

Alcester-Hudson School District No. 61-1

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

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

Alcester-Hudson School District No. 61-1
School District Officials
June 30, 2024

Board Members

Jay Hallaway----- Board President
Amanda Beeler -----Vice President
Jeanette Wennblom----- Member
Dawn Butzer----- Member
Justin Teunissen ----- Member
Jessica Paulson----- Member
Travis Stene----- Member

Tim Rhead-----Superintendent

Natalie Stene-----Business Manager

Alcester-Hudson School District No. 61-1

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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
Alcester-Hudson School District No. 61-1
Union County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alcester-Hudson School District No. 61-1, South Dakota (School District), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 24, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 accompany Schedule of Current Audit Findings. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "CLO Prof LHC".

Elk Point, South Dakota
February 24, 2025

Alcester-Hudson School District No. 61-1

Schedule of Prior Audit Findings

June 30, 2024

Prior Audit Findings:

Finding Number 2023-001 – Internal Control Finding

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated under current audit finding number 2024-001.

Alcester-Hudson School District No. 61-1

Schedule of Current Audit Findings

June 30, 2024

Current Audit Findings:

Finding Number 2024-001 – Internal Control Finding

There is a significant deficiency resulting from the lack of segregation of duties.

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to internal controls. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect: The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation: We recommend that Alcester-Hudson School District officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever practical.

Management's Response: The School District's Board is aware of the lack of segregation of duties, however at this time it is not cost effective to hire the additional staff needed to achieve segregation of duties. The Board will continue to monitor the necessity to have segregation of duties for revenue and implement such a segregation as budget dollars and board authority allow.



Independent Auditor's Report

School Board
Alcester-Hudson School District No. 61-1
Union County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alcester-Hudson School District No. 61-1, South Dakota (School District), as of June 30, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion the 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 Alcester-Hudson School District No. 61-1 as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "CIO of Elk Point, SD". The signature is written in a cursive, flowing style.

Elk Point, South Dakota
February 24, 2025

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2024

This section of Alcester-Hudson School District 61-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2024. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's change in net position from governmental and business-type activities (government-wide statements) was \$101,901.
- The School continued to reap the benefits of a successful opt Out passed on June 18, 2002, for \$400,000. There are no time limits attached to the Opt Out.
- The Schools K-12 enrollment stayed steady compared to FY23.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 1. The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 2. Proprietary fund statements offer short and long-term financial information about the activities that the school operates like a business. The only proprietary funds operated by the school are the Food Service Operation and Driver's Education Funds.
 3. Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Alcester-Hudson School District No. 61-1
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. This includes the General Fund, Capital Outlay Fund, and Special Education Fund.

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

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

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

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

Fund Financial Statements

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

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

Alcester-Hudson School District No. 61-1
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 convert to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page that explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both short and long-term financial information. The Proprietary Funds maintained by the School are the Food Service Enterprise Fund and the Drivers Education Enterprise Fund.
- **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.

Alcester-Hudson School District No. 61-1
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
Alcester-Hudson District 61-1
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	\$ 5,275,462	\$ 5,567,938	\$ 76,594	\$ 53,595	\$ 5,352,056	\$ 5,621,533	5.04%
Capital Assets (Net of Depreciation)	12,287,467	11,647,992	16,628	16,678	12,304,095	11,664,670	-5.20%
Total Assets	17,562,929	17,215,930	93,222	70,273	17,656,151	17,286,203	-2.10%
Pension Related Deferred Outflows	1,009,409	834,425	--	--	1,009,409	834,425	-17.34%
Total Deferred Outflows or Resources	1,009,409	834,425	--	--	1,009,409	834,425	-17.34%
Long-Term Liabilities Outstanding	8,662,834	8,122,566	--	--	8,662,834	8,122,566	-6.24%
Other Liabilities	376,456	384,407	33,994	31,858	410,450	416,265	1.42%
Total Liabilities	9,039,290	8,506,973	33,994	31,858	9,073,284	8,538,831	-5.89%
Taxes Levied for Future Period	1,515,805	1,469,434	--	--	1,515,805	1,469,434	-3.06%
Pension Related Deferred Inflows	606,919	479,003	--	--	606,919	479,003	-21.08%
Total Deferred Inflows of Resources	2,122,724	1,948,437	--	--	2,122,724	1,948,437	-8.21%
Net Investment in Capital Assets	3,817,867	3,605,867	16,628	16,678	3,834,495	3,622,545	-5.53%
Restricted	3,194,159	3,412,671	--	--	3,194,159	3,412,671	6.84%
Unrestricted	398,298	576,407	42,600	21,737	440,898	598,144	35.66%
Total Net Position	7,410,324	7,594,945	59,228	38,415	7,469,552	7,633,360	2.19%
Beginning Net Position	7,135,150	7,410,324	70,986	59,228	7,206,136	7,469,552	3.66%
Restatement - See Note 14	--	61,907	--	--	--	61,907	100.00%
Increase (Decrease) in Net Position	\$ 275,174	\$ 122,714	\$ (11,758)	\$ (20,813)	\$ 263,416	\$ 101,901	61.32%
Percentage of Increase (Decrease) in Net Position	3.86%	1.66%	-16.56%	-35.14%	3.66%	1.36%	

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

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Changes in Net Position

The School's total revenues totaled \$5,661,071. Approximately 60% of the School's revenue comes from property taxes, with another 27% coming from State Aid . (See Table A-2).

Table A-2
Alcester-Hudson School District 61-1
Sources of Revenues
Fiscal Year 2023-2024

Taxes	\$ 3,389,227	59.86%
State Sources	1,569,157	27.72%
Operating Grants & Contributions	329,932	5.83%
Charges For Services	125,490	2.22%
Other General Revenues	74,211	1.31%
Unrestricted Investment Earnings	<u>173,054</u>	<u>3.06%</u>
Total Revenue	<u>\$ 5,661,071</u>	<u>100.00%</u>

The School's expenses totaled \$5,559,170 and covered a range of services, including instruction, support services, interest on long-term debt, co-curricular activities, food service, and other enterprise (See Table A-3).

Table A-3
Alcester-Hudson School District 61-1
Statement of Expenditures
Fiscal Year 2023-2024

Instruction	\$ 2,528,606	45.50%
Support Services	2,174,828	39.12%
Interest - on Long-Term Debt	248,157	4.46%
Cocurricular Activities	394,916	7.10%
Food Service	208,042	3.74%
Other Enterprise	<u>4,621</u>	<u>0.08%</u>
Total Expenditures	<u>\$ 5,559,170</u>	<u>100.00%</u>

Alcester-Hudson School District No. 61-1
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
Alcester-Hudson School District 61-1
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2023	2024	2023	2024	2023	2024	
Revenues							
Program Revenues							
Charge for Services	\$ 61,859	\$ 32,232	\$ 95,443	\$ 93,258	\$ 157,302	\$ 125,490	-20.22%
Operating Grants/ Contributions	345,066	234,316	95,763	95,616	440,829	329,932	-25.16%
General Revenues							
Taxes	3,185,083	3,389,227	--	--	3,185,083	3,389,227	6.41%
Revenue State Sources	1,520,862	1,569,157	--	--	1,520,862	1,569,157	3.18%
Other							
Other general revenues	85,810	74,211	(1,095)	--	84,715	74,211	-12.40%
Unrestricted Investment Earnings	94,802	170,078	--	2,976	94,802	173,054	82.54%
	<u>5,293,482</u>	<u>5,469,221</u>	<u>190,111</u>	<u>191,850</u>	<u>5,483,593</u>	<u>5,661,071</u>	<u>3.24%</u>
Expenses							
Instruction	2,553,518	2,528,606	--	--	2,553,518	2,528,606	-0.98%
Support Services	1,819,478	2,174,828	--	--	1,819,478	2,174,828	19.53%
Interest on long-term debt	255,147	248,157	--	--	255,147	248,157	-2.74%
Co-curricular Activities	390,165	394,916	--	--	390,165	394,916	1.22%
Food Service	--	--	195,857	208,042	195,857	208,042	6.22%
Other Enterprise	--	--	6,012	4,621	6,012	4,621	-23.14%
	<u>5,018,308</u>	<u>5,346,507</u>	<u>201,869</u>	<u>212,663</u>	<u>5,220,177</u>	<u>5,559,170</u>	<u>6.49%</u>
Increase (Decrease) in Net Position	<u>275,174</u>	<u>122,714</u>	<u>(11,758)</u>	<u>(20,813)</u>	<u>263,416</u>	<u>101,901</u>	<u>-61.32%</u>
Beginning Net Position	7,135,150	7,410,324	70,986	59,228	7,206,136	7,469,552	3.66%
Restatement - See Note 14	--	61,907	--	--	--	61,907	100.00%
Beginning Net Position, as Restated	<u>7,135,150</u>	<u>7,472,231</u>	<u>70,986</u>	<u>59,228</u>	<u>7,206,136</u>	<u>7,531,459</u>	<u>4.51%</u>
Ending Net Position	<u>\$ 7,410,324</u>	<u>\$ 7,594,945</u>	<u>\$ 59,228</u>	<u>\$ 38,415</u>	<u>\$ 7,469,552</u>	<u>\$ 7,633,360</u>	<u>2.19%</u>

Governmental Activities

Revenues for the governmental activities increased by 3.32% due to an increase in taxes and revenue from state sources. Expenses also increased by 6.54%.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Business Type Activities

Revenues of the School's business-type activities increased by 0.91% due to an increase in unrestricted investment earnings. Expenditures also increased by 5.35%.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund decreased \$3,208 as a result of the implementation of GASB Statement No. 84, Fiduciary Activities (GASB 84). The Capital Outlay Fund increased \$293,093 as a result of the district receiving more earnings on investments and deposits and ad valorem taxes. The Special Education Fund decreased \$29,896 as a result of decreased ad valorem taxes and increased expenditures.

Budgetary Highlights

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

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

Capital Asset Administration

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

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2023	2024	2023	2024		
Land	\$ 60,000	\$ 275,714	\$ --	\$ --	\$ 215,714	359.52%
Buildings & Improvements	11,792,141	10,994,570	--	--	(797,571)	-6.76%
Machinery & Equipment	352,859	296,511	16,628	16,678	(56,298)	-15.24%
Library Books	82,467	81,197	--	--	(1,270)	-1.54%
Total Capital Assets	<u>\$ 12,287,467</u>	<u>\$ 11,647,992</u>	<u>\$ 16,628</u>	<u>\$ 16,678</u>	<u>\$ (639,425)</u>	<u>-5.20%</u>

Some of this year's major capital asset purchases were flooring for the gym, lockers for the elementary school, a fence, camera updates, and a scoreboard. The School District also paid for the demolition of the old school building. The costs of tearing down the building have been added to the land value as an improvement.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2024

Long-Term Debt

The Alcester-Hudson School District had \$8,122,566 in outstanding debt and obligations see individual balances on Table A-6. This is a 6.24% decrease from last year as shown on Table A-6.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2023	2024		
General Obligation Bonds	\$ 5,835,000	\$ 5,555,000	\$ (280,000)	-4.80%
Plus: Unamortized Premiums	359,600	337,125	(22,475)	-6.25%
Capital Outlay Certificates	2,275,000	2,150,000	(125,000)	-5.49%
Other Post Employment Benefits	143,805	29,284	(114,521)	-79.64%
Accrued Compensated Absences - Governmental Funds	49,429	51,157	1,728	3.50%
Total Outstanding Debt	<u>\$ 8,662,834</u>	<u>\$ 8,122,566</u>	<u>\$ (540,268)</u>	<u>-6.24%</u>

Economic Factors and Next Year's Budgets and Rates

The School's current economic position is still strong since overall net position increased by \$101,901 even though it is a 61.32% decrease from prior year.

The School continued to reap the benefits of a successful Opt Out passed on June 18, 2002, for \$400,000. There are no time limits attached to the Opt Out.

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 Alcester-Hudson School District's Business Office, 409 E 6th Street, P.O. Box 198, Alcester, SD 57001.

Alcester-Hudson School District No. 61-1
Statement of Net Position – Government-Wide
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,967,702	\$ 49,046	\$ 4,016,748
Taxes receivable	1,499,402	--	1,499,402
Due from other government	85,960	--	85,960
Inventories	--	4,549	4,549
Other assets	5,315	--	5,315
Net pension asset	9,559	--	9,559
Capital assets:			
Land and construction in progress	275,714	--	275,714
Other capital assets, net of depreciation	11,372,278	16,678	11,388,956
Total Assets	17,215,930	70,273	17,286,203
Deferred Outflows of Resources:			
Pension-related deferred outflows	834,425	--	834,425
Total Deferred Outflows of Resources	834,425	--	834,425
Liabilities:			
Accounts payable	25,212	57	25,269
Unearned revenue	4,000	26,694	30,694
Other current liabilities	355,195	5,107	360,302
Long-term liabilities:			
Due within one year	450,380	--	450,380
Due in more than one year	7,672,186	--	7,672,186
Total Liabilities	8,506,973	31,858	8,538,831
Deferred Inflows of Resources:			
Taxes levied for future periods	1,469,434	--	1,469,434
Pension related deferred inflows	479,003	--	479,003
Total Deferred Inflows of Resources	1,948,437	--	1,948,437
Net Position:			
Net investment in capital assets	3,605,867	16,678	3,622,545
Restricted for:			
Capital outlay	2,515,067	--	2,515,067
Special education	131,796	--	131,796
Debt service	400,827	--	400,827
SDRS pension purposes	364,981	--	364,981
Unrestricted	576,407	21,737	598,144
Total Net Position	\$ 7,594,945	\$ 38,415	\$ 7,633,360

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

Alcester-Hudson School District No. 61-1
Statement of Activities – Government-Wide
June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 2,528,606	\$ --	\$ 208,986	\$ (2,319,620)	\$ --	\$ (2,319,620)
Support services	2,174,828	--	25,330	(2,149,498)	--	(2,149,498)
Interest on long-term debt	248,157	--	--	(248,157)	--	(248,157)
Cocurricular activities	394,916	32,232	--	(362,684)	--	(362,684)
Total Governmental Activities	5,346,507	32,232	234,316	(5,079,959)	--	(5,079,959)
Business-Type Activities:						
Food service	208,042	88,083	95,616	--	(24,343)	(24,343)
Driver's education	4,621	5,175	--	--	554	554
Total Business Type Activities	212,663	93,258	95,616	--	(23,789)	(23,789)
Total Primary Government	\$ 5,559,170	\$ 125,490	\$ 329,932	(5,079,959)	(23,789)	(5,103,748)
General Revenues:						
Taxes:						
Property taxes				3,306,390	--	3,306,390
Utility taxes				82,837	--	82,837
Revenue from State Sources:						
State aid				1,569,157	--	1,569,157
Unrestricted investment earnings				170,078	2,976	173,054
Contributions and donations				20,099	--	20,099
Other general revenues				54,112	--	54,112
Total General Revenues				5,202,673	2,976	5,205,649
Change in Net Position				122,714	(20,813)	101,901
Net Position - Beginning of Year				7,410,324	59,228	7,469,552
Restatement - See Note 14				61,907	--	61,907
Adjusted Net Position - Beginning of Year				7,472,231	59,228	7,531,459
Net Position - End of Year				\$ 7,594,945	\$ 38,415	\$ 7,633,360

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

Alcester-Hudson School District No. 61-1

Balance Sheet – Governmental Funds

June 30, 2024

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 881,135	\$ 2,519,639	\$ 169,642	\$ 397,286	\$ 3,967,702
Taxes receivable - current	581,212	439,555	241,500	207,167	1,469,434
Taxes receivable - delinquent	15,422	6,105	4,900	3,541	29,968
Due from other governments	85,960	--	--	--	85,960
Prepaid items	--	5,315	--	--	5,315
Total Assets	<u>\$ 1,563,729</u>	<u>\$ 2,970,614</u>	<u>\$ 416,042</u>	<u>\$ 607,994</u>	<u>\$ 5,558,379</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 13,220	\$ 11,992	\$ --	\$ --	\$ 25,212
Contracts payable	252,827	--	31,564	--	284,391
Payroll deductions and withholding and employer matching payable	59,622	--	11,182	--	70,804
Unearned revenue	--	4,000	--	--	4,000
Total Liabilities	<u>325,669</u>	<u>15,992</u>	<u>42,746</u>	<u>--</u>	<u>384,407</u>
Deferred Inflows of Resources:					
Unavailable Revenue	581,212	439,555	241,500	207,167	1,469,434
Delinquent taxes not available	15,422	6,105	4,900	3,541	29,968
Total Deferred Inflows of Resources	<u>596,634</u>	<u>445,660</u>	<u>246,400</u>	<u>210,708</u>	<u>1,499,402</u>
Fund Balances:					
Nonspendable - prepaids	--	5,315	--	--	5,315
Restricted:					
For capital outlay	--	2,503,647	--	--	2,503,647
For special education	--	--	126,896	--	126,896
For debt service	--	--	--	397,286	397,286
For student activities	79,024	--	--	--	79,024
Assigned	172,912	--	--	--	172,912
Unassigned	389,490	--	--	--	389,490
Total Fund Balances	<u>641,426</u>	<u>2,508,962</u>	<u>126,896</u>	<u>397,286</u>	<u>3,674,570</u>
Total Liabilities and Fund Balances	<u>\$ 1,563,729</u>	<u>\$ 2,970,614</u>	<u>\$ 416,042</u>	<u>\$ 607,994</u>	<u>\$ 5,558,379</u>

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

Alcester-Hudson School District No. 61-1

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

Total Fund Balances - Governmental Funds \$ 3,674,570

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. 11,647,992

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

GO Bonds	(5,892,125)	
Other Post Employment Benefits	(29,284)	
Capital Outlay Certificates	(2,150,000)	
Accrued Leave	<u>(51,157)</u>	(8,122,566)

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 29,968

Proportionate Share of Net Pension Asset 9,559

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (479,003)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 834,425

Net Position - Governmental Activities \$ 7,594,945

Alcester-Hudson School District No. 61-1

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>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,257,376	\$ 930,546	\$ 593,215	\$ 480,273	\$ 3,261,410
Prior years' ad valorem taxes	11,737	6,740	5,089	3,295	26,861
Utility taxes	82,837	--	--	--	82,837
Penalties and interest on taxes	3,245	1,180	947	720	6,092
Earnings on Investments and Deposits	57,783	106,537	5,758	--	170,078
Cocurricular Activities:					
Admissions	14,259	--	--	--	14,259
Other student activity income	17,973	--	--	--	17,973
Other Revenue from Local Sources:					
Rentals	1,049	--	--	--	1,049
Contributions and donations	1,950	18,149	--	--	20,099
Charges for services	1,097	--	2,824	--	3,921
Other	10,930	--	--	--	10,930
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	37,612	--	--	--	37,612
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,569,157	--	--	--	1,569,157
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received directly from federal government	25,330	--	--	--	25,330
Restricted grants-in-aid received from federal government through the state	208,986	--	--	--	208,986
Total Revenues	<u>\$ 3,301,321</u>	<u>\$ 1,063,152</u>	<u>\$ 607,833</u>	<u>\$ 484,288</u>	<u>\$ 5,456,594</u>

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

Alcester-Hudson School District No. 61-1

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>Bond Redemption</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 891,730	\$ 45,824	\$ --	\$ --	\$ 937,554
Middle/junior high	137,439	--	--	--	137,439
High school	545,538	65,529	--	--	611,067
Preschool	80,235	--	--	--	80,235
Special Programs:					
Programs for special education	--	--	558,813	--	558,813
Culturally different	5,610	--	--	--	5,610
Educationally deprived	103,760	--	--	--	103,760
Support Services:					
Students:					
Guidance	64,742	--	--	--	64,742
Psychological	--	--	20,386	--	20,386
Health	51,902	--	--	--	51,902
Speech pathology	--	--	28,550	--	28,550
Student therapy services	--	--	29,980	--	29,980
Instructional Staff:					
Improvement of instruction	6,226	--	--	--	6,226
Educational media	119,812	8,295	--	--	128,107
General Administration:					
Board of education	132,746	--	--	--	132,746
Executive administration	69,864	--	--	--	69,864
School Administration:					
Office of the principal	224,931	--	--	--	224,931
Other	81	--	--	--	81
Business:					
Fiscal services	117,489	35,148	--	--	152,637
Facilities acquisition and construction	--	3,990	--	--	3,990
Operation and maintenance of plant	356,653	16,936	--	--	373,589
Student transportation	152,303	8,400	--	--	160,703
Central:					
Information	9,000	--	--	--	9,000

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

Alcester-Hudson School District No. 61-1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

June 30, 2024 (Continued)

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Debt Services:	--	189,139	--	486,493	675,632
Cocurricular Activities:					
Male activities	54,019	--	--	--	54,019
Female activities	58,865	--	--	--	58,865
Transportation	11,424	--	--	--	11,424
Combined activities	110,760	20,896	--	--	131,656
Capital Outlay	--	375,902	--	--	375,902
Total Expenditures	<u>3,305,129</u>	<u>770,059</u>	<u>637,729</u>	<u>486,493</u>	<u>5,199,410</u>
Excess of Revenue Over (Under) Expenditures	(3,808)	293,093	(29,896)	(2,205)	257,184
Other Financing Sources (Uses):					
Sale of Surplus Property	600	--	--	--	600
Total Other Financing Sources (Uses)	<u>600</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>600</u>
Net Change in Fund Balances	<u>(3,208)</u>	<u>293,093</u>	<u>(29,896)</u>	<u>(2,205)</u>	<u>257,784</u>
Fund Balance, Beginning of Year	582,727	2,215,869	156,792	399,491	3,354,879
Restatement - See Note 14	61,907	--	--	--	61,907
Fund Balance, Beginning of Year Adjusted	<u>644,634</u>	<u>2,215,869</u>	<u>156,792</u>	<u>399,491</u>	<u>3,416,786</u>
Fund Balance, End of Year	<u><u>\$ 641,426</u></u>	<u><u>\$ 2,508,962</u></u>	<u><u>\$ 126,896</u></u>	<u><u>\$ 397,286</u></u>	<u><u>\$ 3,674,570</u></u>

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

Alcester-Hudson School District No. 61-1

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	\$ 257,784
--	------------

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	375,902
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.	(448,230)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	(567,147)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position	427,475
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."	12,027
Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses.	(1,728)
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(47,890)
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.	114,521

Change in net position of governmental activities	<u>\$ 122,714</u>
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The accompanying Notes to Financial Statements are an integral part of this financial statement.

Alcester-Hudson School District No. 61-1
Statement of Net Position – Proprietary Funds
June 30, 2024

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 34,099	\$ 14,947	\$ 49,046
Inventory - supplies	1,357	--	1,357
Inventory - stores for resale	2,032	--	2,032
Inventory of donated food	1,160	--	1,160
Total Current Assets	<u>38,648</u>	<u>14,947</u>	<u>53,595</u>
Noncurrent Assets:			
Machinery and equipment - local funds	86,528	--	86,528
Less accumulated depreciation	<u>(69,850)</u>	<u>--</u>	<u>(69,850)</u>
Total Noncurrent Assets	<u>16,678</u>	<u>--</u>	<u>16,678</u>
Total Assets	<u>\$ 55,326</u>	<u>\$ 14,947</u>	<u>\$ 70,273</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 32	\$ 25	\$ 57
Contracts payable	100	3,450	3,550
Payroll deductions and withholdings and employer matching payable	1,086	471	1,557
Unearned revenue	<u>26,694</u>	<u>--</u>	<u>26,694</u>
Total Current Liabilities	<u>27,912</u>	<u>3,946</u>	<u>31,858</u>
Net Position:			
Net investment in capital assets	16,678	--	16,678
Unrestricted net position	<u>10,736</u>	<u>11,001</u>	<u>21,737</u>
Total Net Position	<u>\$ 27,414</u>	<u>\$ 11,001</u>	<u>\$ 38,415</u>

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

Alcester-Hudson School District No. 61-1

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

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 80,864	\$ --	\$ 80,864
Adult	7,170	--	7,170
Other charges for goods and services	49	5,175	5,224
Total Operating Revenue	<u>88,083</u>	<u>5,175</u>	<u>93,258</u>
Operating Expenses:			
Food Service:			
Salaries	89,835	3,450	93,285
Employee benefits	29,764	471	30,235
Purchased services	286	--	286
Supplies	4,678	700	5,378
Cost of sales - purchased	64,342	--	64,342
Cost of sales - donated	14,552	--	14,552
Miscellaneous	1,225	--	1,225
Depreciation	3,360	--	3,360
Total Operating Expenses	<u>208,042</u>	<u>4,621</u>	<u>212,663</u>
Operating (Loss)	(119,959)	554	(119,405)
Nonoperating Revenues/Expenses:			
Investment Earnings	2,976	--	2,976
State grants	435	--	435
Federal grants	81,322	--	81,322
Donated food	13,859	--	13,859
Total Nonoperating Revenue/ (Expenses)	<u>98,592</u>	<u>--</u>	<u>98,592</u>
Change in Net Position	(21,367)	554	(20,813)
Net Position - Beginning of Year	<u>48,781</u>	<u>10,447</u>	<u>59,228</u>
Net Position - End of Year	<u>\$ 27,414</u>	<u>\$ 11,001</u>	<u>\$ 38,415</u>

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

Alcester-Hudson School District No. 61-1
Statement of Cash Flows – Proprietary Funds
June 30, 2024

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 88,987	\$ 5,175	\$ 94,162
Cash payments to suppliers	(71,080)	(942)	(72,022)
Cash payments to employees	(121,451)	(4,582)	(126,033)
Net Cash (Used) by Operating Activities	(103,544)	(349)	(103,893)
Cash Flows from Noncapital Financing Activities:			
Cash reimbursements - state	435	--	435
Cash reimbursements - federal	81,322	--	81,322
Net Cash Provided by Noncapital Financing Activities	81,757	--	81,757
Cash Flows from Capital and related Financing Activities:			
Purchase of capital assets	(3,410)	--	(3,410)
Net Cash Provided by Noncapital Financing Activities	(3,410)	--	(3,410)
Cash Flows from Investing Activities:			
Investment Earnings	2,976	--	2,976
Net Change in Cash and Cash Equivalents	(22,221)	(349)	(22,570)
Cash and Cash Equivalents, Beginning of Year	56,320	15,296	71,616
Cash and Cash Equivalents, End of Year	<u>\$ 34,099</u>	<u>\$ 14,947</u>	<u>\$ 49,046</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (119,959)	\$ 554	\$ (119,405)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	3,360	--	3,360
Value of commodities used	14,552	--	14,552
Change in Assets and Liabilities:			
Inventory	(264)	--	(264)
Deferred revenue	904	--	904
Contracts payable	100	(582)	(482)
Accrued payroll expenses	(1,952)	(79)	(2,031)
Accounts payable	(285)	(242)	(527)
Net cash (used) by operating activities:	<u>\$ (103,544)</u>	<u>\$ (349)</u>	<u>\$ (103,893)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 13,859</u>	<u>\$ --</u>	<u>\$ 13,859</u>

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

Alcester-Hudson School District No. 61-1
Statement of Net Position – Fiduciary Funds
June 30, 2024

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 9,438	\$ 40,251
Accounts receivable	--	9,733
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 9,438</u></u>	<u><u>\$ 49,984</u></u>
Net Position:		
Scholarships	\$ 9,438	\$ --
Individuals, organizations, and other governments	--	49,984
	<u> </u>	<u> </u>
Total Net Position	<u><u>\$ 9,438</u></u>	<u><u>\$ 49,984</u></u>

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

Alcester-Hudson School District No. 61-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2024

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 720	\$ --
Collections for student activities	--	607,632
Total Additions	720	607,632
Deductions:		
Private Purpose Trust	400	--
Payments for student activities	--	580,712
Total Deductions	400	580,712
Change in Net Position	320	26,920
Net Position - Beginning	9,118	84,971
Restatement - see Note 14	--	(61,907)
Net Position - Beginning Adjusted	--	23,064
Net Position - Ending	<u>\$ 9,438</u>	<u>\$ 49,984</u>

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Alcester-Hudson School District No. 61-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities. 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 minus liabilities equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

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

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

Governmental Funds:

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

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

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. This is a major fund.

Proprietary Funds:

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

- 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.)
- 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.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Fund – A fund used to record financial transactions related to driver’s education instruction. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

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

All proprietary fund and fiduciary fund types 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.

No investments are currently classified in the financial statements. If there were, they would consist primarily of certificates of deposit whose term to maturity to date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets:

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

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

Alcester-Hudson School District No. 61-1

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 one 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. 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, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's 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 follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All	NA	NA
Buildings	\$ 5,000	Straight-line	50 years
Improvements	\$ 5,000	Straight-line	10-50 years
Machinery and Equipment	\$ 5,000	Straight-line	2-20 years
Food Service Machinery and Equipment	\$ 1,000	Straight-line	12 years

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

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

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

h. Leases:

The School District does not have any leases. 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 lease 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

i. Subscription-Based information technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District did, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School 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 the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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, service, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

k. Deferred Inflows and Deferred Outflows of Resources:

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

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Equity Classifications:

Government-Wide Financial Statements:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

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

Fund Financial Statements:

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

n. Application of Net Position:

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

o. 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

1. Summary of Significant Accounting Policies: (Continued)

- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District has not adopted 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

p. 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. Implementation of New Accounting Standards:

In 2024, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities Accounting Standard. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this standard required that the School District present a Statement of Changes in Fiduciary Net Position for Custodial Funds for 2023 and reclassify previously reported agency funds as custodial funds. The impact to the School District resulted in certain activities previously reported as fiduciary not being considered fiduciary under GASB 84. The effect of the implementation of this standard on beginning net position is disclosed in Note 14.

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:

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

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

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

Credit Risk – State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

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 School District's policy is to credit all income from investments to the fund making the investment.

4. Receivables and Payables:

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

5. Inventory:

Inventory held for consumption is stated at cost.

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

5. Inventory: (Continued)

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

7. Changes in Capital Assets:

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

	6/30/2023 Balance	Increases	Decreases	6/30/2024 Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 60,000	\$ 215,714	\$ --	\$ 275,714
Total capital assets not being depreciated	<u>60,000</u>	<u>215,714</u>	<u>--</u>	<u>275,714</u>
Capital assets being depreciated:				
Buildings	13,294,252	--	971,355	12,322,897
Improvements	1,341,850	105,876	50,526	1,397,200
Machinery & Equipment	1,079,162	44,727	--	1,123,889
Library Books	207,520	9,585	--	217,105
Total capital assets being depreciated	<u>15,922,784</u>	<u>160,188</u>	<u>1,021,881</u>	<u>15,061,091</u>
Less accumulated depreciation for:				
Buildings	2,035,908	223,880	429,471	1,830,317
Improvements	808,053	112,420	25,263	895,210
Machinery & Equipment	726,303	101,075	--	827,378
Library Books	125,053	10,855	--	135,908
Total accumulated depreciation	<u>3,695,317</u>	<u>448,230</u>	<u>454,734</u>	<u>3,688,813</u>
Total capital assets being depreciated, net	<u>12,227,467</u>	<u>(288,042)</u>	<u>567,147</u>	<u>11,372,278</u>
Net Capital Assets	<u>\$ 12,287,467</u>	<u>\$ (72,328)</u>	<u>\$ 567,147</u>	<u>\$ 11,647,992</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 94,128
Support services	215,150
Co-curricular activities	<u>138,952</u>
Total Depreciation Expense	<u>\$ 448,230</u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

7. Changes in Capital Assets: (Continued)

	<u>6/30/2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2024</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 85,782	\$ 3,410	\$ 2,664	\$ 86,528
Less accumulated depreciation for:				
Machinery & Equipment	69,154	3,360	2,664	69,850
Total capital assets, net	<u>\$ 16,628</u>	<u>\$ 50</u>	<u>\$ --</u>	<u>\$ 16,678</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$ 3,360</u>

8. Long-Term Liabilities:

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

	<u>6/30/2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2024</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 5,835,000	\$ --	\$ 280,000	\$ 5,555,000	\$ 285,000
Plus: Unamortized Premiums	359,600	--	22,475	337,125	22,475
Capital Outlay Certificates	2,275,000	--	125,000	2,150,000	125,000
	<u>8,469,600</u>	<u>--</u>	<u>427,475</u>	<u>8,042,125</u>	<u>432,475</u>
Other Liabilities:					
Compensated Absences	49,429	22,810	21,082	51,157	17,905
Other Post Employment Benefits	143,805	--	114,521	29,284	--
Total Long-Term Liabilities	<u>\$ 8,662,834</u>	<u>\$ 22,810</u>	<u>\$ 563,078</u>	<u>\$ 8,122,566</u>	<u>\$ 450,380</u>

Compensated absences and other post-employment benefits for government activities typically have been liquidated from the General Fund.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

8. Long-Term Liabilities: (Continued)

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

Alcester-Hudson School District No 61-1 Capital Outlay Certificates, Series 2019	During July 2019, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$550,000. There is a varying interest rate of 1.85 to 3% assessed on these bonds. Final payment is June 2039. The Capital Outlay Fund makes payment on this debt.	\$ 475,000
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Alcester-Hudson School District No 61-1 General Obligation Bonds, Series 2017	During December 2017, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$6,905,000. There is a varying interest rate of 1.4 to 4% assessed on these bonds. Final payment is August 2038. The Bond Redemption Fund makes payment on this debt.	\$ 5,555,000
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Alcester-Hudson School District No 61-1 Capital Outlay Certificates, Series 2019	During August 2019, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,060,000. There is a varying interest rate of 2.05 to 3.4% assessed on these bonds. Final payment is February 2038. The Capital Outlay Fund makes payment on this debt.	\$ 1,675,000
--	---	--------------

Compensated Absences –

Payable from the fund to which payroll expenditures are charged	\$ 51,157
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Other Post Employment Benefits --

Payable from the fund to which payroll expenditures are charged	\$ 29,284
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Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

8. Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity of all debt outstanding, other than compensated absences and other post-employment benefits, as of June 30, 2024 are as follows:

Year Ending	General Obligation Bonds		Capital Outlay Certificates		Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 307,475	\$ 199,013	\$ 125,000	\$ 60,142	\$ 432,475	\$ 259,155
2026	317,475	190,313	130,000	57,585	447,475	247,898
2027	322,475	181,388	135,000	54,618	457,475	236,006
2028	332,475	172,238	135,000	51,491	467,475	223,729
2029	347,475	161,088	140,000	48,259	487,475	209,347
2030-2034	1,937,375	596,440	755,000	197,390	2,692,375	793,830
2035-2039	2,327,375	199,996	730,000	42,430	3,057,375	242,426
Totals	<u>\$ 5,892,125</u>	<u>\$ 1,700,476</u>	<u>\$ 2,150,000</u>	<u>\$ 511,915</u>	<u>\$ 8,042,125</u>	<u>\$ 2,212,391</u>

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	\$ 2,515,067
Special Education	Law	131,796
Debt Service	Debt Covenants	400,827
SDRS Pension Purposes	Law	364,981
Total		<u>\$ 3,412,671</u>

10. Pension Plan:Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit pension plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

Benefits Provided:

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

Members That were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B 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.

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

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

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

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023, and 2022 were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 151,016
2023	151,669
2022	157,375

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

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

Proportionate share of pension benefits	\$ 14,191,025
Less proportionate share of net pension restricted for pension benefits	<u>14,200,584</u>
Proportionate share of net pension (asset)	<u>\$ (9,559)</u>

At June 30, 2024, the School District reported an asset of (\$9,559) 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 0.09793200%, which is an decrease of 0.0119130% from its proportion measured as of June 30, 2022.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

For the year ended June 30, 2024, the School District recognized a pension expense of \$47,890. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 270,943	\$ --
Changes in assumption	326,795	477,702
Net difference between projected and actual earnings on pension plan investments	63,638	--
Changes in proportion and difference between district contributions and proportionate share of contributions	22,033	1,301
District contributions subsequent to the measurement date	151,016	--
Total	<u>\$ 834,425</u>	<u>\$ 479,003</u>

\$151,016 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2025	\$ 135,949
2026	(138,658)
2027	191,489
2028	15,626
Total	<u>\$ 204,406</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	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.91%

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010.

Other Class A Members: PubG-2010.

Public Safety Members: PubS-2010.

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table.

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table.

Others: PubG-2010 disabled member mortality table.

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e, the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, ect.). 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 rate 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

10. Pension Plan: (Continued)

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

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

Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net pension (asset)	<u>\$ 1,959,178</u>	<u>\$ (9,559)</u>	<u>\$ (1,619,609)</u>

Pension Plan Fiduciary Net Position:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

11. Other Post Employment Benefits – Healthcare Plan:

Plan Description: Alcester-Hudson School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any School District to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the District. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Alcester-Hudson School District, 409 E 6th Street, P.O. Box 198, Alcester, SD 57001 or by calling (605) 934-1890.

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

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

Retirees currently receiving benefit payments	7
Active employees	47
	<u>54</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2023 Actuarial Valuation Report. See Note 10 – Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 143,805
Service Cost	22,179
Interest	5,892
Difference between expected and actual experience	(72,880)
Effect on assumptions, changes or inputs	(60,593)
Benefit payments	(9,119)
End of Year Balances	<u>\$ 29,284</u>

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.65%

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 35,000	\$ 29,284	\$ 25,000

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

11. Other Post Employment Benefits – Healthcare Plan: (Continued)

For the year ended June 30, 2024, the School District recognized OPEB revenue of \$114,521.

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

Year Ended June 30,	
2025	\$ (9,000)
2026	(10,000)
2027	(5,000)
2028	--
2029	(12,000)
Thereafter	(66,000)
Total	<u>\$ (102,000)</u>

12. Joint Ventures:

The School District participates in the joint venture known as the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

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

District	%
Alcester-Hudson School District No. 61-1	10.23%
Beresford School District No. 61-2	20.82%
Canton School District No. 41-1	27.27%
Elk Point-Jefferson School District No. 61-7	21.38%
Irene-Wakonda School District No. 13-3	8.46%
Viborg-Hurley School District No. 60-6	11.84%

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

12. Joint Ventures: (Continued)

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 Southeast Area Cooperative.

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

	<u>June 30, 2024</u>
Total Assets and Deferred	
Outflows of Resources	\$ 1,800,312
Total Liabilities and Deferred	
Inflows of Resources	\$ 513,032
Total Net Position	\$ 1,287,280

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

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

13. Risk Management: (Continued)

The agreement with the ASBSD-PLF provides that the above coverage's will be provided to a \$250,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 deductible for the coverage of property, machinery, and crime.

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 provide 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. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustee 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 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 this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has an assigned fund balance in the General Fund in the amount of \$172,912 for the payment of future unemployment benefits.

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

14. 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2024

15. Implementation of New Standard and Restatement:

As of June 30, 2024, the School District implemented GASB Statement No. 84, Fiduciary Activities (GASB 84). Certain agency funds previously accounted for activities that are not considered fiduciary in nature and are now reported in the General Fund.

The School District restated the net positions and fund balances of the General Fund and the Custodial Fund indicated below to appropriately reflect the July 1, 2023 balances as follows:

General Fund

Net position at June 30, 2023, as previously stated	\$ 582,727
Restatement - Implementation of GASB 84	<u>61,907</u>
Net position at July 1, 2023, as restated	<u><u>\$ 644,634</u></u>

Custodial Funds

Net position at June 30, 2023, as previously stated	\$ 84,971
Restatement - Implementation of GASB 84	<u>(61,907)</u>
Net position at July 1, 2023, as restated	<u><u>\$ 23,064</u></u>

Governmental Activities

Net position at June 30, 2023, as previously stated	\$ 7,410,324
Restatement - Implementation of GASB 84	<u>61,907</u>
Net position at July 1, 2023, as restated	<u><u>\$ 7,472,231</u></u>

Required Supplementary Information

Alcester-Hudson School District No. 61-1

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,170,391	\$ 1,170,391	\$ 1,257,376	\$ 86,985
Prior years' ad valorem taxes	15,000	15,000	11,737	(3,263)
Utility taxes	84,981	84,981	82,837	(2,144)
Penalties and interest on taxes	4,000	4,000	3,245	(755)
Earnings on Investments and Deposits	20,000	20,000	57,783	37,783
Cocurricular Activities:				
Admissions	10,000	10,000	14,259	4,259
Other student activity income	9,000	9,000	17,973	8,973
Other Revenue from Local Sources:				
Rentals	1,000	1,000	1,049	49
Contributions and donations	2,000	2,000	1,950	(50)
Charges for services	6,000	6,000	1,097	(4,903)
Other	15,000	15,000	10,930	(4,070)
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	37,289	37,289	37,612	323
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,645,818	1,645,818	1,569,157	(76,661)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	25,330	25,330	25,330	--
Restricted grants-in-aid received from federal government through the state	197,697	197,697	208,986	11,289
Total Revenues	<u>\$ 3,243,506</u>	<u>\$ 3,243,506</u>	<u>\$ 3,301,321</u>	<u>\$ 57,815</u>

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

Alcester-Hudson School District No. 61-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 908,642	\$ 908,642	\$ 891,730	\$ 16,912
Middle/junior high	144,330	144,330	137,439	6,891
High school	557,711	557,711	545,538	12,173
Preschool	85,002	85,002	80,235	4,767
Special Programs:				
Culturally Different	9,619	9,619	5,610	4,009
Educationally deprived	105,130	105,130	103,760	1,370
Support Services:				
Students:				
Guidance	63,457	63,457	64,742	(1,285)
Health	52,511	52,511	51,902	609
Instructional Staff:				
Improvement of instruction	--	--	6,226	(6,226)
Educational media	128,339	128,339	119,812	8,527
General Administration:				
Board of education	149,377	149,377	132,746	16,631
Executive administration	70,551	70,551	69,864	687
School Administration:				
Office of the principal	214,248	214,248	224,931	(10,683)
Other	500	500	81	419
Business:				
Fiscal services	119,111	119,111	117,489	1,622
Operation and maintenance of plant	392,698	392,698	356,653	36,045
Student transportation	152,111	152,111	152,303	(192)
Central:				
Information	--	--	9,000	(9,000)
Cocurricular Activities:				
Male activities	60,162	60,162	54,019	6,143
Female activities	61,450	61,450	58,865	2,585
Transportation	9,092	9,092	11,424	(2,332)
Combined activities	110,441	110,441	110,760	(319)
Contingencies	10,000	10,000	--	10,000
Total Expenditures	3,404,482	3,404,482	3,305,129	99,353
Excess of Revenues Over Expenditures	(160,976)	(160,976)	(3,808)	157,168
Other Financing Sources:				
Operating transfers in	160,476	160,476	--	(160,476)
Sale of surplus property	500	500	600	100
Total Other Financing Sources:	160,976	160,976	600	(160,376)
Net Change in Fund Balances	--	--	(3,208)	(3,208)
Fund Balance, Beginning of Year	582,727	582,727	582,727	--
Restatement - See Note 14	61,907	61,907	61,907	--
Fund Balance, Beginning of Year Adjusted	644,634	644,634	644,634	--
Fund Balance, End of Year	\$ 644,634	\$ 644,634	\$ 641,426	\$ (3,208)

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

Alcester-Hudson School District No. 61-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,002,014	\$ 1,002,014	\$ 930,546	\$ (71,468)
Prior years' ad valorem taxes	3,500	3,500	6,740	3,240
Penalties and interest on taxes	500	500	1,180	680
Earnings on Investments & Deposits	30,000	30,000	106,537	76,537
Other Revenue from Local Sources:				
Contributions and donations	18,149	18,149	18,149	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	15,000	15,000	--	(15,000)
Total Revenues	1,069,163	1,069,163	1,063,152	(6,011)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	64,000	64,000	45,824	18,176
High school	77,100	77,100	65,529	11,571
Support Services:				
Instructional Staff:				
Educational media	20,900	20,900	17,880	3,020
Business:				
Fiscal services	30,000	30,000	35,148	(5,148)
Facilities acquisition and construction	606,149	606,149	294,271	311,878
Operation and maintenance of plant	52,700	52,700	92,972	(40,272)
Student transportation	8,400	8,400	8,400	--
Food Services	2,000	2,000	--	2,000
Debt Services:	189,500	189,500	189,139	361
Cocurricular Activities:				
Combined activities	17,000	17,000	20,896	(3,896)
Total Expenditures	1,067,749	1,067,749	770,059	297,690
Excess of Revenue Over (Under)				
Expenditures	1,414	1,414	293,093	291,679
Other Financing Sources (Uses):				
Transfers out	(160,476)	(160,476)	--	160,476
Total Other Financing Sources (Uses)	(160,476)	(160,476)	--	160,476
Net Change in Fund Balances	(159,062)	(159,062)	293,093	452,155
Fund Balance, Beginning of Year	2,215,869	2,215,869	2,215,869	--
Fund Balance, End of Year	\$ 2,056,807	\$ 2,056,807	\$ 2,508,962	\$ 452,155

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

Alcester-Hudson School District No. 61-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 572,441	\$ 572,441	\$ 593,215	\$ 20,774
Prior years' ad valorem taxes	4,500	4,500	5,089	589
Penalties and interest on taxes	--	--	947	947
Earnings on Investments & Deposits	1,800	1,800	5,758	3,958
Other Revenue from Local Sources:				
Charges for services	3,600	3,600	2,824	(776)
Total Revenues	582,341	582,341	607,833	25,492
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	563,460	563,460	558,813	4,647
Support Services:				
Students:				
Psychological	20,388	20,388	20,386	2
Speech pathology	28,550	28,550	28,550	--
Student therapy services	29,981	29,981	29,980	1
Special Education:				
Transportation costs	500	500	--	500
Total Expenditures	642,879	642,879	637,729	5,150
Net Change in Fund Balance	(60,538)	(60,538)	(29,896)	30,642
Fund Balance, Beginning of Year	156,792	156,792	156,792	--
Fund Balance, End of Year	\$ 96,254	\$ 96,254	\$ 126,896	\$ 30,642

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

Alcester-Hudson School District No. 61-1
Notes to the Required Supplementary Information
June 30, 2024

1. Budgets and Budgetary Accounting:

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

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

2. 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.

Alcester-Hudson School District No. 61-1
Schedule of Changes in Total OPEB Liability
For the Year Ended June 30, 2024

Total OPEB Liability

Service cost	\$ 22,179
Interest on total OPEB liability	5,892
Difference between expected and actual experience	(72,880)
Effect of assumption changes or inputs	(60,593)
Benefit payments	<u>(9,119)</u>
Net change in total OPEB liability	(114,521)
Total OPEB liability, beginning	<u>143,805</u>
Total OPEB liability, ending	<u><u>\$ 29,284</u></u>

Alcester-Hudson School District No. 61-1

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)	0.0979320%	0.1098450%	0.1091050%	0.1076535%	0.1043855%	0.1050209%	0.1059999%	0.0983715%	0.0951855%	0.0996752%
District's proportionate share of net pension liability (asset)	\$ (9,559)	\$ (10,381)	\$ (835,558)	\$ (4,675)	\$ (11,062)	\$ (2,449)	\$ (9,620)	\$ 332,289	\$ (403,709)	\$ (718,119)
District's covered-employee payroll	\$ 2,526,009	\$ 2,622,923	\$ 2,475,975	\$ 2,370,130	\$ 2,288,676	\$ 2,183,270	\$ 2,153,684	\$ 1,872,806	\$ 1,735,528	\$ 1,743,044
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.38%	0.40%	33.75%	0.20%	0.48%	0.11%	0.45%	17.74%	23.26%	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.

Alcester-Hudson School District No. 61-1

Schedule of the School District Contributions South Dakota Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually-required contribution	\$ 151,016	\$ 151,669	\$ 157,375	\$ 148,557	\$ 142,173
Contributions in relation to the contractually-required contribution	<u>151,016</u>	<u>151,669</u>	<u>157,375</u>	<u>148,557</u>	<u>142,173</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,616,934	\$ 2,526,009	\$ 2,622,923	\$ 2,475,945	\$ 2,370,130
Contributions as a percentage of employee-covered payroll	5.77%	6.00%	6.00%	6.00%	6.00%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually-required contribution	\$ 137,317	\$ 130,997	\$ 129,222	\$ 112,369	\$ 104,132
Contributions in relation to the contractually-required contribution	<u>137,317</u>	<u>130,997</u>	<u>129,222</u>	<u>112,369</u>	<u>104,132</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 2,288,676	\$ 2,183,270	\$ 2,153,684	\$ 1,872,806	\$ 1,735,528
Contributions as a percentage of employee-covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%

Alcester-Hudson School District No. 61-1

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.