	366,568	411,158	--	--	366,568	411,158	12.16%
Pension Related Deferred Inflows	162,829	137,385	--	--	162,829	137,385	-15.63%
Total Deferred Inflows of Resources	529,397	548,543	--	--	529,397	548,543	3.62%
Net Investment in Capital Assets	3,993,091	4,059,477	6,070	5,423	3,999,161	4,064,900	1.64%
Restricted	1,027,570	1,281,703	--	--	1,027,570	1,281,703	24.73%
Unrestricted	3,419,207	3,917,219	2,897	8,122	3,422,104	3,925,341	14.71%
Total Net Position	8,439,868	9,258,399	8,967	13,545	8,448,835	9,271,944	9.74%
Beginning Net Position	8,532,861	8,439,868	15,160	8,967	8,548,021	8,448,835	-1.16%
Increase (Decrease) in Net Position	\$ (92,993)	\$ 818,531	\$ (6,193)	\$ 4,578	\$ (99,186)	\$ 823,109	929.86%
Percentage of Increase (Decrease) in Net Position	-1.09%	9.70%	-40.85%	51.05%	-1.16%	9.74%	

The School's combined net position of approximately \$9.2 million is approximately \$813,407 more or 920.08% bigger than on June 30, 2023. The increase in the School's financial position was primarily in its governmental activities due in part to increased unrestricted investment earnings and operating grants and contributions.

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

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

Changes in Net Position

The South Central School District’s total revenues (excluding transfers) in FY24 were \$2,801,578. More than 35% of the School’s revenue comes from property and other taxes, with approximately 31% coming from federal aid. (See Table A-2.)

Table A-2
South Central School District 26-5
Sources of Revenues
Fiscal Year 2023-2024

Taxes	\$ 996,738	35.58%
State Sources	345,768	12.34%
Operating Grants & Contributions	435,478	15.54%
Federal Sources	854,928	30.52%
Charges For Services	21,339	0.76%
Other General Revenues	18,445	0.66%
Unrestricted Investment Earnings	<u>128,882</u>	<u>4.60%</u>
Total Revenue	<u>\$ 2,801,578</u>	<u>100.00%</u>

Total expenditures of all programs and services increased by approximately 2.10%. The South Central School District expenses totaled \$1,978,469. The School’s expenses cover a range of services, encompassing instruction, support services, co-curricular activities, and food service. (See Table A-3.)

Table A-3
South Central School District 26-5
Statement of Expenditures
Fiscal Year 2023-2024

Instruction	\$ 1,122,544	56.74%
Support Services	744,185	37.61%
Cocurricular Activities	44,059	2.23%
Food Service	67,681	3.42%
Total Expenditures	<u>\$ 1,978,469</u>	<u>100.00%</u>

South Central School District No. 26-5
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

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	
Revenues							
Program Revenues							
Charge for Services	\$ 5,953	\$ 7,642	\$ 11,702	\$ 13,697	\$ 17,655	\$ 21,339	20.87%
Operating Grants/ Contributions	122,094	384,067	42,397	51,411	164,491	435,478	164.74%
General Revenues							
Taxes	898,350	996,738	--	--	898,350	996,738	10.95%
Revenue State Sources	215,565	345,768	--	--	215,565	345,768	60.40%
Revenue Federal Sources	503,976	854,928	--	--	503,976	854,928	69.64%
Other							
Other general revenues	19,531	18,445	--	--	19,531	18,445	-5.56%
Unrestricted Investment Earnings	19,066	128,731	49	151	19,115	128,882	574.25%
	<u>1,784,535</u>	<u>2,736,319</u>	<u>54,148</u>	<u>65,259</u>	<u>1,838,683</u>	<u>2,801,578</u>	<u>52.37%</u>
Expenses							
Instruction	1,119,276	1,122,544	--	--	1,119,276	1,122,544	0.29%
Support Services	715,982	744,185	--	--	715,982	744,185	3.94%
Co-Curricular activities	42,270	44,059	--	--	42,270	44,059	4.23%
Food Service	--	--	60,341	67,681	60,341	67,681	12.16%
	<u>1,877,528</u>	<u>1,910,788</u>	<u>60,341</u>	<u>67,681</u>	<u>1,937,869</u>	<u>1,978,469</u>	<u>2.10%</u>
Excess (Deficiency)							
Before transfers	(92,993)	825,531	(6,193)	(2,422)	(99,186)	823,109	929.86%
Transfers	--	(7,000)	--	7,000	--	--	0.00%
Increase (Decrease) in Net Position	(92,993)	818,531	(6,193)	4,578	(99,186)	823,109	929.86%
Beginning Adjusted Net Position	8,532,861	8,439,868	15,160	8,967	8,548,021	8,448,835	-1.16%
Ending Net Position	<u>\$ 8,439,868</u>	<u>\$ 9,258,399</u>	<u>\$ 8,967</u>	<u>\$ 13,545</u>	<u>\$ 8,448,835</u>	<u>\$ 9,271,944</u>	<u>9.74%</u>

Governmental Activities

Revenues for the School's governmental activities increased approximately 53.34% while expenses for governmental activities increased by approximately 1.74%. One of the largest revenue increases occurred in unrestricted investment earnings and operating grants/contributions. Expenditures stayed consistent. The General Fund increased in fund balance from FY23 to FY24 by \$175,687 and the Capital Outlay fund balance increased by \$128,046 in FY24. The Special Education Fund had an increase in fund balance of \$149,506, which was mostly caused by maintaining expenditures.

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

Business-Type Activities

Expenditures of the School’s business-type activities (Food Service Operation) increased 12.16% while revenues remained consistent with last year’s total.

General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.
- Changes made to reflect the wage increase and new hires throughout the year.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns in the general fund.

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

Capital Asset Administration

By the end of FY24, the School had invested \$4,059,477 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$65,739.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2023	2024	2023	2024		
Land	\$ 43,251	\$ 43,251	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	3,895,167	3,971,222	--	--	76,055	1.95%
Machinery & Equipment	54,673	45,004	6,070	5,423	(10,316)	-16.98%
Total Capital Assets	\$ 3,993,091	\$ 4,059,477	\$ 6,070	\$ 5,423	\$ 65,739	1.64%

Major capital outlay purchases in FY24 include a boiler project.

South Central School District No. 26-5
Management Discussion and Analysis (MD&A)
June 30, 2024

Long-Term Debt

At year-end, the School had no general long-term obligations. This balance includes accrued sick leave payable. See individual balances as shown on Table A-6 below:

Table A-6
 Outstanding Debt and Obligations

	Governmental Activities		Total Dollar	Total %
	2023	2024	Change	Change
	<u>2023</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Accrued Compensated Absences - Governmental Funds	\$ 4,610	\$ --	\$ (4,610)	-100.00%
Total Outstanding Debt	<u>\$ 4,610</u>	<u>\$ --</u>	<u>\$ (4,610)</u>	<u>-100.00%</u>

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

Economic Factors And Next Year’s Budgets And Rates

The School’s current economic position has shown little change. The School did experience a decrease in total property valuation from the prior year. The decrease in property valuation limits the School’s ability to increase the amount of revenue generated from property taxes. The total amount which can be levied is also limited by the State of South Dakota.

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the South Central School’s Business Office, 401 Birdsell Street, Bonesteel, SD 57317.

South Central School District No. 26-5
Statement of Net Position – Government-Wide
June 30, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 2,995,431	\$ 15,096	\$ 3,010,527
Investments	2,093,757	--	2,093,757
Accounts receivable	110,159	--	110,159
Taxes receivable	435,611	--	435,611
Inventories	--	7,962	7,962
Net pension asset	2,749	--	2,749
Capital assets:			
Land and construction in progress	43,251	--	43,251
Other capital assets, net of depreciation	4,016,226	5,423	4,021,649
Total Assets	9,697,184	28,481	9,725,665
Deferred Outflows of Resources:			
Pension-related deferred outflows	241,737	--	241,737
Total Deferred Outflows of Resources	241,737	--	241,737
Liabilities:			
Unearned revenue	--	13,354	13,354
Other current liabilities	131,979	1,582	133,561
Total Liabilities	131,979	14,936	146,915
Deferred Inflows of Resources:			
Taxes levied for future periods	411,158	--	411,158
Pension related deferred inflows	137,385	--	137,385
Total Deferred Inflows of Resources	548,543	--	548,543
Net Position:			
Net investment in capital assets	4,059,477	5,423	4,064,900
Restricted for:			
Capital outlay	155,618	--	155,618
Special education	1,018,984	--	1,018,984
SDRS pension purposes	107,101	--	107,101
Unrestricted	3,917,219	8,122	3,925,341
Total Net Position	\$ 9,258,399	\$ 13,545	\$ 9,271,944

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

South Central School District No. 26-5
Statement of Activities – Government-Wide
June 30, 2024

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position					Total
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 1,122,544	\$ --	\$ 384,067	\$ (738,477)	\$ --	\$ (738,477)
Support services	744,185	5,940	--	(738,245)	--	(738,245)
Cocurricular activities	44,059	1,702	--	(42,357)	--	(42,357)
Total Governmental Activities	1,910,788	7,642	384,067	(1,519,079)	--	(1,519,079)
Business-Type Activities:						
Food service	67,681	13,697	51,411	--	(2,573)	(2,573)
Total Business Type Activities	67,681	13,697	51,411	--	(2,573)	(2,573)
Total Primary Government	\$ 1,978,469	\$ 21,339	\$ 435,478	(1,519,079)	(2,573)	(1,521,652)
General Revenues:						
Taxes:						
Property taxes				949,980	--	949,980
Gross receipts taxes				46,758	--	46,758
Revenue from state sources:						
State aid				345,768	--	345,768
Revenue from Federal Sources:						
Unrestricted investment earnings				128,731	151	128,882
Other general revenues				18,445	--	18,445
Transfers				(7,000)	7,000	--
Total General Revenues and Transfers				2,337,610	7,151	2,344,761
Change in Net Position				818,531	4,578	823,109
Net Position - Beginning of Year				8,439,868	8,967	8,448,835
Net Position - Ending of Year	\$ 9,258,399			\$ 13,545		\$ 9,271,944

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

South Central School District No. 26-5

Balance Sheet – Governmental Funds

June 30, 2024

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,834,907	\$ 136,836	\$ 1,023,688	\$ 2,995,431
Investments	2,093,757	--	--	2,093,757
Taxes receivable -- current	236,072	63,105	111,981	411,158
Taxes receivable -- delinquent	19,187	1,168	4,098	24,453
Due from other governments	62,913	47,246	--	110,159
Total Assets	<u>\$ 4,246,836</u>	<u>\$ 248,355</u>	<u>\$ 1,139,767</u>	<u>\$ 5,634,958</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 3,660	\$ 29,632	\$ --	\$ 33,292
Contracts payable	68,605	--	6,351	74,956
Payroll deductions and withholding and employer matching payable	20,605	--	2,451	23,056
Deposits payable	675	--	--	675
Total Liabilities	<u>93,545</u>	<u>29,632</u>	<u>8,802</u>	<u>131,979</u>
Deferred Inflows of Resources:				
Taxes levied for future period	236,072	63,105	111,981	411,158
Delinquent taxes not available	19,187	1,168	4,098	24,453
Total Deferred Inflows of Resources	<u>255,259</u>	<u>64,273</u>	<u>116,079</u>	<u>435,611</u>
Fund Balances:				
Restricted:				
For capital outlay	--	154,450	--	154,450
For special education	--	--	1,014,886	1,014,886
Unassigned	3,898,032	--	--	3,898,032
Total Fund Balances	<u>3,898,032</u>	<u>154,450</u>	<u>1,014,886</u>	<u>5,067,368</u>
Total Liabilities and Fund Balances	<u>\$ 4,246,836</u>	<u>\$ 248,355</u>	<u>\$ 1,139,767</u>	<u>\$ 5,634,958</u>

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

South Central School District No. 26-5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024

Total Fund Balances - Governmental Funds	\$ 5,067,368
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.	4,059,477
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	24,453
Proportionate Share of Net Pension Asset	2,749
Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds.	(137,385)
Pension related deferred outflows are components of non current assets and therefore are not reported in the funds.	<u>241,737</u>
Net Position - Governmental Activities	<u><u>\$ 9,258,399</u></u>

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

South Central School District No. 26-5
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>Total Governmental Funds</u>
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 542,971	\$ 120,946	\$ 268,196	\$ 932,113
Prior years' ad valorem taxes	3,064	274	933	4,271
Utility taxes	46,758	--	--	46,758
Penalties and interest on taxes	1,085	138	427	1,650
Earnings on investments and deposits	115,955	226	12,550	128,731
Cocurricular Activities:				
Other	1,702	--	--	1,702
Other Revenue from Local Sources:				
Rentals	4,060	--	--	4,060
Contributions and donations	--	4,638	--	4,638
Contracted services other LEAs	5,940	--	--	5,940
Refund of prior year's expenditures	607	--	--	607
Charges for services	1,252	--	192	1,444
Other	1,892	--	--	1,892
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	3,485	--	--	3,485
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	345,768	--	--	345,768
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from federal government	840,907	2,857	11,164	854,928
Restricted grants-in-aid received from federal government through the state	234,473	149,594	--	384,067
Total Revenues	<u>\$ 2,149,919</u>	<u>\$ 278,673</u>	<u>\$ 293,462</u>	<u>\$ 2,722,054</u>

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

South Central School District No. 26-5
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>Total Governmental Funds</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 434,230	\$ 2,075	\$ --	\$ 436,305
Middle/junior high	175,126	--	--	175,126
High school	221,401	--	--	221,401
Preschool	24,460	--	--	24,460
Special Programs:				
Programs for special education	--	--	82,594	82,594
Educationally deprived	110,750	--	--	110,750
Support Services:				
Students:				
Guidance	2,960	--	--	2,960
Psychological	--	--	8,338	8,338
Health	1,119	--	--	1,119
Speech pathology	--	--	8,955	8,955
Student therapy services	--	--	4,941	4,941
Instructional Staff:				
Improvement of instruction	4,885	--	--	4,885
Educational media	57,931	2,602	--	60,533
General Administration:				
Board of education	43,253	702	--	43,955
Executive administration	61,710	--	--	61,710
School Administration:				
Office of the principal	56,131	864	--	56,995
Other	42,392	--	--	42,392
Business:				
Fiscal services	96,681	746	--	97,427
Operation and maintenance of plant	207,916	8,919	--	216,835
Student transportation	49,625	--	--	49,625
Food services	3,754	--	--	3,754
Special Education:				
Administrative costs	--	--	39,128	39,128
Cocurricular Activities:				
Male activities	489	--	--	489
Female activities	583	--	--	583
Capital outlay	--	200,719	--	200,719
Total Expenditures	<u>1,595,396</u>	<u>216,627</u>	<u>143,956</u>	<u>1,955,979</u>
Excess of Revenue Over (Under) Expenditures	554,523	62,046	149,506	766,075
Other Financing Sources (Uses):				
Transfer in	--	66,000	--	66,000
Transfer out	(73,000)	--	--	(73,000)
Sale of surplus property	2,319	--	--	2,319
Total Other Financing Sources (Uses)	<u>(70,681)</u>	<u>66,000</u>	<u>--</u>	<u>(4,681)</u>
Net Change in Fund Balances	483,842	128,046	149,506	761,394
Fund Balance, Beginning of Year	<u>3,414,190</u>	<u>26,404</u>	<u>865,380</u>	<u>4,305,974</u>
Fund Balance, End of Year	<u>\$ 3,898,032</u>	<u>\$ 154,450</u>	<u>\$ 1,014,886</u>	<u>\$ 5,067,368</u>

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

South Central School District No. 26-5
 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	\$ 761,394
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	200,719
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.	(134,333)
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."	11,946
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.	4,610
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(25,805)</u>
Change in net position of governmental activities	<u><u>\$ 818,531</u></u>

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

South Central School District No. 26-5
Statement of Net Position – Proprietary Funds
June 30, 2024

	Food Service Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 15,096
Inventory - supplies	312
Inventory - stores for resale	1,914
Inventory of donated food	5,736
Total Current Assets	23,058
Noncurrent Assets:	
Machinery and equipment - local funds	97,656
Less accumulated depreciation	(92,233)
Total Noncurrent Assets	5,423
Total Assets	\$ 28,481
Liabilities:	
Current Liabilities:	
Accounts payable	\$ 273
Contracts payable	528
Accrued payroll expenses	781
Unearned revenue	13,354
Total Current Liabilities	14,936
Net Position:	
Net investment in capital assets	5,423
Unrestricted net position	8,122
Total Net Position	\$ 13,545

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

South Central School District No. 26-5
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2024

	Food Service Fund
Operating Revenue:	
Food Sales:	
Student	\$ 10,374
Adult	3,257
Other charges for goods and services	66
Total Operating Revenue	13,697
Operating Expenses:	
Food Service:	
Salaries	29,091
Employee benefits	12,398
Purchased services	889
Supplies	1,422
Cost of sales - purchased	22,800
Cost of sales - donated	108
Other	326
Depreciation	647
Total Operating Expenses	67,681
Operating Income(Loss)	(53,984)
Nonoperating Revenues/Expenses:	
Investment Earnings	151
State grants	73
Federal grants	45,954
Donated food	5,384
Total Nonoperating Revenue/ (Expenses)	51,562
Income (Loss) Before Transfers	(2,422)
Transfer In	7,000
Change in Net Position	4,578
Net Position - Beginning of Year	8,967
Net Position - End of Year	\$ 13,545

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

South Central School District No. 26-5
Statement of Cash Flows – Proprietary Funds
June 30, 2024

	Food Service Fund
Cash Flows from Operating Activities:	
Cash receipts from customers	\$ 16,991
Cash payments to suppliers	(25,128)
Cash payments to employees	(40,246)
	(48,383)
Cash Flows from Noncapital Financing Activities:	
Transfers in	7,000
Cash reimbursements - state	73
Cash reimbursements - federal	45,954
	53,027
Cash Flows from Investing Activities:	
Investment earnings	151
	151
Net Change in Cash and Cash Equivalents	4,795
Cash and Cash Equivalents, Beginning of Year	10,301
Cash and Cash Equivalents, End of Year	\$ 15,096
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ (53,984)
Adjustments to reconcile operating (loss) to Net Cash (Used) by Operating Activities:	
Depreciation expense	647
Value of commodities used	108
Change in Assets and Liabilities:	
Inventory	36
Deferred revenue	3,294
Contracts payable	528
Accrued payroll expenses	715
Accounts payable	273
Net Cash (Used) by Operating Activities:	\$ (48,383)
Noncash Investing, Capital and Financing Activities	
Value of Commodities Received	\$ 5,384

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

South Central School District No. 26-5
Statement of Net Position – Fiduciary Funds
June 30, 2024

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 1,296
Accounts receivable	<u>2,529</u>
Total Assets	<u><u>\$ 3,825</u></u>
Total Liabilities	<u>\$ 1,588</u>
Net Position:	
Flex plan	\$ 2,702
Individuals, organizations, and other governments	<u>(465)</u>
Total Net Position	<u><u>\$ 2,237</u></u>

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

South Central School District No. 26-5
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2024

	Custodial Funds
Additions:	
Interest	\$ 66
Flex	10,050
Collections for student activities	189
Total Additions	10,305
Deductions:	
Flex	7,514
Payments for student activities	773
Total Deductions	8,287
Change in Net Position	2,018
Net Position - Beginning	219
Net Position - Ending	\$ 2,237

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of South Central School District No. 26-5, 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. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

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

South Central School District No. 26-5

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) 13-16-16 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.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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.

Fiduciary Funds:

Fiduciary Funds consist of the following sub-categories and are never considered to be major 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 district maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the South Central School District 26-5, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2024 are due from federal governments, local governments, rural electric and telephone gross receipts.

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.

South Central School District No. 26-5

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 at 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.

South Central School District No. 26-5

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 two percent for which the costs were determined by estimates of the original 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, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with USGAAP.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	ALL	--	--
Buildings	\$ 2,500	Straight-line	50 years
Improvements	2,500	Straight-line	10-50 years
Equipment (governmental activities)	2,500	Straight-line	2-20 years
Equipment (proprietary funds)	750	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.

South Central School District No. 26-5

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 consist of compensated absences.

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

h. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an 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 \$45,000 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.

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

i. Subscription-Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 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 implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

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

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

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

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:

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.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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 Outflows/Inflows of Resources:

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

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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

n. Equity Classifications:

Government-Wide Financial Statements:

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

q. Use of Estimates:

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

r. Pensions:

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

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

The School District is prohibited by statutes from spending in excess of appropriated amounts and/or estimated fund balance available at the fund level. The Capital Outlay Fund for the 2024 fiscal year was budgeted to spend \$173,550, but the School District spent \$43,077 more than the budgeted amount of expenditures. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

South Central School District No. 26-5

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. As of June 30, 2024, the school district’s investments consist of certificates of deposit.

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.

Concentrations of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer.

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

4. Receivables and Payables:

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

5. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is valued at the lower of cost or market. The cost valuation method is 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 proprietary 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. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No material inventories were on hand at June 30, 2024.

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 deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from the property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

South Central School District No. 26-5

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:

	<u>06/30/2023</u>			<u>06/30/2024</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 43,251	\$ --	\$ --	\$ 43,251
Total capital assets not being depreciated	<u>43,251</u>	<u>--</u>	<u>--</u>	<u>43,251</u>
Capital assets being depreciated/amortized:				
Buildings & Improvements	5,545,247	195,220	--	5,740,467
Machinery & Equipment	629,432	5,499	30,203	604,728
Library Books	114,966	--	--	114,966
Total capital assets being depreciated/amortized	<u>6,289,645</u>	<u>200,719</u>	<u>30,203</u>	<u>6,460,161</u>
Less accumulated depreciation/amortization for:				
Buildings & Improvements	1,650,080	119,165	--	1,769,245
Machinery & Equipment	574,759	15,168	30,203	559,724
Library Books	114,966	--	--	114,966
Total accumulated depreciation/amortized	<u>2,339,805</u>	<u>134,333</u>	<u>30,203</u>	<u>2,443,935</u>
Total capital assets being depreciated/amortized, net	<u>3,949,840</u>	<u>66,386</u>	<u>--</u>	<u>4,016,226</u>
Net Capital Assets	<u>\$ 3,993,091</u>	<u>\$ 66,386</u>	<u>\$ --</u>	<u>\$ 4,059,477</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 42,986
Support services	48,360
Co-curricular activities	42,987
Total Depreciation/Amortization Expense	<u>\$ 134,333</u>

	<u>06/30/2023</u>			<u>06/30/2024</u>
		<u>Increases</u>	<u>Decreases</u>	
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 97,656	\$ --	\$ --	\$ 97,656
Less accumulated depreciation for:				
Less: Accumulated Depreciation	91,586	647	--	92,233
Total capital assets being depreciated, net	<u>\$ 6,070</u>	<u>\$ (647)</u>	<u>\$ --</u>	<u>\$ 5,423</u>

South Central School District No. 26-5
Notes to the Financial Statements
June 30, 2024

7. Changes in Capital Assets: (Continued)

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	\$ 647

8. Long-Term Liabilities:

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

	06/30/2023	Increase	Decrease	06/30/2024	Due Within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 4,610	\$ --	\$ 4,610	\$ --	\$ --
Total Long-Term Liabilities	\$ 4,610	\$ --	\$ 4,610	\$ --	\$ --

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

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

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ --

9. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 155,618
Special Education	Law	1,018,984
SDRS Pension Purposes	Law	107,101
Total		\$ 1,281,703

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

10. Interfund Transfers:

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

Transfer from the General Fund to the Capital Outlay to supplement the budget.	\$	66,000
Transfer from the General Fund to the Food Service Fund to supplement the budget.	\$	7,000

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), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor 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.

Benefits Provided:

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

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

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

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

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

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

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 years ended June 30, 2024, 2023 and 2022, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 46,706
2023	43,589
2022	42,442

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

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

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

Proportionate share of pension liability	\$ 4,081,304
Less proportionate share of net pension restricted for pension	<u>4,084,053</u>
Proportionate share of net pension (asset)	<u><u>\$ (2,749)</u></u>

At June 30, 2024, the School District reported an asset of (\$2,749) 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 0.02816500%, which is a decrease of -0.0014590% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized pension expense of \$25,804. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 77,923	\$ --
Changes in assumption	93,985	137,385
Net difference between projected and actual earnings on pension plan investments	18,302	--
Changes in proportion and difference between district contributions and proportionate share of contributions	4,821	--
District contributions subsequent to the measurement date	<u>46,706</u>	<u>--</u>
Total	<u><u>\$ 241,737</u></u>	<u><u>\$ 137,385</u></u>

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

\$46,706 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>Year Ended</u> <u>June 30,</u>	
2025	\$ 39,543
2026	(40,280)
2027	54,248
2028	<u>4,134</u>
Total	<u>\$ 57,645</u>

Actuarial Assumptions:

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

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

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

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

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. 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).

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

11. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension (asset)	\$ 563,455	\$ (2,749)	\$ (465,796)

Pension Plan Fiduciary Net Position:

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

12. Joint Venture Information:

The School District participates in a joint venture known as South Central Educational Cooperative a cooperative service unit (co-op) formed for the purpose of providing education services to the member school districts. The members of the co-op and their relative percentage participation in co-op are as follows:

<u>District</u>	<u>Percentage</u>
Andes Central School District No. 11-1	12.03%
Avon School District No. 4-1	9.31%
Bon Homme School District No. 4-2	18.41%
Menno School District No. 33-2	10.48%
Scotland School District No. 4-3	10.48%
South Central School District No. 26-5	3.94%
Tripp-Delmont School District No. 33-5	7.68%
Wagner Community School District No. 11-4	27.67%

The co-op'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 South Central Educational Cooperative.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

12. Joint Venture Information: (Continued)

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

Assets	\$ 1,056,187
Liabilities	\$ 147,815
Net Position	\$ 908,372

13. 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 South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for the South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from its members. The coverage also includes a lifetime maximum payment per person based on service type.

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

Liability Insurance

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

Worker's Compensation

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members.

South Central School District No. 26-5

Notes to the Financial Statements

June 30, 2024

13. Risk Management: (Continued)

The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to an additional \$1,000,000 per individual per incident.

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

Unemployment Benefits

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

The school has no Assigned Fund Balance in the General Fund for the payment of future unemployment benefits.

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

14. Related Party Transactions:

The School District currently has a board member who is the owner of Cahoy's General Store for which the sum of \$5,786 was paid for materials during fiscal year 2024. This contract falls within the provisions of SDCL 6-1-2.

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

South Central School District No. 26-5

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 536,700	\$ 536,700	\$ 542,971	\$ 6,271
Prior years' ad valorem taxes	5,000	5,000	3,064	(1,936)
Utility taxes	46,500	46,500	46,758	258
Penalties and interest on taxes	1,500	1,500	1,085	(415)
Earnings on Investments and Deposits	15,500	15,500	707	(14,793)
Cocurricular Activities:				
Other	1,150	1,150	1,702	552
Other Revenue from Local Sources:				
Rentals	3,500	3,500	4,060	560
Contracted Services other LEAs	22,000	22,000	5,940	(16,060)
Refund of Prior Years' Expenditures	400	400	607	207
Charges for services	2,200	2,200	1,252	(948)
Other	2,500	2,500	1,892	(608)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	4,200	4,200	3,485	(715)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	264,000	264,000	345,768	81,768
Revenue from Federal Sources:				
Restricted grants-in-aid received from federal government through the state	170,450	170,450	234,473	64,023
Johnson O'Malley funds	300	300	--	(300)
Total Revenues	\$ 1,075,900	\$ 1,075,900	\$ 1,193,764	\$ 117,864

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

South Central School District No. 26-5

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	\$ 500,000	\$ 497,000	\$ 434,230	\$ 62,770
Middle/junior high	227,000	175,800	175,126	674
High school	168,000	222,000	221,401	599
Preschool	34,000	34,000	24,460	9,540
Special Programs:				
Educationally deprived	95,000	122,000	110,750	11,250
Support Services:				
Students:				
Guidance	1,200	3,000	2,960	40
Health	800	1,220	1,119	101
Instructional Staff:				
Improvement of instruction	7,000	7,000	4,885	2,115
Educational media	60,000	61,000	57,931	3,069
General Administration:				
Board of education	56,000	56,000	43,253	12,747
Executive administration	66,500	66,500	61,710	4,790
School Administration:				
Office of the principal	50,800	56,800	56,131	669
Other	44,700	44,700	42,392	2,308
Business:				
Fiscal services	105,500	104,000	96,681	7,319
Operation and maintenance of plant	221,000	221,600	207,916	13,684
Student transportation	52,000	52,000	49,625	2,375
Food service	4,500	3,900	3,754	146
Cocurricular Activities:				
Male activities	--	500	489	11
Female activities	--	600	583	17
Transportation	--	400	--	400
Total Expenditures	1,694,000	1,730,020	1,595,396	134,624
Excess of Revenues Over Expenditures	(618,100)	(654,120)	(401,632)	252,488
Other Financing Sources				
Operating transfers in	617,100	653,120	575,000	(78,120)
Operating transfers out	--	--	--	--
Sale of surplus property	1,000	1,000	2,319	1,319
Total Other Financing Sources	618,100	654,120	577,319	(76,801)
Net Change in Fund Balances	--	--	175,687	175,687
Fund Balance, Beginning of Year	144,181	144,181	144,181	--
Fund Balance, Ending of Year	\$ 144,181	\$ 144,181	\$ 319,868	\$ 175,687

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

South Central School District No. 26-5

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	\$ 76,000	\$ 76,000	\$ 120,946	\$ 44,946
Prior years' ad valorem taxes	500	500	274	(226)
Penalties and interest on taxes	200	200	138	(62)
Earnings on investments & deposits	--	--	226	226
Other Revenue from Local Sources:				
Contributions and donations	--	--	4,638	4,638
Other	4,600	4,600	--	(4,600)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from federal government	--	--	2,857	2,857
Restricted grants-in-aid received from federal government through the state	85,000	85,000	149,594	64,594
Total Revenues	166,300	166,300	278,673	112,373
Expenditures:				
Instructional Services:				
Regular Programs:				
Elementary	2,500	2,500	2,075	425
Support Services:				
Instructional Staff:				
Educational media	7,500	7,500	8,101	(601)
General Administration:				
Board of education	750	750	702	48
Office of the principal	1,500	1,550	864	686
Business:				
Fiscal services	800	800	746	54
Facilities acquisition and construction	100,000	--	--	--
Operation and maintenance of plant	5,000	160,450	204,139	(43,689)
Total Expenditures	118,050	173,550	216,627	(43,077)
Excess of Revenue Over (Under) Expenditures	48,250	(7,250)	62,046	69,296
Other Financing Sources (Uses)				
Transfers in	--	21,000	66,000	45,000
Transfers out	(34,500)	--	--	--
Total Other Financing Sources (Uses)	(34,500)	21,000	66,000	45,000
Net Change in Fund Balances	13,750	13,750	128,046	114,296
Fund Balance, Beginning of Year	26,404	26,404	26,404	--
Fund Balance, Ending of Year	\$ 40,154	\$ 40,154	\$ 154,450	\$ 114,296

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

South Central School District No. 26-5
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	\$ 234,500	\$ 234,500	\$ 268,196	\$ 33,696
Prior years' ad valorem taxes	--	--	933	933
Penalties and interest on taxes	--	--	427	427
Earnings on investments & deposits	--	--	12,550	12,550
Other Revenue from Local Sources:				
Charges for services	350	350	192	(158)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received directly from federal government	10,000	10,000	11,164	1,164
Total Revenues	<u>244,850</u>	<u>244,850</u>	<u>293,462</u>	<u>48,612</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for Special Education	116,600	114,100	82,594	31,506
Support Services:				
Students:				
Psychological	6,200	8,400	8,338	62
Speech pathology	8,800	9,100	8,955	145
Student therapy services	6,200	6,200	4,941	1,259
Special Education:				
Administrative costs	46,500	46,500	39,128	7,372
Total Expenditures	<u>184,300</u>	<u>184,300</u>	<u>143,956</u>	<u>40,344</u>
Net Change in Fund Balance	60,550	60,550	149,506	88,956
Fund Balance, Beginning of Year	<u>767,836</u>	<u>767,836</u>	<u>865,380</u>	<u>97,544</u>
Fund Balance, End of Year	<u>\$ 828,386</u>	<u>\$ 828,386</u>	<u>\$ 1,014,886</u>	<u>\$ 186,500</u>

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

South Central School District No. 26-5
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 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 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 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 letter (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 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 the adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i) Unexpended appropriations lapse at year-end unless encumbered by resolution of the board.
- j) Formal budgetary integration is employed as a management control device during the year for the General Fund and each major special revenue fund.
- k) Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- l) The following reconciles the USGAAP Basis fund balance to the Budgetary Basis fund balance:

South Central School District No. 26-5
Notes to the Required Supplementary Information
June 30, 2024 (Continued)

	Year Ended 6/30/2024
General Fund:	
USGAAP Basis Fund Balance	\$ 3,898,032
Reconciling Items:	
Impact Aid Fund Balance	<u>(3,578,164)</u>
Budgetary Basis Fund Balance	<u><u>\$ 319,868</u></u>

2. GAAP/ 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.

The budgetary basis comparison schedule for the General Fund includes only the budgeted amounts for the General Fund and does not include any amounts for the blended Impact Aid Fund.

South Central School District No. 26-5

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)	0.0281650%	0.0296240%	0.0309670%	0.0301116%	0.0344941%	0.0610931%	0.0572688%	0.0549457%	0.0535114%	0.0542807%
District's proportionate share of net pension liability (asset)	\$ (2,749)	\$ (2,800)	\$ (237,154)	\$ (1,308)	\$ (3,655)	\$ (1,425)	\$ (5,197)	\$ 185,601	\$ (226,957)	\$ (391,070)
District's covered-employee payroll	\$ 726,286	\$ 707,369	\$ 702,912	\$ 660,857	\$ 733,416	\$ 1,240,776	\$ 1,192,875	\$ 1,030,298	\$ 976,965	\$ 949,221
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	33.74%	0.20%	0.50%	0.11%	0.44%	18.01%	23.23%	41.20%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

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

South Central School District No. 26-5
Schedule of the School District Contributions South Dakota Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 46,706	\$ 43,589	\$ 42,442	\$ 42,165	\$ 39,651	\$ 44,033	\$ 74,447	\$ 71,572	\$ 61,818	\$ 58,618
Contributions in relation to the contractually-required contribution	<u>46,706</u>	<u>43,589</u>	<u>42,442</u>	<u>42,165</u>	<u>39,651</u>	<u>44,033</u>	<u>74,447</u>	<u>71,572</u>	<u>61,818</u>	<u>58,618</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 778,438	\$ 726,286	\$ 707,369	\$ 702,912	\$ 660,857	\$ 733,416	\$ 1,240,776	\$ 1,192,875	\$ 1,030,298	\$ 976,965
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

South Central School District No. 26-5
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.

Supplementary Information

South Central School District No. 26-5
Schedule of Expenditures of Federal Awards
June 30, 2024

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Pass through the S.D Department of Education			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	NSLP-26005-24	\$ 108
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NSLP-26005-24	14,891
National School Lunch Program (Note 3)	10.555	NSLP-26005-24	26,853
Supply Chain (Note 3)	10.555	NSLP-26005-24	<u>4,210</u>
Total Child Nutrition Cluster			<u>46,062</u>
Other Programs:			
Fresh Fruit and Vegetable Program	10.582	NSLP-26005-24	<u>3,639</u>
Total U.S. Department of Agriculture			<u>49,701</u>
U.S. Department of Education:			
Pass through the S.D. Department of Education:			
Impact Aid (Title VIII of ESEA) (Note 4)	84.041	NA	662,021
Title I Grants to Local Educational Agencies	84.010	TIA-26005-24	117,291
Rural Education	84.358	RLIS-26005-24	1,745
Supporting Effective Instruction State Grant	84.367	TIIA-26005-24	21,065
Student Support and Academic Enrichment Program	84.424	TIVA-26005-24	10,000
Cares ESSER funds	84.425D	ESSERIIG-26005-21	53,848
American Rescue Plan	84.425U	ESSERIIG-26005-21	<u>173,019</u>
Total U.S. Department of Education			<u>1,038,989</u>
Grand Total			<u>\$ 1,088,690</u>

South Central School District No. 26-5
Schedule of Expenditures of Federal Awards
June 30, 2024

Note 1: - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

Note 2: - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: - Federal Reimbursement

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

Note 4: - Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.