



Financial Statements
June 30, 2024

Watertown School District No. 14-4

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Independent Auditor's Report

To the School Board
Watertown School District No. 14-4
Watertown, South Dakota

Report on the Audit of the Financial Statements

Qualified, Unmodified, and Disclaimer of Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Watertown School District No. 14-4 (the School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Discretely Presented Component Unit

We do not express an opinion on the accompanying financial statements of the discretely presented component unit of the School District. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

Qualified Opinions on the Aggregate Remaining Fund Information and Governmental Activities

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

Unmodified Opinions on the Business-Type Activities and Each Major Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the School District, 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 Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Lake Area Technical College Foundation have not been audited, and we were not engaged to audit the Lake Area Technical College Foundation's financial statements as part of our audit of the School District's basic financial statements. The Lake Area Technical College Foundation's financial activities, excluding the required financial statement footnotes, are included in the School District's basic financial statements as a discretely presented component unit and comprise approximately \$13,259,000 of assets, \$621,000 of liabilities, and \$12,638,000 of net position.

Basis for Qualified and Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watertown School District No. 14-4 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinions on the Aggregate Remaining Fund Information and Governmental Activities

The financial statements of the Arrow Education Foundation have not been audited, and we were not engaged to audit the Arrow Education Foundation's financial statements as part of our audit of the School District's basic financial statements. The Arrow Education Foundation's financial activities, excluding the required financial statement footnotes, are included in the School District's basic financial statements as a blended component unit presented as a special revenue fund and represent 33%, 38%, and 5% of the assets, net position, and revenues, respectively, of the School District's aggregate remaining fund information. The Arrow Education Foundation's financial activities, excluding the required financial statement footnotes, being included in the School District's basic financial statements as a blended component unit presented as a special revenue fund, therefore, also are included within the governmental activities and represent 2%, 3%, and 1% of the assets, net position, and revenues, respectively, of the School District's governmental activities.

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 Watertown School District No. 14-4'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

Auditor's Responsibilities for the Audit of the Discretely Presented Component Unit

Our responsibility is to conduct an audit of the School District's financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

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.

Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability (asset), schedule of employer's contributions, and schedule of changes in the School District's total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Watertown School District No. 14-4's basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, because of the significance of the matter disclosed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, it is inappropriate to, and we do not, express an opinion in relation to the basic financial statements as a whole on the supplementary information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2025, on our consideration of Watertown School District No. 14-4'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 the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Saelly LLP".

Aberdeen, South Dakota
January 17, 2025

This section of the annual financial report of the Watertown School District No. 14-4 (the District) presents Management's Discussion and Analysis of the District's financial performance during the fiscal year ended on June 30, 2024. This MD&A is to be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District continues to maintain an adequate financial position in all major funds. The ending fund balance in the General Fund is 24.82% of expenditures, which is a slight increase from the previous year. The fund balance percentage is based on the most current year's total expenditures in the fund being analyzed. Increased federal funding related to ESSER allocations has allowed the District flexibility in the anticipated transfer in from the Capital Outlay Fund. Under cash limiting legislation, schools are not allowed to have their lowest month ending cash balance in an amount in excess of 25% of the prior year's expenditures. The ending fund balance of the General Fund on June 30, 2024 was \$7,750,122.
- The Capital Outlay Fund had an ending fund balance at June 30, 2024 of \$7,297,854 with revenues reported at \$9,527,746 and expenditures at \$8,852,116. The expenditures over revenue were anticipated as the District completed construction in progress on the Athletic Complex.
- The Special Education Fund had revenue exceed expenditures and created an ending fund balance on June 30, 2024 of \$2,060,299, an increase of \$1,093,093 from the previous fiscal year.
- The financial activity of the Lake Area Technical College Fund reflects an anticipated decrease with an ending fund balance as of June 30, 2024 of \$5,543,694. Revenue came in at \$45,588,198 and expenditures at \$47,259,464. Expenditures account for construction in progress of both the Diesel Expansion and Archway project.
- The District's net position from governmental and business-type activities increased by \$19,427,094. Resulting in a net position of \$130,912,423. The District's investment in capital and right-to-use lease assets is noted at \$123,045,664 and reflects an increase of 17.74% from June 30, 2023. These capital and right-to-use lease assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in capital and right-to-use lease assets was \$98,254,788, an increase of 25.81% from June 30, 2023.
- During the year, the District's total revenues of \$118,994,114 were composed of revenue reported under governmental activities at 94% with the other 6% as reported under Business-type activities. Revenue generation was in large part contributed to property taxes and related revenue coming in at \$24,662,497 as well as State Aid and other state sourced revenue in the amount of \$28,401,559.
- The District as of June 30, 2024 had remaining commitments of approximately \$9,489,000 related to Phase II of the Athletic Complex project at the High School, remaining commitments of approximately \$733,085 related to various remodel, renovation, and expansion projects at LATC, and remaining commitments of approximately \$1,562,150 related to the Archway project at LATC.

- Long term debt payable at June 30, 2024 was comprised of Capital Outlay Certificate Debt in the amount of \$21,995,000 and related unamortized premiums in the amount of \$3,174,753, as well as lease liabilities in the amount of \$378,877. Additionally, the District recognizes its Early Retirement Plan obligation as long-term debt and at year-end that payable amount is \$756,820 of which the District's General Fund and LATC Post Secondary Fund is responsible for respective payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- Governmental fund statements tell how general District services were financed in short-term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements by including a comparison of the District's budget data for the year.

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

Figure A-1

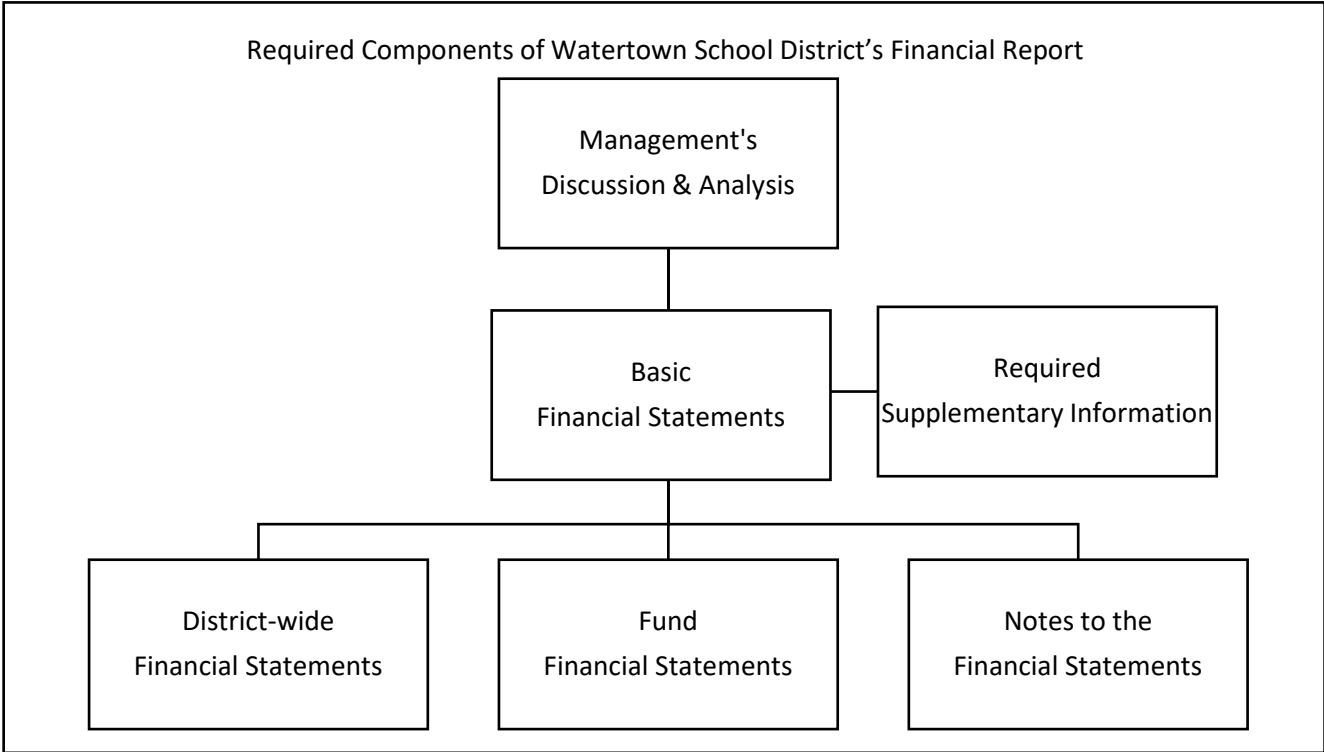


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Governmental Funds	Fund Financial Statements	
			Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as General, Special Education and Capital Outlay	Activities the District operates similar to private businesses, such as food service and student services	Instances in which the District administers resources on behalf of someone else, such as student activities
Required financial statements changes	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Exchanges and Changes in Fund Net Positions • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

The two government-wide statements report the District's net position and how they have changed. Net positions are the difference between the District's assets and liabilities and are one way to measure the District's financial position.

- Over time, increases and decreases in the District's net positions are an indicator of whether its financial position is improving or deteriorating.
- Additional non-financial factors, such as changes in the District's property tax base, condition of facilities and equipment, District enrollment trends and changes in the school aid funding formula from the State of South Dakota need to be considered as well.

The government-wide financial statements divide the District's activities into three categories:

- Governmental Activities include the District's instructional and support service costs in the following funds: General Fund, Capital Outlay, Special Education, Post-Secondary, Financial Aid Fund and non-major governmental funds. Debt service payments and capital equipment purchases are also accounted for in Governmental Activities. The financial support of Governmental Activities is derived mainly through property taxes, State aid, State and Federal grants, and the tuition and fees received by Lake Area Technical College.
- Business-type Activities are activities in which the District charges fees to assist with the cost of the services being provided. The Nutrition Services, Arena Concessions, Driver's Education, Pre-School Services, LATC Bookstore, LATC Food Service and LATC Educare Service are Business-type Activities of the District.
- Component Unit: The District separately reports the activity of LATC Foundation.

Fund financial statements provide more detailed information about the District's individual funds and not the District as a whole. Funds are accounting devices that the District uses to track specific sources of funding and spending for particular purposes.

- Law requires the use of certain funds and other funds are also used by the District to accommodate accounting and tracking of financial activities for varying purposes. The following are some of the funds used by the District and their general purpose.
 - General Fund - general instructional operations of the District
 - Capital Outlay Fund - capital type acquisitions (buildings, equipment & debt retirement)
 - Special Education Fund - costs related to providing instruction and support services to students with special needs
 - Post Secondary Fund - accommodates the operations of Lake Area Technical College (LATC)
 - Perkins Fund - accommodates the financial assistance provided by the Federal Government in the form of student loans for the students at LATC
 - Financial Aid Fund - accounts for student loans and college work study as provided by the Federal Government for LATC's students

The District has three types of funds:

- **Governmental Funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental fund statements that explain the relationship (or differences) between them.

The Watertown School District has designated the General Fund, Capital Outlay Fund, Special Education Fund, Post Secondary Fund and Financial Aid Fund as its major funds. Therefore, information is presented separately for these funds in the balance sheet and the statement of revenues, expenditures and changes in fund balance. Data for other governmental funds is provided in combined form.

- **Proprietary Funds** - Services for which the District charges users a fee are generally reported in proprietary funds. Proprietary funds are like government-wide statements in that they both provide short and long-term financial information.
 - **Enterprise Funds** (one type of proprietary fund) are the District's business-type activities reported on the government-wide financial statements and they provide more detail and additional information, such as cash flows.
 - **Internal Service Funds** (the other kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District operates the Self-funded Insurance Trust as an Internal Service Fund.
- **Component Unit Activities** – Arrow Education Foundation is an unaudited blended component unit reported separately as an independent corporation organized for the benefit of the School District. The primary focus of the Arrow Education Foundation is to support the advancement of education through scholarships and grants for costs associated with classroom activities and new program implementation for the benefit of students. The Arrow Education Foundation is financed by contributions and donations and earnings on investments.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position – The District's combined net position was as follows:

	Statement of Net Position						Total Percent Change
	Governmental Activities		Business-type Activities		Total		
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	
Current and Other Assets	\$52,311,783	\$50,083,573	\$3,195,462	\$3,039,648	\$55,507,245	\$53,123,221	4.49%
Net Pension Asset	\$0	\$0	\$0	\$0	\$0	\$0	0.00%
Capital Assets (Net Depreciation)	\$122,723,103	\$104,140,959	\$322,561	\$365,117	\$123,045,664	\$104,506,076	17.74%
Total Assets	\$175,034,886	\$154,224,532	\$3,518,023	\$3,404,765	\$178,552,909	\$157,629,297	13.27%
Pension/OPEB Deferred Outflows	\$11,885,609	\$13,591,768	\$404,953	\$427,124	\$12,290,562	\$14,018,892	-12.33%
Assets and Deferred Outflows	\$186,920,495	\$167,816,300	\$3,922,976	\$3,831,889	\$190,843,471	\$171,648,189	11.18%
Long-term Debt Outstanding	\$26,305,450	\$27,931,612	\$0	\$0	\$26,305,450	\$27,931,612	-5.82%
Other Liabilities	\$13,004,108	\$11,253,914	\$906,231	\$502,163	\$13,910,339	\$11,756,077	18.32%
Pension/OPEB and Other Deferred Inflows	\$19,483,206	\$20,224,314	\$232,053	\$250,857	\$19,715,259	\$20,475,171	-3.71%
Total Liabilities	\$58,792,764	\$59,409,840	\$1,138,284	\$753,020	\$59,931,048	\$60,162,860	-0.39%
Net Position:							
Net Invested in Capital Assets	\$97,932,227	\$77,734,444	\$322,561	\$365,117	\$98,254,788	\$78,099,561	25.81%
Restricted	\$23,461,632	\$24,023,573	\$177,543	\$180,580	\$23,639,175	\$24,204,153	-2.33%
Unrestricted	\$6,733,872	\$6,648,443	\$2,284,588	\$2,533,172	\$9,018,460	\$9,181,615	-1.78%
Total Net Position	\$128,127,731	\$108,406,460	\$2,784,692	\$3,078,869	\$130,912,423	\$111,485,329	17.43%
Liabilities, Deferred Inflows and Net Position	\$186,920,495	\$167,816,300	\$3,922,976	\$3,831,889	\$190,843,471	\$171,648,189	11.18%

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

The District's investment in capital and right-to-use lease assets is noted at \$123,045,664 and reflects an increase of 17.74% from June 30, 2023. These capital and right-to-use lease assets are used to provide educational services; consequently, they are not available for future spending. The District's net investment in capital and right-to-use lease assets was \$98,254,788, an increase of 25.81% from June 30, 2023. Although the investment in capital and right-to-use lease assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital and right-to-use lease assets themselves cannot be used to liquidate these liabilities.

Watertown School District No. 14-4
Management's Discussion and Analysis (Unaudited)
June 30, 2024

The total net position of the District increased by \$19,427,094.

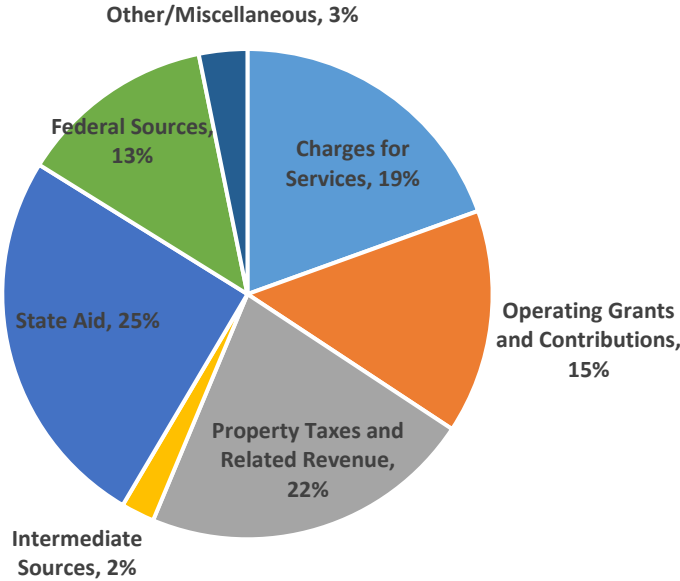
Statement of Activities – The table below represents the District's changes in Net Position for Governmental and Business-type Activities.

	Changes in Watertown School District's Net Position					
	Governmental Activities 2023-24	Governmental Activities 2022-23	Business-type Activities 2023-24	Business-type Activities 2022-23	Total 2023-24	Total 2022-23
REVENUE:						
Program Revenue						
Charges for Services	\$21,837,389	\$21,609,046	\$5,801,437	\$5,131,060	\$27,638,826	\$26,740,106
Operating Grants & Contributions	\$16,570,928	\$15,415,821	\$1,108,854	\$1,182,691	\$17,679,782	\$16,598,512
Capital Grants & Contributions	\$14,522,638	\$12,139,871	\$0	\$0	\$14,522,638	\$12,139,871
General Revenue						
Property and Gross Receipts Taxes	\$24,662,497	\$22,928,809	\$0	\$0	\$24,662,497	\$22,928,809
State Aid and Other State Sources	\$30,860,224	\$26,226,359	\$0	\$0	\$30,860,224	\$26,226,359
Revenue from Federal Sources	\$15,102	\$3,496	\$0	\$0	\$15,102	\$3,496
Unrestricted Investment Earnings	\$1,511,474	\$342,207	\$39,298	\$17,811	\$1,550,772	\$360,018
Other/Miscellaneous	\$2,064,273	\$2,235,729	\$0	\$0	\$2,064,273	\$2,253,729
Total Revenue	\$112,044,525	\$100,901,338	\$6,949,589	\$6,331,562	\$118,994,114	\$107,232,900
EXPENSES:						
Instruction	\$45,392,535	\$39,980,449	\$0	\$0	\$45,392,535	\$39,980,449
Support services	\$25,278,822	\$22,441,081	\$0	\$0	\$25,278,822	\$22,441,081
Non-programmed Charges	\$18,574,505	\$19,877,795	\$0	\$0	\$18,574,505	\$19,877,795
Debt Service Payments	\$643,813	\$687,611	\$0	\$0	\$643,813	\$687,611
Co-curricular Costs	\$2,433,579	\$2,613,810	\$0	\$0	\$2,433,579	\$2,613,810
Nutrition/Food/Concessions Services	\$0	\$0	\$3,202,740	\$2,974,665	\$3,202,740	\$2,974,665
Student/Support Services	\$0	\$0	\$4,041,026	\$3,712,077	\$4,041,026	\$3,712,077
Total Expense	\$92,323,254	\$85,600,746	\$7,243,766	\$6,686,742	\$99,567,020	\$92,287,488
Changes in Net Position	\$19,721,271	\$15,300,592	(\$294,177)	(\$355,180)	\$19,427,094	\$14,945,412
Net Position - Beginning	\$108,406,460	\$93,105,868	\$3,078,869	\$3,434,049	\$111,485,329	\$96,539,917
Net Position - Ending	\$128,127,731	\$108,406,460	\$2,784,692	\$3,078,869	\$130,912,423	\$111,485,329

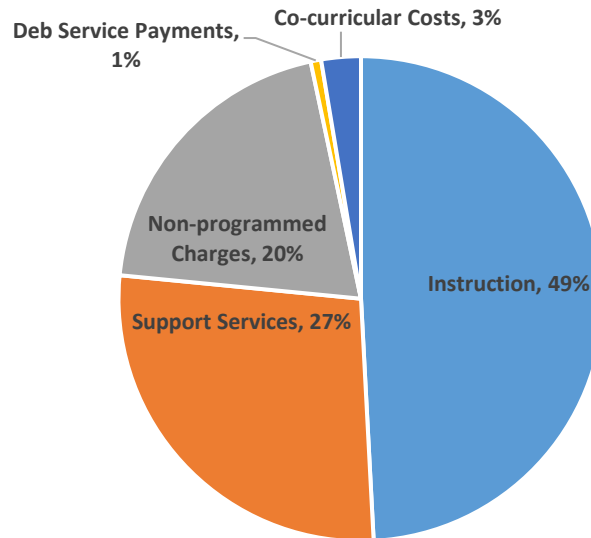
The District's total revenue in the amount of \$118,994,114 is 10.97% higher than the prior year. The expense total was 7.89% higher than the prior year in the amount of \$99,567,020.

The following details provide a breakdown of revenue and expenses for the governmental funds. The graph highlights that the majority of revenue comes from four key sources: State Aid (25%), Property Taxes and Related Revenue (22%), Operating Grants and Contributions (15%), and Charges for Services (19%). A year-over-year comparison reveals that the percentage of revenue from State and Federal sources remained unchanged, while revenue from Charges for Services decreased by 1%, and Property Tax revenue also saw a 1% decline. Total governmental activities revenue amounted to \$112,044,525, while total expenditures were \$92,323,254, with the largest share allocated to instructional and support service costs.

Governmental Funds - Sources of Revenue - 2024



Governmental Funds - Functional Expenses - 2024



Governmental Funds - The focus of the Watertown School District's governmental funds is to provide information on current revenues, expenses and balances of available resources. This information is useful in assessing the District's current financial condition and will assist in the assessment of the District's projected financial position. The changes in the reserved and unreserved fund balances serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The District's governmental funds governmental activities ended the year with a combined net position of \$128,127,731. The majority of this amount is net investment in capital and right-to-use lease assets and restricted for Capital Outlay, Special Education, and Post-Secondary.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information is in the form of budgetary comparison schedules for the District's five major funds; General Fund, Capital Outlay, Special Education, LATC Post Secondary Fund and Financial Aid Fund. These schedules are accompanied by notes to the required supplementary information which explain the schedules and contain certain other budgetary information.

The combining statements for the nonmajor funds referred to earlier are presented immediately following the required supplementary information on budgets.

CAPITAL ASSET ADMINISTRATION

Capital Assets - The School Board has established its capitalization policy with the value of equipment to be listed at \$5,000 and building improvements at \$25,000. The changes in the Capital Assets of the District were caused by several different factors: purchases, disposals and current year depreciation.

The District ended the 2024 fiscal year with an investment of \$123,045,665 in a broad range of capital and right-to-use lease assets, including land, construction work in process, buildings and improvements, and machinery and equipment. See table A-3 outlined below. This amount represents a net increase of \$18,539,679 or 17.74%.

Additional information on the School District's Capital Assets can be found in Note 4.

**Table A-3
Watertown School District 14-4 Capital Assets**

	Governmental		Business-type		Total Dollar Change	Total Percent Change
	Activities		Activities			
	2023-24	2022-23	2023-24	2022-23		
Land	\$7,422,696	\$7,138,196	\$0	\$0	\$284,500	3.99%
Construction Work in Process	\$23,971,036	\$15,690,365	\$0	\$0	\$8,280,671	52.78%
Buildings and Improvements	\$78,964,933	\$71,800,247	\$0	\$0	\$7,164,686	9.98%
Machinery and Equipment	\$12,364,438	\$9,512,061	\$322,562	\$365,117	\$2,809,822	28.45%
	\$122,723,103	\$104,140,869	\$322,562	\$365,117	\$18,539,679	17.74%

LONG-TERM DEBT ADMINISTRATION

The District ended the 2024 fiscal year with \$26,305,450 noted as long-term debt. This is a decrease of \$1,626,162. See table A-4 outlined below.

Additional information on the School District's long-term debt can be found in Note 5.

**Table A-4
Watertown School District 14-4 Outstanding Debt and Obligations**

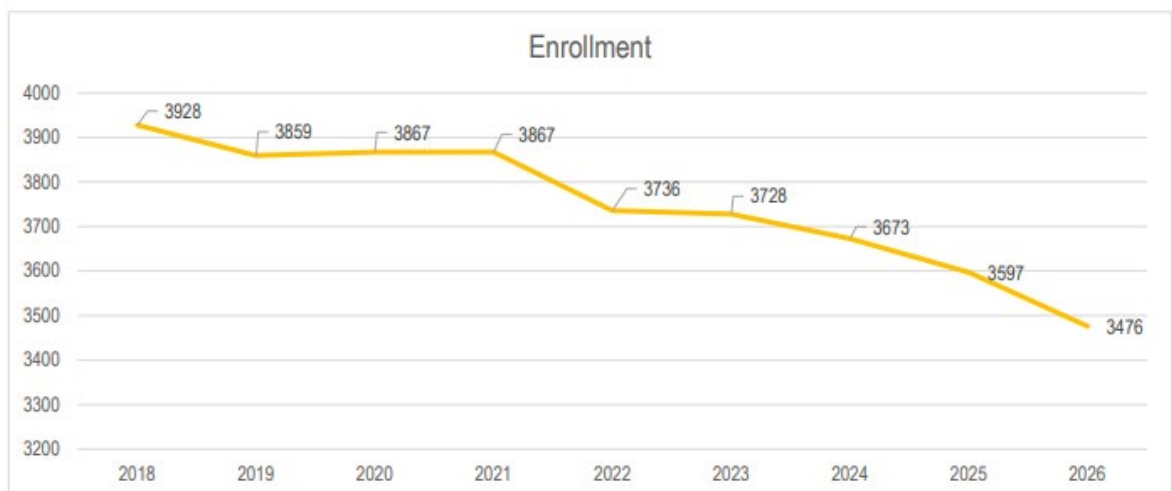
	Governmental		Business-type		Total Dollar Change
	Activities		Activities		
	2023-24	2022-23	2023-24	2022-23	
Capital Outlay Certificates	\$21,995,000	\$23,465,000	\$0	\$0	(\$1,470,000)
Unamortized Premium	\$3,174,753	\$3,405,958	\$0	\$0	(\$231,205)
Lease Liability	\$378,877	\$464,533	\$0	\$0	(\$85,656)
Early Retirement	\$756,820	\$596,121	\$0	\$0	\$160,699
	\$26,305,450	\$27,931,612	\$0	\$0	(\$1,626,162)

FACTORS BEARING ON THE DISTRICT'S FINANCIAL FUTURE

At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial condition in the future:

- The District has an assessed value of \$3,446,440,805 for taxes payable in 2025. The State aid formulas for the General Fund and Special Education funds are such that the District does not benefit from the growth in those funds. During the 2016 legislative session, modifications were made that eliminated the taxing authority for the Pension Fund in which has been transferred into the General Fund and limited the growth in the Capital Outlay Fund to the rate of inflation and new property growth. The Capital Outlay Fund no longer receives the full benefit of the increase in property value due to reassessments. The State Legislature annually sets the maximum tax levy amounts the District can request in all taxing funds except the Debt Service Fund, which is established by an approved resolution voted upon by District patrons.
- The primary source of revenue in the General Fund is based on the calculated State Aid formula in which received a 4.0% increase in the target salary amount for the 2024-25 year. The formula is driven by enrollment (see Figure A-5). The formula calculates a target student-to-teacher ratio, based on a sliding scale by student enrollment in which the District derives from a scale of 15 to 1. The District's target number of teachers is calculated by dividing the fall enrollment by the target student-to-teacher ratio. Instructional need is then calculated by multiplying the targeted number of teachers by the statewide target for average teacher salary, and increasing that total by 29% for benefits. The total instructional need is increased by 31% to cover non-instructional costs. This category includes operating costs as well as salaries and benefits of non-instructional staff, such as administrators, counselors, librarians, and school nurses. These steps calculate the District's total need for State Aid. Local effort is applied against the total need, with the State providing any necessary funds to achieve the total need as identified as State Aid.

**Figure A-5
Watertown School District Past & Future Enrollment Forecast**



- On March 13, 2020 President Trump signed the Coronavirus Aid, Relief, and Economic Security Act in which \$13.5 billion was set aside for Elementary and Secondary schools to assist through the COVID-19 pandemic. At the time of this report, the Watertown School District has been awarded \$9,892,049 of federal funds related to funding education to assist schools through the COVID-19 pandemic. The total allocation consists of four separate funding rounds – CRF, ESSER I – II and – III. Each round comes with terms and regulations with the period of funding expanding by one year from the other. With the latest round, ESSER III including a funding period through September of 2024 – therefore accommodating three school years. Lake Area Technical College has been awarded \$9,757,177 of federal funds under HEERF with \$4,356,792 obligated to distribution to students. Funding obligation termed May of 2022.
- Lake Area Technical College accepted bids from Sentry with a secured bid cost of \$1,007,265 for the surgical technology renovation project. The project will begin during January of 2025 and is anticipated to be completed in July of 2025.
- The District accepted bids from Hasslen Construction for the Phase II of the athletic complex project with a base bid of \$10,375,000, an alternate total of \$464,400 and a construction contingency of \$541,970, 5% of total bid, for a total construction cost of \$11,381,370. This bid contract does not account for architectural and equipment/furniture costs associated with the project. The project began during the spring of 2024 and is anticipated to be completed in July of 2025. The District approved the issuance, sale, and payment of limited tax general obligation certificates totaling \$5,000,000 to assist in funding of the athletic complex project.
- The District secured a Sourcewell contract with Johnson Controls for gymnasium improvements at the Mellette gymnasium, amounting to \$398,750, and approved a project development agreement for cooling upgrades at Mellette and McKinley Elementary Schools, with costs not to exceed \$2,140,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, customers, investors and creditors of the Watertown School District with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact the Watertown School District's Business Office, P.O. Box 730, Watertown, SD 57201.

Watertown School District No. 14-4

Statement of Net Position

June 30, 2024

	Primary Government			Component Unit LATC Foundation
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 18,464,468	\$ 1,405,988	\$ 19,870,456	\$ 5,056,216
Investments	17,779,967	806,884	18,586,851	5,147,809
Taxes receivable	11,134,108	-	11,134,108	-
Other receivables	4,571,259	238,099	4,809,358	2,590,509
Interfund balances	(34,313)	34,313	-	-
Inventories	261,916	683,711	945,627	-
Prepaid expenses	-	21,824	21,824	-
Other assets	-	-	-	464,607
Net pension asset	134,378	4,643	139,021	-
Capital and right-to-use lease assets				
Land, improvements and construction in progress	31,393,732	-	31,393,732	-
Capital assets, net	90,957,863	322,561	91,280,424	-
Right-to-use lease assets, net	371,508	-	371,508	-
	<u>175,034,886</u>	<u>3,518,023</u>	<u>178,552,909</u>	<u>13,259,141</u>
Deferred Outflows of Resources				
OPEB related deferred outflows	166,100	-	166,100	-
Pension related deferred outflows	11,719,509	404,953	12,124,462	-
	<u>11,885,609</u>	<u>404,953</u>	<u>12,290,562</u>	<u>-</u>
	<u>\$ 186,920,495</u>	<u>\$ 3,922,976</u>	<u>\$ 190,843,471</u>	<u>\$ 13,259,141</u>
Liabilities				
Accounts payable	\$ 4,706,772	\$ 317,660	\$ 5,024,432	\$ -
Other current liabilities	6,050,212	115,802	6,166,014	620,988
Unearned revenue	158,425	472,769	631,194	-
Noncurrent liabilities:				
Due within one year	2,659,870	-	2,659,870	-
Due in more than one year	23,645,580	-	23,645,580	-
Total OPEB liability	<u>2,088,699</u>	<u>-</u>	<u>2,088,699</u>	<u>-</u>
Total liabilities	<u>39,309,558</u>	<u>906,231</u>	<u>40,215,789</u>	<u>620,988</u>
Deferred Inflows of Resources				
OPEB related deferred inflows	240,125	-	240,125	-
Pension related deferred inflows	6,715,682	232,053	6,947,735	-
Taxes levied for future period	12,471,572	-	12,471,572	-
Other deferred inflows of resources	<u>55,827</u>	<u>-</u>	<u>55,827</u>	<u>-</u>
	<u>19,483,206</u>	<u>232,053</u>	<u>19,715,259</u>	<u>-</u>
Net Position				
Net investment in capital and right-to-use lease assets	97,932,227	322,561	98,254,788	-
Restricted for:				
Capital Outlay	7,330,107	-	7,330,107	-
Special Education	2,080,721	-	2,080,721	-
SDRS Pension Purposes	5,138,205	177,543	5,315,748	-
LATC Post Secondary	5,543,694	-	5,543,694	-
Perkins Loan	54	-	54	-
Arrow Education Foundation	3,368,851	-	3,368,851	-
LATC Foundation	-	-	-	12,638,153
Unrestricted	<u>6,733,872</u>	<u>2,284,588</u>	<u>9,018,460</u>	<u>-</u>
Total net position	<u>128,127,731</u>	<u>2,784,692</u>	<u>130,912,423</u>	<u>12,638,153</u>
	<u>\$ 186,920,495</u>	<u>\$ 3,922,976</u>	<u>\$ 190,843,471</u>	<u>\$ 13,259,141</u>

Watertown School District No. 14-4
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit LATC Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
Instruction	\$ 45,392,535	\$ 13,045,347	\$ 4,642,151	\$ 14,516,556	\$ (13,188,481)	\$ -	\$ (13,188,481)	\$ -
Support services	25,278,822	864,587	1,806,127	6,082	(22,602,026)	-	(22,602,026)	-
Community services	77,545	-	-	-	(77,545)	-	(77,545)	-
Nonprogrammed charges	18,496,960	7,521,517	10,122,650	-	(852,793)	-	(852,793)	-
Co-curricular activities	2,433,579	405,938	-	-	(2,027,641)	-	(2,027,641)	-
*Interest on long-term debt	643,813	-	-	-	(643,813)	-	(643,813)	-
Total governmental activities	92,323,254	21,837,389	16,570,928	14,522,638	(39,392,299)	-	(39,392,299)	-
Business-type activities:								
Food services	3,053,443	1,645,783	1,076,236	-	-	(331,424)	(331,424)	-
Daycare and preschool	409,608	441,211	32,618	-	-	64,221	64,221	-
Drivers education	61,148	65,324	-	-	-	4,176	4,176	-
Bookstore	3,570,270	3,499,932	-	-	-	(70,338)	(70,338)	-
Concessions	149,297	149,187	-	-	-	(110)	(110)	-
Total business-type activities	7,243,766	5,801,437	1,108,854	-	-	(333,475)	(333,475)	-
Total primary government	\$ 99,567,020	\$ 27,638,826	\$ 17,679,782	\$ 14,522,638	(39,392,299)	(333,475)	(39,725,774)	-
Component Unit	\$ 16,121,008	\$ 130,500	\$ 2,351,078					(13,639,430)
General Revenues								
Taxes:								
Property taxes					24,398,968	-	24,398,968	-
Gross receipts tax					263,529	-	263,529	-
Revenue from state sources:								
State aid					28,401,559	-	28,401,559	-
Other					2,458,665	-	2,458,665	-
Revenue from federal sources								
Unrestricted investment earnings (losses)					15,102	-	15,102	-
Other general revenues					1,511,474	39,298	1,550,772	830,162
					2,064,273	-	2,064,273	-
Total general revenues					59,113,570	39,298	59,152,868	830,162
Change in Net Position					19,721,271	(294,177)	19,427,094	(12,809,268)
Net Position - Beginning					108,406,460	3,078,869	111,485,329	25,447,421
Net Position - Ending					\$ 128,127,731	\$ 2,784,692	\$ 130,912,423	\$ 12,638,153

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

Watertown School District No. 14-4
Balance Sheet – Governmental Funds
June 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Assets							
101 Cash and cash equivalents	\$ 5,535,980	\$ 4,452,546	\$ 2,269,872	\$ 2,533,550	\$ 10,256	\$ 124,762	\$ 14,926,966
180 Investments	4,521,581	4,448,877	515,539	5,039,878	-	3,254,092	17,779,967
110 Taxes receivable - current	5,444,046	3,333,174	2,252,013	-	-	-	11,029,233
112 Taxes receivable - delinquent	52,200	32,253	20,422	-	-	-	104,875
120 Accounts receivable, net	28,100	7,420	-	134,667	-	-	170,187
123 Tuition receivable	-	-	-	24,547	-	-	24,547
125 Lease receivable	-	-	-	52,777	-	-	52,777
140 Due from other governments	1,260,650	-	398,533	2,604,565	-	-	4,263,748
150 Advance to imprest	-	-	-	60,000	-	-	60,000
170 Inventory of supplies	180,620	-	-	81,296	-	-	261,916
	<u>\$ 17,023,177</u>	<u>\$ 12,274,270</u>	<u>\$ 5,456,379</u>	<u>\$ 10,531,280</u>	<u>\$ 10,256</u>	<u>\$ 3,378,854</u>	<u>\$ 48,674,216</u>
Liabilities							
402 Accounts payable	\$ 206,469	\$ 1,172,392	\$ 59,230	\$ 3,022,361	\$ -	\$ 9,949	\$ 4,470,401
404 Contracts payable	2,110,588	-	607,909	1,374,317	-	-	4,092,814
410 Due to other fund	-	-	-	34,313	-	-	34,313
415 Amounts held for others	94,850	-	-	16,575	-	-	111,425
450 Payroll deductions and withholdings and employer matching payable	539,921	-	160,187	325,768	-	-	1,025,876
475 Unearned revenue	-	-	-	158,425	-	-	158,425
Total liabilities	<u>2,951,828</u>	<u>1,172,392</u>	<u>827,326</u>	<u>4,931,759</u>	<u>-</u>	<u>9,949</u>	<u>9,893,254</u>
Deferred Inflows of Resources							
551 Unavailable revenue - delinquent property taxes	52,200	32,253	20,422	-	-	-	104,875
552 Unavailable revenue - utility taxes	117,558	-	-	-	-	-	117,558
553 Taxes levied for future period	6,151,469	3,771,771	2,548,332	-	-	-	12,471,572
559 Other deferred inflows of resources	-	-	-	55,827	-	-	55,827
Total deferred inflows of resources	<u>6,321,227</u>	<u>3,804,024</u>	<u>2,568,754</u>	<u>55,827</u>	<u>-</u>	<u>-</u>	<u>12,749,832</u>
Fund Balances							
710 Nonspendable for:							
Inventory	180,620	-	-	81,296	-	-	261,916
720 Restricted for:							
Capital Outlay	-	7,297,854	-	-	-	-	7,297,854
Special Education	-	-	2,060,299	-	-	-	2,060,299
LATC Post Secondary	-	-	-	5,462,398	-	-	5,462,398
Financial Aid	-	-	-	-	10,256	-	10,256
Perkins Loan	-	-	-	-	-	54	54
Arrow Education Foundation	-	-	-	-	-	3,368,851	3,368,851
760 Unassigned	7,569,502	-	-	-	-	-	7,569,502
Total fund balances	<u>7,750,122</u>	<u>7,297,854</u>	<u>2,060,299</u>	<u>5,543,694</u>	<u>10,256</u>	<u>3,368,905</u>	<u>26,031,130</u>
	<u>\$ 17,023,177</u>	<u>\$ 12,274,270</u>	<u>\$ 5,456,379</u>	<u>\$ 10,531,280</u>	<u>\$ 10,256</u>	<u>\$ 3,378,854</u>	<u>\$ 48,674,216</u>

Watertown School District No. 14-4
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2024

Total Fund Balances - Governmental Funds	\$	26,031,130
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital and right-of-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$185,938,740 and the accumulated depreciation/amortization is \$63,215,637.		122,723,103
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(23,130,697)
Unamortized balance of premiums on long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,174,753)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.		222,433
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		2,813,049
Interest expense payable is not included as a liability in the fund statements. Interest expense payable is included as a liability in the statement of net position.		(332,015)
OPEB obligations and related deferred outflows of resources and deferred inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		(2,162,724)
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		5,138,205
		5,138,205
Net Position - Governmental Funds	\$	128,127,731

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes:							
1110 Ad valorem taxes	\$ 11,913,055	\$ 7,403,349	\$ 4,874,396	\$ -	\$ -	\$ -	\$ 24,190,800
1120 Prior year's ad valorem taxes	80,565	44,792	27,865	-	-	-	153,222
1140 Gross receipts taxes	270,532	-	-	-	-	-	270,532
1190 Penalties and interest on taxes	21,490	12,057	7,557	-	-	-	41,104
1400 Post secondary program tuition and fees	-	-	-	7,262,382	-	-	7,262,382
1500 Earnings on investments and deposits	412,167	203,644	23,598	501,428	-	306,271	1,447,108
1700 Co-curricular activities:							
1710 Admissions	65,283	-	-	-	-	-	65,283
1790 Other student activity income	340,655	-	-	-	-	-	340,655
1800 Post secondary:							
1820 Resales/services - occupational programs	-	-	-	288,360	-	-	288,360
1830 Resales/services - parts department	-	-	-	308,109	-	-	308,109
1840 State fees	-	-	-	798,797	-	-	798,797
1850 Corporate education fees	-	-	-	396,090	-	-	396,090
1860 Local fees	-	-	-	3,671,223	-	-	3,671,223
1900 Other revenue from local sources:							
1910 Rentals	156,645	-	-	244,558	-	-	401,203
1920 Contributions and donations	-	200,000	-	13,160,224	-	353,170	13,713,394
1970 Charges for services	25,727	-	76,712	165,679	-	-	268,118
1990 Other	519,043	129,807	502	1,306,513	31,502	52,458	2,039,825
2000 Revenue from intermediate sources							
2100 County sources:							
2110 County apportionment	399,446	-	-	-	-	-	399,446
2200 Revenue in lieu of taxes	9,807	-	-	-	-	-	9,807
3000 Revenue from state sources							
3100 Grants-in-aid:							
3110 Unrestricted grants-in-aid	13,811,398	-	-	11,435,328	-	-	25,246,726
3120 Restricted grants-in-aid	57,490	-	2,570,565	3,042,933	118,191	-	5,789,179
3900 Other state revenue	15,225	-	-	1,230,389	-	-	1,245,614
4000 Revenue from federal sources							
4100 Grants-in-aid:							
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	1,787	-	-	-	-	-	1,787
4140 Restricted grants-in-aid received directly from federal government	-	-	-	840,909	9,132,047	-	9,972,956
4150-4199 Restricted grants-in-aid received from federal government through the state	2,273,060	1,522,638	1,240,525	933,420	-	-	5,969,643
4900 Other federal revenue	-	11,459	-	1,856	-	-	13,315
Total revenues	30,373,375	9,527,746	8,821,720	45,588,198	9,281,740	711,899	104,304,678

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs:							
1110 Elementary schools	8,832,665	930,785	-	-	-	-	9,763,450
1120 Middle/junior high schools	2,489,418	30,306	-	-	-	-	2,519,724
1130 High school	4,754,709	1,777,417	-	-	-	-	6,532,126
1140 Preschool services	128,605	-	-	-	-	-	128,605
1200 Special programs:							
1210 Gifted and talented	104,610	-	-	-	-	-	104,610
1220 Programs for special education	-	7,930	5,624,514	-	-	-	5,632,444
1250 Culturally different	164,976	-	-	-	-	-	164,976
1270 Educationally deprived	533,030	-	-	-	-	-	533,030
1290 Other special programs	504,116	-	-	-	-	-	504,116
1300 Adult continuing education programs:							
1390 Other adult continuing education programs	-	-	-	219,348	-	-	219,348
1500-1999 Post secondary occupational programs	-	-	-	19,865,910	-	-	19,865,910
2000 Support services							
2100 Pupils:							
2110 Attendance and social work	306,419	-	-	-	-	-	306,419
2120 Guidance	855,377	-	-	3,717,813	-	-	4,573,190
2130 Health	275,639	-	129,935	-	-	-	405,574
2140 Psychological	-	-	292,329	-	-	-	292,329
2150 Speech pathology	-	-	768,626	-	-	-	768,626
2160 Audiology services	-	-	12,625	-	-	-	12,625
2170 Student therapy services	-	-	432,105	-	-	-	432,105
2200 Support services - instructional staff:							
2210 Improvement of instruction	465,013	-	89,932	508,340	-	-	1,063,285
2220 Educational media	1,148,240	-	16,806	1,133,500	-	-	2,298,546
2300 Support services - general administration:							
2310 Board of Education	107,907	-	-	52,017	-	-	159,924
2320 Executive administration	608,856	5,439	-	523,735	-	-	1,138,030
2400 Support services - school administration:							
2410 Office of the Principal	2,069,119	-	-	-	-	-	2,069,119
2420 Vocational school - directors office	-	-	-	892,607	-	-	892,607
2430 Financial aid administration	-	-	-	334,230	-	-	334,230
2440 Title I program administration	47,516	-	-	-	-	-	47,516
2490 Other support services	74,124	-	-	304,356	-	-	378,480
2500 Support services - business:							
2520 Fiscal services	620,328	34,300	-	301,365	-	146,371	1,102,364
2530 Facilities acquisition and construction	-	-	-	16,151,975	-	-	16,151,975
2540 Operation and maintenance of plant	3,003,166	3,554,299	-	2,419,115	-	-	8,976,580
2550 Pupil transportation	1,108,682	69,100	-	-	-	-	1,177,782
2590 Other	-	-	-	-	-	46,860	46,860
2600 Support services - central:							
2620 Planning	72,747	-	-	-	-	-	72,747

Watertown School District No. 14-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	LATC Post Secondary Fund	Financial Aid Fund	Other Governmental Funds	Total Governmental Funds
2700 Support services - special education:							
2710 Administrative costs	-	-	218,060	-	-	-	218,060
2730 Transportation costs	-	-	131,084	-	-	-	131,084
2750 Other special education costs	-	-	11,591	-	-	-	11,591
2800 Resale services:							
2810 Post secondary resales/service	-	-	-	10,466	-	-	10,466
2820 RIS - precision production	-	-	-	422,432	-	-	422,432
2900 Other support services	-	-	-	31,570	-	-	31,570
3000 Community services							
3700 Nonpublic school	77,545	-	-	-	-	-	77,545
4000 Nonprogrammed charges							
4200 Student financial aid	-	-	-	-	9,293,956	79,369	9,373,325
4400 Payments to state - unemployment	1,419	-	-	-	-	-	1,419
4500 Early retirement payments	376,781	-	-	213,575	-	-	590,356
4900 Other nonprogrammed costs	-	-	-	-	-	214,660	214,660
5000 Debt services	61,165	2,330,023	1,020	68,821	-	-	2,461,029
6000 Co-curricular activities							
6100 Male activities	241,956	-	-	-	-	-	241,956
6200 Female activities	231,751	-	-	-	-	-	231,751
6500 Transportation	221,830	-	-	-	-	-	221,830
6900 Combined activities	1,128,567	112,517	-	88,289	-	-	1,329,373
Total expenditures	<u>30,616,276</u>	<u>8,852,116</u>	<u>7,728,627</u>	<u>47,259,464</u>	<u>9,293,956</u>	<u>487,260</u>	<u>104,237,699</u>
Excess of Revenue over (under) Expenditures	<u>(242,901)</u>	<u>675,630</u>	<u>1,093,093</u>	<u>(1,671,266)</u>	<u>(12,216)</u>	<u>224,639</u>	<u>66,979</u>
Other Financing Sources (Uses)							
5110 Transfers in	600,000	-	-	-	15,000	-	615,000
8110 Transfers out	-	(600,000)	-	(15,000)	-	-	(615,000)
5214 Lease proceeds	-	-	-	22,965	-	-	22,965
5130 Sale of surplus property	-	152,575	-	72,635	-	-	225,210
Total other financing sources (uses)	<u>600,000</u>	<u>(447,425)</u>	<u>-</u>	<u>80,600</u>	<u>15,000</u>	<u>-</u>	<u>248,175</u>
Net Change in Fund Balances	<u>357,099</u>	<u>228,205</u>	<u>1,093,093</u>	<u>(1,590,666)</u>	<u>2,784</u>	<u>224,639</u>	<u>315,154</u>
Fund Balance - Beginning	<u>7,393,023</u>	<u>7,069,649</u>	<u>967,206</u>	<u>7,134,360</u>	<u>7,472</u>	<u>3,144,266</u>	<u>25,715,976</u>
Fund Balance - Ending	<u>\$ 7,750,122</u>	<u>\$ 7,297,854</u>	<u>\$ 2,060,299</u>	<u>\$ 5,543,694</u>	<u>\$ 10,256</u>	<u>\$ 3,368,905</u>	<u>\$ 26,031,130</u>

Watertown School District No. 14-4
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	315,154
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		18,660,319
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.		(91,985)
The receipt of donated capital assets is not reported on the fund statements, but is reported as a general revenue on the government-wide statements.		13,900
Payment of principal on long-term debt and lease liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		
CO Certificates	\$ 1,470,000	
Financing Leases	108,621	1,578,621
The issuance of long-term debt is an other financing source in the fund statements, but is an increase in long-term liabilities on the government-wide statements.		
Financing Leases	\$ 22,965	(22,965)
In the statement of activities, certain operating expenses (early retirement) are measured by the amounts earned during the year. In the governmental funds expenditures, these items are measured by the amount actually paid. Early retirement paid during the period exceeded the amount earned.		(160,699)
In both the government-wide and fund financial statements, revenues from property tax levies and utility taxes are applied to finance the budget of a particular period. Accounting for revenues from property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."		6,839
Interest expense payable is not included as an expenditure in the fund statements. Interest expense payable is included as an expenditure in the statement of activities.		7,390

Watertown School District No. 14-4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
Year Ended June 30, 2024

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service is reported with governmental activities.	(570,618)
The accrual of OPEB costs are not reflected in governmental funds, but the statement of activities reflects the change in this liability and related deferred outflows of resources from one year to the next.	279,541
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount of premiums amortized in the current period.	231,205
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(525,431)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 19,721,271</u></u>

Watertown School District No. 14-4
Statement of Net Position – Proprietary Funds
June 30, 2024

	Nonmajor Enterprise Funds	Internal Service Fund
Assets		
Current assets		
101 Cash and cash equivalents	\$ 1,405,988	\$ 3,537,502
180 Investments	806,884	-
120 Accounts receivable	221,310	-
130 Due from other funds	37,013	-
140 Due from other governments	16,789	-
170 Inventory of supplies	19,304	-
171 Inventory of stores purchased for resale	659,816	-
172 Inventory of donated food	4,591	-
192 Prepaid expenses	21,824	-
Total current assets	3,193,519	3,537,502
Noncurrent assets		
196 Net pension asset	4,643	-
200 Capital assets		
204 Machinery and equipment - local funds	795,845	-
Less accumulated depreciation	(473,284)	-
Total noncurrent assets	327,204	-
Deferred outflows of resources		
252 Pension related deferred outflows	404,953	-
	\$ 3,925,676	\$ 3,537,502
Liabilities and Net Position		
Liabilities		
400 Current liabilities:		
402 Accounts payable	\$ 317,660	\$ 236,371
404 Contracts payable	25,748	-
409 Incurred but not reported claims	-	488,082
410 Due to other funds	2,700	-
450 Payroll deductions and withholdings and employer matching payable	5,722	-
471 Deposits payable	84,332	-
475 Unearned revenue	472,769	-
Total current liabilities	908,931	724,453
Deferred inflows of resources		
554 Pension related deferred inflows	232,053	-
Net Position		
706 Net investment in capital assets	322,561	-
707.2 Restricted for pension benefits	177,543	-
708 Unrestricted net position	2,284,588	2,813,049
Total net position	2,784,692	2,813,049
	\$ 3,925,676	\$ 3,537,502

Watertown School District No. 14-4
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2024

	Nonmajor Enterprise Funds	Internal Service Fund
Operating Revenues		
Sales		
1610 To pupils	\$ 1,496,653	\$ -
1620 To adults	16,748	-
1630 Ala carte	178,099	-
1690 Other	168,794	-
1720 Bookstore sales	3,499,932	-
1970 Self-insurance premiums	-	7,521,517
1980 Daycare charges for services	441,211	-
Total operating revenues	<u>5,801,437</u>	<u>7,521,517</u>
Operating Expenses		
100 Salaries	1,647,693	-
200 Employee benefits	440,161	-
300 Purchased services	223,119	-
400 Supplies	111,187	-
461 Cost of sales - purchased	4,676,616	-
462 Cost of sales - donated	96,751	-
600 Other	5,684	-
900 Depreciation	42,555	-
4620 Self-insurance costs	-	8,156,501
Total operating expenses	<u>7,243,766</u>	<u>8,156,501</u>
Operating Loss	<u>(1,442,329)</u>	<u>(634,984)</u>
Nonoperating Revenue		
Local sources:		
1500 Investment earnings	39,298	64,366
State sources:		
3810 Cash reimbursements	5,523	-
Federal sources:		
4810 Cash reimbursements	1,006,580	-
4820 Donated food	96,751	-
Total nonoperating revenue	<u>1,148,152</u>	<u>64,366</u>
Change in Net Position	(294,177)	(570,618)
Net Position - Beginning	<u>3,078,869</u>	<u>3,383,667</u>
Net Position - Ending	<u>\$ 2,784,692</u>	<u>\$ 2,813,049</u>

Watertown School District No. 14-4

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2024

	Nonmajor Enterprise Funds	Internal Service Fund
Cash Flows from (used for) Operating Activities		
Cash receipts from customers	\$ 5,908,940	\$ -
Cash receipts from interfund services provided	-	7,521,517
Payments to employees	(2,078,129)	-
Payments to suppliers	(4,788,846)	-
Payments for claims	-	(8,205,083)
Net Cash used for Operating Activities	<u>(958,035)</u>	<u>(683,566)</u>
Cash Flows from Noncapital Financing Activities		
Operating subsidies	<u>1,011,203</u>	-
Net Cash from Noncapital Financing Activities	<u>1,011,203</u>	-
Cash Flows from Investing Activities		
Cash received for interest	-	64,366
Sale of investments	<u>112,231</u>	-
Net Cash from Investing Activities	<u>112,231</u>	<u>64,366</u>
Net Change in Cash and Cash Equivalents	165,399	(619,200)
Cash and Cash Equivalents, Beginning of Year	<u>1,240,589</u>	<u>4,156,702</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,405,988</u>	<u>\$ 3,537,502</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (1,442,329)	\$ (634,984)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	42,555	-
Value of donated commodities used	96,751	-
Change in assets and liabilities:		
Accounts receivable	(35,945)	-
Inventories	(33,795)	-
Due from other funds	(10,349)	-
Due from other governments	2,840	-
Prepaid expenses	15,199	-
Pension asset and deferred outflows	21,841	-
Accounts payable	253,933	(48,582)
Contracts payable	5,163	-
Payroll deductions and withholdings and employer matching payable	1,525	-
Due to other funds	(68)	-
Deposits payable	(272)	-
Unearned revenue	143,720	-
Pension liability and deferred inflows	<u>(18,804)</u>	-
Net Cash used for Operating Activities	<u>\$ (958,035)</u>	<u>\$ (683,566)</u>
Noncash Investing, Capital and Financing Activities		
Value of commodities received	\$ 96,751	\$ -
Gain on investments not affecting operating loss	39,298	-

Note 1 - Summary of Significant Accounting Policies

The Watertown School District No. 14-4's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements. The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The reporting entity of the Watertown School District No. 14-4 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); its discretely presented component unit; and those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District.

The Lake Area Technical College Foundation meets the definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize that it is legally separate from the School District. The Arrow Education Foundation meets the definition of a blended component unit. This component unit is displayed within governmental funds as a non-major governmental fund. Separate unaudited financial statements are available for both of the component units upon request from the School District.

Basis of Presentation and Basis of Accounting**Basis of Presentation**

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities and component units. Eliminations to the various funds have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities and discretely presented component units of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described above, and may be classified as either governmental or business-type activities. See the discussion of individual component units above.

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

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the School District 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% 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% 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.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

The funds of the School District are described below within their respective fund types.

Governmental Funds

General Fund: The General Fund is established by South Dakota Codified Law (SDCL) 13-16-3 to meet all of the general operational costs of the School District, excluding 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.

The special revenue funds maintained by the School District are as follows:

- 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 School District. This fund is financed by grants and property taxes. This is a major fund.
- LATC Post-Secondary Fund – A fund established by SDCL 13-39-39.1 to account for funds incidental to the operation of Lake Area Technical College, a school providing post-secondary vocational education programs. This fund is financed by tuition and fees and grants. This is a major fund.
- Financial Aid Fund – A fund established to account for funds incidental to the operation of Lake Area Technical College’s student financial aid programs. This fund is financed by grants. This is a major fund.
- Perkins Fund – A fund established to account for funds incidental to the operation of Lake Area Technical College’s Perkins Loan financial aid program. This fund is financed by grants, fees and interest. This is not a major fund.
- Arrow Education Foundation – This is an unaudited blended component unit which is a separate and independent corporation organized for the benefit of the School District. The primary focus of the Arrow Education Foundation is to support the advancement of education through scholarships and grants for costs associated with classroom activities and new program implementation for the benefit of students. The Arrow Education Foundation is financed by contributions and donations and earnings on investments. This is not 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 or 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.
- Laws or regulations require that the activity's costs of providing services, including capital costs, 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.

The enterprise funds maintained by the School District are as follows:

- Food Service Fund – A fund used to record financial transactions related to K-12 food service operations. This fund is financed by user charges and grants. This is not a major fund.
- Concessions Fund – A fund used to record financial transactions related to operations of school activity concessions programs. This fund is financed by user charges. This is not a major fund.
- Drivers Education Fund – A fund used to record financial transactions related to operations of the School District’s drivers education program. This fund is financed by user charges. This is not a major fund.

- Pre-School Services Fund – A fund used to record financial transactions related to operations of the pre-school services program. This fund is financed by user charges. This is not a major fund.
- Bookstore Fund – A fund used to record financial transactions related to operations of the Lake Area Technical College bookstore. This fund is financed by user charges. This is not a major fund.
- LATC Food Service Fund – A fund used to record financial transactions related to operations of Lake Area Technical College’s food service operations. This fund is financed by user charges and grants. This is not a major fund.
- LATC Daycare Fund – A fund used to record financial transactions related to operations of Lake Area Technical College’s daycare facility. This fund is financed by user charges and grants. This is not a major fund.

Internal Service Funds: A fund used to report activities that provide goods or services to other funds, departments, or agencies of the School District and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The Self Insurance Fund is the only internal service fund maintained by the School District.

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 funds.

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 45 days for property tax receipts. Revenues from reimbursement grants and other similar reimbursement items are recognized when all eligibility requirements imposed by the provider have been met. State revenues are recognized in the year to which the revenue relates or applies. Under the modified accrual basis of accounting, receivables may be measurable but not available. 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 funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

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, except for the net, residual amounts due between governmental and business-type activities, which are presented as internal balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the respective funds so that expenses are reported only in the function to which they relate.

Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" for the School District includes all demand and savings accounts and certificates of deposit (as early redemption costs would be insignificant) or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-ended mutual fund shares, or similar investments in external investment pools, are also considered to be cash and cash equivalents.

Investments classified in the financial statements of the primary government consist of U.S. Treasuries, negotiable certificates of deposit, and money markets. The investments held by the component units, the LATC Foundation and Arrow Education Foundation, were not audited.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1, and are payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. 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. Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, have been reported as deferred inflows of resources in both fund financial statements and the government-wide financial statements.

Inventory

Inventory is stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased they are recorded as assets. When inventory items are consumed, they are recorded as expenditures in governmental funds or expenses in proprietary funds. Although classified as current assets, these inventory balances are offset by nonspendable fund balance amounts which indicate that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories purchased by the Food Service Fund and LATC Food Service Fund are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when consumed.

Capital Assets

Capital assets include land, buildings and improvements, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at 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. Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	Any Amount	*	*
Buildings and improvements	\$ 25,000	Straight-Line	10 - 50 years
Machinery and equipment	5,000	Straight-Line	3 - 20 years

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

Right-to-use leased assets are recognized at the lease commencement date and represent the School District’s right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight line method. The amortization period is five years.

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.

Lease Receivables

Lease receivables are recorded by the School District at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the School District charges the lessee.

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in the government-wide or fund financial statements. All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of early retirement benefits payable, capital outlay certificates payable, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenues and payment of principal and interest reported as expenditures. The accounting for the proprietary fund is on the accrual basis, the same in the fund statement as it is in the government-wide statements.

Lease liabilities represent the School District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the School District.

Cash and Cash Equivalents

The School District pools some of its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows.

Program Revenues

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

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

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Equity Classifications

Government-Wide Statements

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

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

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.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balance 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 restraints.
- 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, which is the School Board, 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 or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The nonspendable fund balance in the General Fund and the LATC Post Secondary Fund is comprised of inventory which is in a nonspendable form.

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 grant agreements requiring dollar-for-dollar spending. Additionally, the government would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
LATC Post Secondary Fund	Tuition and fees and grants
Financial Aid Fund	Grants

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.

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. The School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Deferred Outflows and Deferred Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has four types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Another item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position. An additional item is deferred inflows related to leases where the School District is the lessor and is reported in the governmental funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease. The final item is changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

Note 2 - Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

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

Deposits

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

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

Custodial Credit Risk - Deposits – The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2024, the School District's bank balances were \$20,142,866, which includes various bank accounts. Of these deposits, \$250,000 was covered by the FDIC and the remaining balance was uninsured but collateralized with securities held by the pledging financial institution.

Investments

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 (c) 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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The School District holds negotiable certificates of deposits, U.S. Treasuries and money market account funds as investments. As of June 30, 2024, the School District also has investments reported in the financial statements that are held by the two component units, the LATC Foundation and the Arrow Education Foundation, which were unaudited and are not included in the following:

	Moody's Credit Rating	Fair Value	Fair Value Level	Maturity (In Years)	
				Less Than 1	1 to 5
U.S. Treasuries	AAA	\$ 7,290,481	2	\$ 2,831,460	\$ 4,459,021
Money Market	Not Rated	7,810,815	1	7,810,815	-
Negotiable CDs	Not Rated	231,462	2	-	231,462

Negotiable certificates of deposit and U.S. Treasuries classified in level 2 of the fair value hierarchy are valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions.

Custodial Credit Risk - Investments – The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

Concentration 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.

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

Concentration of Credit Risk – The School District places no limit on the amount that may be invested in any one issuer. More than 5% of the School District’s investments are in U.S. Treasuries, which were approximately 48% of total investments.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District’s policy is to credit all income from deposits and investments to the fund holding the deposit or making the investment.

Note 3 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year, except for in the Bookstore Fund, to which all but approximately \$63,000 of the accounts receivable is expected to be collected within one year. An allowance for estimated uncollectible accounts has been established in the Bookstore Fund using historical loss rates and forward looking assumptions regarding collectability to estimate an allowance for doubtful accounts of \$110,301 as of June 30, 2024.

As of June 30, 2024, amounts due from other governments are due from the following sources as follows:

General Fund	
Due from federal sources	\$ 997,121
Due from state sources	263,529
Special Education Fund	
Due from federal sources	398,533
LATC Post Secondary Fund	
Due from federal sources	713,584
Due from state sources	1,879,615
Due from local sources	<u>11,366</u>
Total due from other governments	<u><u>\$ 4,263,748</u></u>

Note 4 - Changes in Capital Assets

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

<u>Primary Government</u>	<u>Balance July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,138,196	\$ 310,000	\$ 25,500	\$ 7,422,696
Construction work in process	15,690,365	16,901,158	8,620,487	23,971,036
Total not being depreciated	<u>22,828,561</u>	<u>17,211,158</u>	<u>8,645,987</u>	<u>31,393,732</u>
Capital and right-to-use assets being depreciated/amortized:				
Buildings and improvements	109,831,476	10,160,161	32,155	119,959,482
Machinery and equipment	29,377,273	5,153,522	535,511	33,995,284
Right-to-use buildings	213,680	22,966	-	236,646
Right-to-use machinery and equipment	353,596	-	-	353,596
Total being depreciated/amortized	<u>139,776,025</u>	<u>15,336,649</u>	<u>567,666</u>	<u>154,545,008</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	38,208,284	2,793,509	7,244	40,994,549
Machinery and equipment	20,153,982	2,342,309	493,937	22,002,354
Right-to-use buildings	36,625	46,564	-	83,189
Right-to-use machinery and equipment	64,826	70,719	-	135,545
Total accumulated depreciation/amortization	<u>58,463,717</u>	<u>5,253,101</u>	<u>501,181</u>	<u>63,215,637</u>
Total capital assets and right-to-use assets being depreciated/amortized, net	<u>81,312,308</u>	<u>10,083,548</u>	<u>66,485</u>	<u>91,329,371</u>
Governmental activities capital and right-to-use assets, net	<u>\$ 104,140,869</u>	<u>\$ 27,294,706</u>	<u>\$ 8,712,472</u>	<u>\$ 122,723,103</u>
Governmental activities:				
Instruction				\$ 4,211,021
Support services				643,184
Co-curricular activities				398,896
Total depreciation/amortization expense - governmental activities				<u>\$ 5,253,101</u>
<u>Business-Type Activities</u>	<u>Balance July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 795,845	\$ -	\$ -	\$ 795,845
Total being depreciated	<u>795,845</u>	<u>-</u>	<u>-</u>	<u>795,845</u>
Less accumulated depreciation for:				
Machinery and equipment	430,728	42,555	-	473,283
Total accumulated depreciation	<u>430,728</u>	<u>42,555</u>	<u>-</u>	<u>473,283</u>
Total capital assets being depreciated, net	<u>365,117</u>	<u>(42,555)</u>	<u>-</u>	<u>322,562</u>
Business-type activities capital assets, net	<u>\$ 365,117</u>	<u>\$ (42,555)</u>	<u>\$ -</u>	<u>\$ 322,562</u>
Business-type activities:				
Food service				\$ 37,099
Concessions				390
LATC food service				2,063
LATC daycare				3,003
Total depreciation expense - business-type activities				<u>\$ 42,555</u>

As of June 30, 2024, the School District had remaining commitments of approximately \$9,489,000 related to Phase II of the athletic complex project at the high school, remaining commitments of approximately \$733,085 related to various remodel, renovation, and expansion projects at LATC, and remaining commitments of approximately \$1,562,150 related to the Archway project at LATC.

Note 5 - Long-Term Debt

A summary of changes in long-term debt follows:

	Amounts Outstanding July 1, 2023	Issued	Retired	Amounts Outstanding June 30, 2024	Due in One Year
Governmental Activities:					
Capital outlay certificates	\$ 23,465,000	\$ -	\$ (1,470,000)	\$ 21,995,000	\$ 1,565,000
Unamortized premium	3,405,958	-	(231,205)	3,174,753	231,205
Total debt	26,870,958	-	(1,701,205)	25,169,753	1,796,205
Lease liabilities	464,533	22,965	(108,621)	378,877	114,780
Early retirement	596,121	751,055	(590,356)	756,820	748,885
Total Primary Government	<u>\$ 27,931,612</u>	<u>\$ 774,020</u>	<u>\$ (2,400,182)</u>	<u>\$ 26,305,450</u>	<u>\$ 2,659,870</u>

Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund and LATC Post Secondary Fund.

Long-term debt payable and early retirement at June 30, 2024, is composed of the following:

Capital Outlay Certificates

Capital outlay certificates, series 2020, interest rate ranges from 3.00% to 5.00% and final maturity date of August 2041. Debt service payments made by the Capital Outlay Fund. \$ 11,480,000

Capital outlay certificates, series 2014, interest rate ranges from 3.00% to 4.00% and final maturity date of December 2026. Debt service payments made by the Capital Outlay Fund. 1,745,000

Capital Outlay Refunding Certificates

Capital outlay refunding certificates, series 2016, interest rate ranges from 1.60% to 2.05% and final maturity date of December 2026. Debt services payments made by the Capital Outlay Fund. 505,000

Capital outlay refunding certificates, series 2017, interest rate ranges from 2.00% to 4.00% and final maturity date of August 2033. Debt service payments made by the Capital Outlay Fund. 8,265,000

Early Retirement

Requires annual payments of not more than \$76,500 per individual with payment made from General Fund and LATC Post Secondary Fund. 756,820

Plus unamortized premiums 3,174,753

\$ 25,926,573

The annual requirements to maturity for all debt, early retirement, and lease liabilities outstanding, excluding unamortized debt premiums, as of June 30, 2024, are as follows:

Year Ending June 30,	C.O. Certificates		Early Retirement		Lease Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,565,000	\$ 804,778	\$ 748,885	\$ -	\$ 114,780	\$ 17,128
2026	1,620,000	750,228	7,935	-	120,714	11,293
2027	1,510,000	690,601	-	-	126,952	5,158
2028	1,460,000	626,950	-	-	15,111	283
2029	1,525,000	561,725	-	-	1,320	11
2030-2034	8,675,000	1,754,450	-	-	-	-
2035-2039	3,905,000	560,325	-	-	-	-
2040-2042	1,735,000	52,425	-	-	-	-
	<u>\$ 21,995,000</u>	<u>\$ 5,801,482</u>	<u>\$ 756,820</u>	<u>\$ -</u>	<u>\$ 378,877</u>	<u>\$ 33,873</u>

Note 6 - Leases

Lessee Activities

The School District leases the facilities for a portion of Lake Area Technical College from the South Dakota Board of Technical Education (the Board). The facilities were constructed by the South Dakota Health and Education Facilities Authority (the Authority) funded by proceeds from bonds issued. The Board leases the facilities from the Authority and then sub-leases the facilities to the School District. The lease agreement between the Board and the Authority calls for rental payments that coincide with the required debt service of the Authority. Currently, the rental payments are being paid from the facility fee fund account maintained by the trustee. The facility fee, as of June 30, 2024, is a \$36 per credit hour fee collected from each student attending the four vocational technical schools in South Dakota. These fees are remitted to the trustee for the purpose of making the lease rental payments to the Authority that ultimately retire the indebtedness of the Authority related to the facilities constructed at the various vocational technical schools. The original lease agreement between the Authority and the Board was dated August 1, 1988, and has since been amended and supplemented over the years adding additional Authority-financed projects as leased property and providing for the payment of lease rentals annually from the trust account sufficient to pay the debt service with respect to the additional bonds; however, the sub-lease agreement between the Board and the School District has not been amended and annually renews each July 1 for the ensuing year. As of June 30, 2024, it is anticipated that the facility fees held by the trustee will be sufficient to make the lease rental payments throughout the duration of the leased facilities.

The School District has entered into various leases for copier machines, airport terminal space, hanger space for aircraft, and office space. The School District is required to make principal and interest payments through August 2028. The lease liability was valued using discount rate of 5.00%, determined based on the School District's incremental borrowing rate at the inception of the lease.

Lessor Activities

The School District is the lessor of classroom and facility space. The remaining lease receivable and deferred inflows for this lease was \$52,777 and \$55,827, respectively as of June 30, 2024. Interest revenue recognized on the lease was \$4,763 and principal receipts were \$50,237 for the year ended June 30, 2024. The interest rate on the lease was 5.00%. The lease runs through July 2025.

Note 7 - Restricted Net Position

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

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	Law	\$ 7,330,107
Special Education	Law	2,080,721
SDRS pension benefits	Law	5,315,748
LATC Post Secondary	Law	5,543,694
Perkins Loan program	Law	54
		<u>54</u>
Total restricted net position		<u>\$ 20,270,324</u>

Note 8 - Early Retirement

The School District has an early retirement plan providing cash benefits to any full-time salaried employee with at least fifteen years of full-time salaried service with the School District and who are between and/or inclusive of the ages of fifty-five and sixty-two as of June 30 or the application year. Employees who leave, or have previously left, the School District are not eligible for the benefit if they are re-employed after August 1, 2008. The cash benefit is equal to 75% of the individual employee’s last contract salary, exclusive of extra duty and co-curricular salary, if any, unless the position with a sport/activity has been held for fifteen consecutive years immediately preceding retirement. The liability is recorded based upon the specified annual payments that are due and has not been discounted as the School District has determined the discount to not be material.

Note 9 - Joint Venture

The School District participates in the Northeast Technical High School, a cooperative service unit (Co-op) formed for the purpose of providing vocational training services to the member school districts.

The percentage participation in the Co-op and annual assessments is adjusted annually based upon each member school district’s official state enrollment numbers from the previous school year. The members of the Co-op and their relative percentage participation in the Co-op as of June 30, 2024, are as follows:

Castlewood School District No. 28-1	5.53%
Florence School District No. 14-1	4.94%
Great Plains Lutheran School	6.91%
Hamlin School District No. 28-3	6.27%
Henry School District No. 14-2	2.87%
Summit School District No. 54-6	3.03%
Watertown School District No. 14-4	65.82%
Waverly South Shore School District 14-5	4.63%
	<u>100.00%</u>

The Co-op’s governing board is composed of three members from the school board of the largest member school district and one member from the school board from each remaining member school district. The governing 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 explicit, measurable equity interest 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 the Co-op are available from the Northeast Technical High School.

At June 30, 2024, the Co-op had total assets of \$1,604,893, total liabilities of \$135,839, and net position of \$1,469,054.

Note 10 - Post-Employment Healthcare Plan

Plan Description

The School District has a single-employer, defined-benefit healthcare plan administered by Wellmark, Inc. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by South Dakota Codified Law 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between School District certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Benefits Provided

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between the School District’s certified staff and the governing board. A full-time salaried employee who retires from the School District may be eligible for retiree health insurance coverage if they were hired prior to August 1, 2008. Employees hired after August 1, 2008, are not eligible for OPEB. Employees who leave or have previously left the School District are not eligible for retirement benefits if they are re-employed after August 1, 2008. Coverage also ceases when the retiree attains the age of 65. The retiree is responsible for 100% of the full active premium rates for either single or family coverage.

Funding Policy

The School District funds the OPEB benefits on a pay-as-you-go basis; therefore, the School District’s obligation is unfunded at June 30, 2024. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At the valuation date of July 1, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	49
Active employees	152
	201
	201

Total OPEB Liability

The School District’s total OPEB liability of \$2,088,699 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	7.66% at entry to 3.15% after 25 years of service
Discount rate	3.93% *
Healthcare cost trend rates	9.00% for FY24 then reduced to ultimate rate of 3.94%

*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the Bond Buyer 20-Bond General Obligation Index.

The plan has not had a formal actuarial experience study performed.

Other Assumptions

Mortality	
Teachers/Admin (Certified)	
Healthy Pre-Retirement	PubT-2010 mortality table rates. Mortality rates are projected generationally with MP-2020.
Healthy Post-Retirement	PubT-2010 mortality table rates adjusted to 108% for rates at age 65 and older. Mortality rates are projected generationally with MP-2020.
Non-Teachers/Admin (Certified)	
Healthy Pre-Retirement	PubG-2010 mortality table rates. Mortality rates are projected generationally with MP-2020.
Healthy Post-Retirement	PubG-2010 mortality table rates adjusted to 93% for rates at ages less than 75, with the adjustment increased by 2% per year beginning at age 75 until reaching 111% of rates at age 83 and older. Mortality rates are projected generationally with MP-2020.
Future Retiree Participation Rate	65%
Initial Spouse Participation Rate	35%
Age Difference	Husbands are assumed to be the same age as their wife.
Turnover	Rates based on select and ultimate table with rates based on service for the first five years of employment and rates based on age after five years of employment.
Disability	None assumed

Balance at June 30, 2023	\$ 2,051,087
Service cost	43,945
Interest cost	72,861
Difference between expected and actual experience	136,591
Changes of assumptions	(38,706)
Benefit payments	(177,079)
Total changes	<u>37,612</u>
Balance at June 30, 2024	<u>\$ 2,088,699</u>

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District’s total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount Rate	2.93%	3.93%	4.93%
Total OPEB Liability	\$ 2,189,353	\$ 2,088,699	\$ 1,991,751

The following presents the total OPEB liability of the School District, as well as what the School District’s total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Healthcare Trend Rate	8.00%	9.00%	10.00%
Total OPEB Liability	\$ 1,967,706	\$ 2,088,699	\$ 2,221,861

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the School District recognized a decrease of health insurance expense of \$279,541 due to OPEB. At June 30, 2024, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 127,676	\$ 136,480
Changes of assumptions	38,424	103,645
Total	<u>\$ 166,100</u>	<u>\$ 240,125</u>

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense</u>
2025	\$ 148,842
2026	(57,296)
2027	(17,521)
	<u>\$ 74,025</u>

Note 11 - Litigation

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

Note 12 - 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 year ended June 30, 2024, the School District managed its risks as follows:

Employee Health Insurance

The School District has established a self-insurance fund for the purpose of paying claims of the employee group health care benefit plan. Premiums are paid by both the School District and the School District's employees and are charged against the appropriate fund. Stop loss insurance is provided through a private insurance carrier for claims exceeding an individual deductible of \$125,000 per member and an aggregating individual deductible of \$156,250 for all members that exceed the individual stop loss deductible. At June 30, 2024, an estimated liability of \$488,082 was accrued for incurred but not reported claims. This estimate was based on information obtained from the plan's third-party administrator. The self-insurance fund is reported as an internal service fund in these financial statements.

The School District is responsible for deficiencies, if any, resulting from claims paid in excess of premiums received. At June 30, 2024, the health insurance internal service fund had a net position balance of \$2,813,049.

The following is a history of the claims activity for the fund for the years ended June 30, 2024, 2023, and 2022, respectively.

	<u>2024</u>	<u>#NAME?</u>	<u>#NAME?</u>
Amount of claim liabilities, beginning of year	\$ 773,035	\$ 936,877	\$ 623,789
Incurred claims	8,156,501	9,004,662	7,421,651
Claims paid	<u>(8,205,083)</u>	<u>(9,168,504)</u>	<u>(7,108,563)</u>
Amount of claim liabilities, end of year	<u>\$ 724,453</u>	<u>\$ 773,035</u>	<u>\$ 936,877</u>

Workers' Compensation Insurance

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

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

Liability Insurance

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

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended June 30, 2024, \$1,419 of claims filed for unemployment benefits were paid out. At June 30, 2024, approximately \$2,100 in claims are anticipated to be paid in the next fiscal year for claims.

Note 13 - Pension Plan**Plan Information**

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

Benefits Provided

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

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5% 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 the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 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, 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% to 0.0%.

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2024, 2023, and 2022, were \$2,352,642, \$2,204,321, and \$2,116,157, respectively, equal to the required contributions each year.

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

At June 30, 2023, SDRS is 100.10% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of the SDRS, 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 total pension liability	\$ 206,395,428
Less proportionate share of net position restricted for pension benefits	<u>206,534,449</u>
 Proportionate share of net pension liability (asset)	 <u><u>\$ (139,021)</u></u>

At June 30, 2024, the School District reported a liability (asset) of (\$139,021) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension liability (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 1.42433100%, which is a decrease of .0527020% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the School District recognized an increase of pension expense of \$528,469. At June 30, 2024, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,940,620	\$ -
Changes in assumption	4,752,937	6,947,735
Net difference between projected and actual earnings on pension plan investments	925,554	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	152,709	-
School District contributions subsequent to the measurement date	2,352,642	-
Total	\$ 12,124,462	\$ 6,947,735

There is \$2,352,642 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:	Amount
2025	\$ 1,946,620
2026	(2,056,420)
2027	2,728,697
2028	205,188
Total	\$ 2,824,085

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 rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.91%

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. 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>
School District's proportionate share of the net pension liability (asset)	\$ 28,494,439	\$ (139,021)	\$ (23,555,729)

Pension Plan Fiduciary Net Position

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

Note 14 - Interfund Balances and Interfund Transfers

At June 30, 2024, the following funds had interfund balances:

- The Food Service Fund has a due from the LATC Daycare Fund in the amount of \$2,700.
- The Bookstore Fund has a due from the LATC Post Secondary Fund in the amount of \$2,597.
- The LATC Food Service Fund has a due from the LATC Post Secondary Fund in the amount of \$31,716.

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2024 but not reimbursed until subsequent to June 30, 2024.

During the year ended June 30, 2024, the following interfund transfers occurred:

- The Capital Outlay Fund transferred \$600,000 to the General Fund to cover certain operating expenses.
- The LATC Post Secondary Fund transferred \$15,000 to the Financial Aid Fund to cover certain operating expenses.

Note 15 - Subsequent Events

In November 2024, the School District approved the issuance, sale, and payment of limited tax general obligation certificates totaling \$5,000,000 to assist in funding of the athletic complex project.

Additionally, subsequent to year-end, the School District approved or entered into contracts for the following significant projects:

- Secured a contract for gymnasium improvements at the Mellette Elementary School gymnasium, amounting to \$398,750.
- Approved a project development agreement for cooling upgrades at Mellette and McKinley Elementary Schools, cost not to exceed \$2,140,000.
- Secured a bid for the construction of a surgical technology renovation project at LATC, amounting to \$1,007,265.



Required Supplementary Information
June 30, 2024

Watertown School District No. 14-4

Watertown School District No. 14-4
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 43,945	\$ 46,564	\$ 74,913	\$ 82,209	\$ 111,696	\$ 108,198
Interest	72,861	73,851	48,401	52,830	113,690	118,609
Difference between expected and actual experience	136,591	58,925	(141,254)	(908,081)	-	119,057
Changes of assumptions	(38,706)	85,804	(138,556)	(430,472)	255,710	296,745
Benefit payments	<u>(177,079)</u>	<u>(155,845)</u>	<u>(134,502)</u>	<u>(118,842)</u>	<u>(124,076)</u>	<u>(114,872)</u>
Net change in total OPEB liability	37,612	109,299	(290,998)	(1,322,356)	357,020	527,737
Total OPEB liability - beginning	<u>2,051,087</u>	<u>1,941,788</u>	<u>2,232,786</u>	<u>3,555,142</u>	<u>3,198,122</u>	<u>2,670,385</u>
Total OPEB liability - ending	<u>\$ 2,088,699</u>	<u>\$ 2,051,087</u>	<u>\$ 1,941,788</u>	<u>\$ 2,232,786</u>	<u>\$ 3,555,142</u>	<u>\$ 3,198,122</u>
Covered-employee payroll	\$ 8,934,715	\$ 9,181,127	\$ 11,147,044	\$ 11,612,670	\$ 13,608,038	\$ 14,158,927
District's total OPEB liability as a percentage of covered-employee payroll	23.38%	22.34%	17.42%	19.23%	26.13%	22.59%

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

Plan Assets

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

Benefit Provision Changes

None.

Changes in Assumptions

Since the last valuation, the following changes of assumptions have been made:

- The discount rate, based on the Bond Buyer 20-Bond General Obligation Index, has been updated through the June 30, 2024, measurement or reporting date.
- The valuation's first fiscal year 2023 retiree per capita claims costs and blended premiums are based on plans and premiums as of January 1, 2022, and census data as of September 1, 2022. Second fiscal year 2024 amounts are 8.40% higher based on increased premiums effective January 1, 2023. Third fiscal year 2025 amounts are 16.5% higher based on increased premiums effective January 1, 2024.
- Decrement assumptions (i.e. withdrawal, retirement and mortality rates) and salary increase rates are the same assumptions used in the June 30, 2022, SDRS actuarial valuation.
- Medical trend assumption is developed based on the recent published SOA-Getzen trend rate model update for 2022 - 2030+.
- The general inflation rate was changed to the 2.50% rate used in the June 30, 2022, SDRS actuarial valuation (from 2.25%).

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 11,338,000	\$ 11,338,000	\$ 11,913,055	\$ 575,055
1120 Prior year's ad valorem taxes	50,000	50,000	80,565	30,565
1140 Gross receipts taxes	350,000	350,000	270,532	(79,468)
1190 Penalties and interest on taxes	25,000	25,000	21,490	(3,510)
1210 Revenue in lieu of taxes	8,000	8,000	-	(8,000)
1500 Earnings (losses) on investments and deposits	55,000	55,000	412,167	357,167
1700 Co-curricular activities:				
1710 Admissions	80,000	80,000	65,283	(14,717)
1790 Other student activity income	45,000	45,000	340,655	295,655
1900 Other revenue from local sources:				
1910 Rentals	142,500	152,500	156,645	4,145
1970 Charges for services	45,000	45,000	25,727	(19,273)
1990 Other	324,670	324,670	519,043	194,373
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	430,000	430,000	399,446	(30,554)
2200 Revenue in lieu of taxes	20,000	20,000	9,807	(10,193)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	14,795,000	14,820,455	13,811,398	(1,009,057)
3120 Restricted grants-in-aid	36,125	41,125	57,490	16,365
3900 Other state revenue	12,000	12,000	15,225	3,225
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	-	-	1,787	1,787
4150-4199 Restricted grants-in-aid received from federal government through the state	2,107,745	2,370,995	2,273,060	(97,935)
4900 Other federal revenue	85,000	85,000	-	(85,000)
Total revenues	<u>29,949,040</u>	<u>30,252,745</u>	<u>30,373,375</u>	<u>120,630</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	9,125,385	9,243,990	8,832,665	411,325
1120 Middle/junior high schools	2,520,800	2,559,630	2,489,418	70,212
1130 High school	4,846,551	4,952,596	4,754,709	197,887
1140 Preschool services	130,015	131,335	128,605	2,730
1200 Special programs:				
1210 Gifted and talented	103,257	103,917	104,610	(693)
1250 Culturally different	142,040	167,360	164,976	2,384
1270 Educationally deprived	541,010	569,220	533,030	36,190
1290 Other special programs	643,550	648,170	504,116	144,054
2000 Support services				
2100 Pupils:				
2110 Attendance and social work	231,520	316,805	306,419	10,386
2120 Guidance	880,705	910,455	855,377	55,078
2130 Health	273,340	275,915	275,639	276
2200 Support services - instructional staff:				
2210 Improvement of instruction	398,650	440,705	465,013	(24,308)
2220 Educational media	1,224,120	1,246,365	1,148,240	98,125
2300 Support services - general administration:				
2310 Board of Education	124,300	124,300	107,907	16,393
2320 Executive administration	686,915	691,815	608,856	82,959
2400 Support services - school administration:				
2410 Office of the Principal	2,080,220	2,107,535	2,069,119	38,416
2440 Title I program administration	48,330	48,660	47,516	1,144
2490 Other support services	76,025	76,685	74,124	2,561
2500 Support services - business:				
2520 Fiscal services	644,430	650,140	620,328	29,812
2540 Operation and maintenance of plant	3,260,540	3,275,720	3,003,166	272,554
2550 Pupil transportation	1,253,550	1,272,620	1,108,682	163,938
2600 Support services - central:				
2620 Planning	74,150	74,150	72,747	1,403
3000 Community services				
3700 Nonpublic school	117,305	124,780	77,545	47,235
4000 Nonprogrammed costs				
4400 Payments to state - unemployment	25,000	25,000	1,419	23,581
4500 Early retirement payments	376,782	376,782	376,781	1
5000 Debt Services				
	-	-	61,165	(61,165)
6000 Co-curricular activities				
6100 Male activities	240,140	240,140	241,956	(1,816)
6200 Female activities	245,110	245,110	231,751	13,359
6500 Transportation	189,800	189,800	221,830	(32,030)
6900 Combined activities	754,320	762,140	1,128,567	(366,427)
Total expenditures	<u>31,257,860</u>	<u>31,851,840</u>	<u>30,616,276</u>	<u>1,235,564</u>
Excess of Revenue over (under) Expenditures	<u>(1,308,820)</u>	<u>(1,599,095)</u>	<u>(242,901)</u>	<u>1,356,194</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfers in	600,000	600,000	600,000	-
Total other financing sources	600,000	600,000	600,000	-
Net Change in Fund Balances	(708,820)	(999,095)	357,099	1,356,194
Fund Balance - Beginning	7,393,023	7,393,023	7,393,023	-
Fund Balance - Ending	<u>\$ 6,684,203</u>	<u>\$ 6,393,928</u>	<u>\$ 7,750,122</u>	<u>\$ 1,356,194</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 7,435,600	\$ 7,435,600	\$ 7,403,349	\$ (32,251)
1120 Prior year's ad valorem taxes	25,000	25,000	44,792	19,792
1190 Penalties and interest on taxes	10,000	10,000	12,057	2,057
1500 Earnings (losses) on investments and deposits	200,000	200,000	203,644	3,644
1900 Other revenue from local sources:				
1920 Contributions and donations	-	200,000	200,000	-
1990 Other	148,000	148,000	129,807	(18,193)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,512,000	1,512,000	1,522,638	10,638
4900 Other federal revenue	-	11,460	11,459	(1)
Total revenues	<u>9,330,600</u>	<u>9,542,060</u>	<u>9,527,746</u>	<u>(14,314)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary schools	843,500	958,500	930,785	27,715
1120 Middle/junior high schools	45,000	45,000	30,306	14,694
1130 High school	1,774,000	1,774,000	1,777,417	(3,417)
1200 Special programs:				
1220 Programs for special education	17,000	17,000	7,930	9,070
2000 Support services				
2200 Support services - instructional staff:				
2300 Support services - general administration:				
2320 Executive administration	5,000	5,000	5,439	(439)
2500 Support services - business:				
2520 Fiscal services	35,000	35,000	34,300	700
2540 Operation and maintenance of plant	8,012,000	8,034,430	3,554,299	4,480,131
2550 Pupil transportation	90,500	90,500	69,100	21,400
5000 Debt services	2,331,290	2,331,290	2,330,023	1,267
6000 Co-curricular activities				
6900 Combined activities	92,000	97,000	112,517	(15,517)
Total expenditures	<u>13,245,290</u>	<u>13,387,720</u>	<u>8,852,116</u>	<u>4,535,604</u>
Excess of Revenue over (under) Expenditures	<u>(3,914,690)</u>	<u>(3,845,660)</u>	<u>675,630</u>	<u>4,521,290</u>
Other Financing Sources (Uses)				
8110 Transfers out	(600,000)	(600,000)	(600,000)	-
5130 Sale of surplus property	15,000	15,000	152,575	137,575
Total other financing sources (uses)	<u>(585,000)</u>	<u>(585,000)</u>	<u>(447,425)</u>	<u>137,575</u>
Net Change in Fund Balances	(4,499,690)	(4,430,660)	228,205	4,658,865
Fund Balance - Beginning	<u>7,069,649</u>	<u>7,069,649</u>	<u>7,069,649</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,569,959</u>	<u>\$ 2,638,989</u>	<u>\$ 7,297,854</u>	<u>\$ 4,658,865</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 4,063,895	\$ 4,063,895	\$ 4,874,396	\$ 810,501
1120 Prior year's ad valorem taxes	13,500	13,500	27,865	14,365
1190 Penalties and interest on taxes	6,000	6,000	7,557	1,557
1300 Tuition and fees:				
1310 Regular day school tuition	15,000	15,000	-	(15,000)
1500 Earnings (losses) on investments and deposits	6,000	6,000	23,598	17,598
1900 Other revenue from local sources:				
1970 Charges for services	75,000	75,000	76,712	1,712
1990 Other	1,000	1,000	502	(498)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	2,756,955	2,756,955	2,570,565	(186,390)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,015,025	1,015,025	1,240,525	225,500
Total revenues	<u>7,952,375</u>	<u>7,952,375</u>	<u>8,821,720</u>	<u>869,345</u>
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	5,808,946	5,901,996	5,624,514	277,482
1230 Coordinated early intervening services instruction	15,500	15,500	-	15,500
2000 Support services				
2100 Pupils:				
2130 Health	139,600	140,955	129,935	11,020
2140 Psychological	385,885	388,520	292,329	96,191
2150 Speech pathology	857,525	864,130	768,626	95,504
2160 Audiology services	20,000	20,000	12,625	7,375
2170 Student therapy services	506,045	509,245	432,105	77,140
2200 Support services - instructional staff:				
2210 Improvement of instruction	96,735	97,395	89,932	7,463
2220 Educational media	22,000	22,000	16,806	5,194
2600 Support services - central:				
2620 Planning	31,000	31,000	-	31,000
2700 Support services - special education:				
2710 Administrative costs	220,845	222,165	218,060	4,105
2730 Transportation costs	148,940	150,260	131,084	19,176
2750 Other special education costs	-	-	11,591	(11,591)
5000 Debt Service	-	-	1,020	(1,020)
Total expenditures	<u>8,253,021</u>	<u>8,363,166</u>	<u>7,728,627</u>	<u>634,539</u>
Excess of Revenue over (under) Expenditures	<u>(300,646)</u>	<u>(410,791)</u>	<u>1,093,093</u>	<u>1,503,884</u>
Net Change in Fund Balances	(300,646)	(410,791)	1,093,093	1,503,884
Fund Balance - Beginning	967,206	967,206	967,206	-
Fund Balance - Ending	<u>\$ 666,560</u>	<u>\$ 556,415</u>	<u>\$ 2,060,299</u>	<u>\$ 1,503,884</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1400 Post secondary program tuition and fees	\$ 7,440,000	\$ 7,440,000	\$ 7,262,382	\$ (177,618)
1500 Earnings (losses) on investments and deposits	20,000	20,000	501,428	481,428
1700 Co-curricular activities:				
1800 Post secondary:				
1820 Resales/services - occupational programs	266,500	266,500	288,360	21,860
1830 Resales/services - parts department	273,000	273,000	308,109	35,109
1840 State fees	836,000	836,000	798,797	(37,203)
1850 Corporate education fees	332,000	332,000	396,090	64,090
1860 Local fees	3,612,590	3,612,590	3,671,223	58,633
1900 Other revenue from local sources:				
1910 Rentals	354,530	354,530	244,558	(109,972)
1920 Contributions and donations	17,605,095	17,605,095	13,160,224	(4,444,871)
1970 Charges for services	462,200	462,200	165,679	(296,521)
1990 Other	893,000	893,000	1,306,513	413,513
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	11,554,360	11,554,360	11,435,328	(119,032)
3120 Restricted grants-in-aid	3,969,300	4,454,300	3,042,933	(1,411,367)
3900 Other state revenue	1,272,000	1,290,850	1,230,389	(60,461)
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	1,012,000	1,319,840	840,909	(478,931)
4150-4199 Restricted grants-in-aid received from federal government through the state	692,890	1,031,165	933,420	(97,745)
4900 Other federal revenue	2,000	2,000	1,856	(144)
Total revenues	<u>50,597,465</u>	<u>51,747,430</u>	<u>45,588,198</u>	<u>(6,159,232)</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – LATC Post Secondary Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1300 Adult continuing education programs:				
1390 Other adult continuing education programs	209,570	221,385	219,348	2,037
1500-1999 Post secondary occupational programs	20,680,685	22,019,325	19,865,910	2,153,415
2000 Support services				
2100 Pupils:				
2120 Guidance	3,255,810	3,868,750	3,717,813	150,937
2200 Support services - instructional staff:				
2210 Improvement of instruction	556,840	560,140	508,340	51,800
2220 Educational media	1,316,535	1,322,475	1,133,500	188,975
2300 Support services - general administration:				
2310 Board of Education	53,325	53,325	52,017	1,308
2320 Executive administration	547,419	552,699	523,735	28,964
2400 Support services - school administration:				
2420 Vocational school - directors office	908,055	955,560	892,607	62,953
2430 Financial aid administration	401,545	418,535	334,230	84,305
2490 Other support services	497,190	499,170	304,356	194,814
2500 Support services - business:				
2520 Fiscal services	312,235	314,215	301,365	12,850
2530 Facilities acquisition and construction	19,707,595	21,352,595	16,151,975	5,200,620
2540 Operation and maintenance of plant	2,398,940	2,549,140	2,419,115	130,025
2800 Resale services:				
2810 Post secondary resales/service	12,000	12,000	10,466	1,534
2820 RIS - precision production	298,765	401,260	422,432	(21,172)
2900 Other support services	22,000	22,000	31,570	(9,570)
4000 Nonprogrammed charges				
4400 Payments to state - unemployment	5,000	5,000	-	5,000
4500 Early retirement payments	255,000	255,000	213,575	41,425
5000 Debt service	-	-	68,821	(68,821)
6000 Co-curricular activities				
6900 Combined activities	-	-	88,289	(88,289)
Total expenditures	<u>51,438,509</u>	<u>55,382,574</u>	<u>47,259,464</u>	<u>8,123,110</u>
Excess of Revenue over (under) Expenditures	<u>(841,044)</u>	<u>(3,635,144)</u>	<u>(1,671,266)</u>	<u>1,963,878</u>
Other Financing Sources (Uses)				
8110 Transfers out	-	-	(15,000)	(15,000)
5124 Lease proceeds	-	-	22,965	22,965
5130 Sale of surplus property	5,000	5,000	72,635	67,635
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>80,600</u>	<u>75,600</u>
Net Change in Fund Balances	(836,044)	(3,630,144)	(1,590,666)	2,039,478
Fund Balance - Beginning	7,134,360	7,134,360	7,134,360	-
Fund Balance - Ending	<u>\$ 6,298,316</u>	<u>\$ 3,504,216</u>	<u>\$ 5,543,694</u>	<u>\$ 2,039,478</u>

Watertown School District No. 14-4
 Budgetary Comparison Schedule – Budgetary Basis – Financial Aid Fund
 Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1500 Earnings on investments and deposits	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
1900 Other revenue from local sources:				
1990 Other	128,000	128,000	31,502	(96,498)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3120 Restricted grants-in-aid	93,000	93,000	118,191	25,191
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4140 Restricted grants-in-aid received directly from federal government	12,819,500	12,819,500	9,132,047	(3,687,453)
Total revenues	<u>13,042,500</u>	<u>13,042,500</u>	<u>9,281,740</u>	<u>(3,760,760)</u>
Expenditures				
4000 Nonprogrammed charges				
4200 Student financial aid	13,042,500	13,042,500	9,293,956	3,748,544
Total expenditures	<u>13,042,500</u>	<u>13,042,500</u>	<u>9,293,956</u>	<u>3,748,544</u>
Excess of Revenue over (under) Expenditures	<u>-</u>	<u>-</u>	<u>(12,216)</u>	<u>(12,216)</u>
Other Financing Sources (Uses)				
5110 Transfers in	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>2,784</u>	<u>(27,216)</u>
Fund Balance - Beginning	<u>7,472</u>	<u>7,472</u>	<u>7,472</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 7,472</u>	<u>\$ 7,472</u>	<u>\$ 10,256</u>	<u>\$ (27,216)</u>

Note 1 - Budgets and Budgetary Accounting

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

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

Note 2 - U.S. GAAP and Budgetary Accounting Basis Differences

The School District is reporting financial position, results of operations, and changes in fund balances on the basis of GAAP, while the budgetary comparison schedules are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. There are no major differences between the budgetary basis and the GAAP basis presented.

Watertown School District No. 14-4
Schedule of Employer's Share of Net Pension Liability (Asset)
Year Ended June 30, 2024

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Percentage of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
SDRS	6/30/2024	1.4243%	\$ (139,021)	\$ 36,714,974	-0.38%	100.10%
SDRS	6/30/2023	1.4770%	(139,589)	35,248,226	-0.4%	100.10%
SDRS	6/30/2022	1.5276%	(11,698,511)	34,635,807	-33.8%	105.52%
SDRS	6/30/2021	1.5062%	(65,414)	33,028,183	-0.2%	100.04%
SDRS	6/30/2020	1.5163%	(160,684)	32,173,075	-0.5%	100.09%
SDRS	6/30/2019	1.5309%	(35,703)	31,818,773	-0.1%	100.02%
SDRS	6/30/2018	1.5315%	(138,984)	31,084,082	-0.4%	100.10%
SDRS	6/30/2017	1.4677%	4,957,654	27,889,214	17.8%	96.89%
SDRS	6/30/2016	1.4888%	(6,314,461)	27,170,807	-23.2%	104.10%
SDRS	6/30/2015	1.4482%	(10,433,894)	25,294,680	-41.2%	107.30%

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

Watertown School District No. 14-4
 Schedule of Employer's Contributions
 Year Ended June 30, 2024

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2024	\$ 2,352,642	\$ 2,352,642	\$ -	\$ 38,827,837	6.1%
SDRS	6/30/2023	2,204,321	2,204,321	-	36,714,974	6.0%
SDRS	6/30/2022	2,116,157	2,116,157	-	35,248,226	6.0%
SDRS	6/30/2021	2,079,919	2,079,919	-	34,635,807	6.0%
SDRS	6/30/2020	1,983,411	1,983,411	-	33,028,183	6.0%
SDRS	6/30/2019	1,934,456	1,934,456	-	32,173,075	6.0%
SDRS	6/30/2018	1,909,134	1,909,134	-	31,818,773	6.0%
SDRS	6/30/2017	1,866,698	1,866,698	-	31,084,082	6.0%
SDRS	6/30/2016	1,673,671	1,673,671	-	27,889,214	6.0%
SDRS	6/30/2015	1,630,885	1,630,885	-	27,170,807	6.0%

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2023 legislative session, no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B public safety members.

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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



Supplementary Information
June 30, 2024

Watertown School District No. 14-4

Watertown School District No. 14-4
Combining Balance Sheets – Nonmajor Governmental Funds
June 30, 2024

	Perkins Fund	Arrow Education Foundation	Totals
Assets			
101 Cash and cash equivalents	\$ 54	\$ 124,708	\$ 124,762
180 Investments	-	3,254,092	3,254,092
	\$ 54	\$ 3,378,800	\$ 3,378,854
Liabilities			
402 Accounts payable	\$ -	\$ 9,949	\$ 9,949
Total liabilities	-	9,949	9,949
Fund Balances			
720 Restricted for:			
Perkins	54	-	54
Arrow Education Foundation	-	3,368,851	3,368,851
Total fund balances	54	3,368,851	3,368,905
	\$ 54	\$ 3,378,800	\$ 3,378,854

Watertown School District No. 14-4
Combining Statements of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
Year Ended June 30, 2024

	<u>Perkins Fund</u>	<u>Arrow Education Foundation</u>	<u>Totals</u>
Revenues			
1000 Revenue from local sources			
1500 Earnings on investments and deposits	\$ 7	\$ 306,264	\$ 306,271
1800 Post secondary:			
1920 Contributions and donations	-	353,170	353,170
1990 Other	-	52,458	52,458
	<u>7</u>	<u>711,892</u>	<u>711,899</u>
Total revenues			
Expenditures			
2000 Support services			
2500 Support services - business:			
2520 Fiscal services	-	146,371	146,371
2590 Other	-	46,860	46,860
4000 Nonprogrammed charges			
4200 Student financial aid - Perkins liquidation	79,369	-	79,369
4900 Other nonprogrammed costs	-	214,660	214,660
	<u>79,369</u>	<u>407,891</u>	<u>487,260</u>
Total expenditures			
Excess of Revenue over (under) Expenditures	(79,362)	304,001	224,639
Fund Balance - Beginning	<u>79,416</u>	<u>3,064,850</u>	<u>3,144,266</u>
Fund Balance - Ending	<u>\$ 54</u>	<u>\$ 3,368,851</u>	<u>\$ 3,368,905</u>

Watertown School District No. 14-4
Combining Statements of Net Position – Nonmajor Proprietary Funds
June 30, 2024

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Assets								
Current assets								
101 Cash and cash equivalents	\$ 41,127	\$ 28,247	\$ 9,300	\$ 13,576	\$ 841,534	\$ 200,903	\$ 271,301	\$ 1,405,988
180 Investments	229,991	7,771	551	10,032	364,920	105,463	88,156	806,884
120 Accounts receivable, net	-	-	-	-	221,294	-	16	221,310
130 Due from other funds	2,700	-	-	-	2,597	31,716	-	37,013
140 Due from other governments	900	-	-	-	-	-	15,889	16,789
170 Inventory of supplies	11,381	6,377	-	-	-	1,546	-	19,304
171 Inventory of stores purchased for resale	5,126	-	-	-	649,221	5,469	-	659,816
172 Inventory of donated food	4,591	-	-	-	-	-	-	4,591
192 Prepaid expenses	-	-	-	-	21,824	-	-	21,824
Total current assets	295,816	42,395	9,851	23,608	2,101,390	345,097	375,362	3,193,519
Noncurrent assets								
196 Net pension asset	2,634	93	149	-	621	522	624	4,643
200 Capital assets								
204 Machinery and equipment - local funds	669,617	5,847	-	-	12,979	41,005	66,397	795,845
Less accumulated depreciation	(424,187)	(4,580)	-	-	(12,979)	(21,838)	(9,700)	(473,284)
Total noncurrent assets	248,064	1,360	149	-	621	19,689	57,321	327,204
Deferred outflows of resources								
252 Pension related deferred outflows	229,751	8,118	13,029	-	54,186	45,484	54,385	404,953
	\$ 773,631	\$ 51,873	\$ 23,029	\$ 23,608	\$ 2,156,197	\$ 410,270	\$ 487,068	\$ 3,925,676

Watertown School District No. 14-4
Combining Statements of Net Position – Nonmajor Proprietary Funds
June 30, 2024

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Liabilities and Net Position								
Liabilities								
400 Current liabilities:								
402 Accounts payable	\$ 1,786	\$ 1,451	\$ 4,816	\$ -	\$ 297,208	\$ 11,253	\$ 1,146	\$ 317,660
404 Contracts payable	8,408	1,128	-	-	-	3,097	13,115	25,748
410 Due to other funds	-	-	-	-	-	-	2,700	2,700
450 Payroll deductions and withholdings and employer matching payable	1,852	86	-	-	-	386	3,398	5,722
471 Deposits payable	84,332	-	-	-	-	-	-	84,332
475 Unearned revenue	-	-	-	-	472,769	-	-	472,769
Total current liabilities	96,378	2,665	4,816	-	769,977	14,736	20,359	908,931
Deferred inflows of resources								
554 Pension related deferred inflows	131,656	4,652	7,466	-	31,051	26,064	31,164	232,053
Net Position								
706 Net investment in capital assets	245,430	1,267	-	-	-	19,167	56,697	322,561
707.2 Restricted for pension benefits	100,729	3,559	5,712	-	23,756	19,942	23,845	177,543
708 Unrestricted net position	199,438	39,730	5,035	23,608	1,331,413	330,361	355,003	2,284,588
Total net position	545,597	44,556	10,747	23,608	1,355,169	369,470	435,545	2,784,692
	\$ 773,631	\$ 51,873	\$ 23,029	\$ 23,608	\$ 2,156,197	\$ 410,270	\$ 487,068	\$ 3,925,676

Watertown School District No. 14-4
Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds
Year Ended June 30, 2024

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Operating Revenues								
Sales								
1610 To pupils	\$ 703,445	\$ -	\$ 65,324	\$ -	\$ -	\$ 727,884	\$ -	\$ 1,496,653
1620 To adults	16,748	-	-	-	-	-	-	16,748
1630 Ala carte	178,099	-	-	-	-	-	-	178,099
1690 Other	19,607	149,187	-	-	-	-	-	168,794
1720 Bookstore sales	-	-	-	-	3,499,932	-	-	3,499,932
1980 Daycare charges for services	-	-	-	-	-	-	441,211	441,211
Total operating revenues	<u>917,899</u>	<u>149,187</u>	<u>65,324</u>	<u>-</u>	<u>3,499,932</u>	<u>727,884</u>	<u>441,211</u>	<u>5,801,437</u>
Operating Expenses								
100 Salaries	853,634	56,362	51,145	-	173,886	222,029	290,637	1,647,693
200 Employee benefits	242,695	7,955	3,284	1,158	54,487	53,668	76,914	440,161
300 Purchased services	38,527	-	-	-	150,920	16,497	17,175	223,119
400 Supplies	56,289	2,160	6,719	-	4,245	38,282	3,492	111,187
461 Cost of sales - purchased	1,010,971	82,070	-	-	3,186,732	379,707	17,136	4,676,616
462 Cost of sales - donated	96,751	-	-	-	-	-	-	96,751
600 Other	4,406	360	-	-	-	825	93	5,684
900 Depreciation	37,099	390	-	-	-	2,063	3,003	42,555
Total operating expenses	<u>2,340,372</u>	<u>149,297</u>	<u>61,148</u>	<u>1,158</u>	<u>3,570,270</u>	<u>713,071</u>	<u>408,450</u>	<u>7,243,766</u>
Operating Income (Loss)	<u>(1,422,473)</u>	<u>(110)</u>	<u>4,176</u>	<u>(1,158)</u>	<u>(70,338)</u>	<u>14,813</u>	<u>32,761</u>	<u>(1,442,329)</u>

Watertown School District No. 14-4
Combining Statements of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds
Year Ended June 30, 2024

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Nonoperating Revenue								
Local sources:								
1500 Investment earnings	13,506	356	25	459	16,090	4,827	4,035	39,298
State sources:								
3810 Cash reimbursements	5,523	-	-	-	-	-	-	5,523
Federal sources:								
4810 Cash reimbursements	973,962	-	-	-	-	-	32,618	1,006,580
4820 Donated food	96,751	-	-	-	-	-	-	96,751
Total nonoperating revenue	<u>1,089,742</u>	<u>356</u>	<u>25</u>	<u>459</u>	<u>16,090</u>	<u>4,827</u>	<u>36,653</u>	<u>1,148,152</u>
Change in Net Position	(332,731)	246	4,201	(699)	(54,248)	19,640	69,414	(294,177)
Net Position - Beginning	<u>878,328</u>	<u>44,310</u>	<u>6,546</u>	<u>24,307</u>	<u>1,409,417</u>	<u>349,830</u>	<u>366,131</u>	<u>3,078,869</u>
Net Position - Ending	<u>\$ 545,597</u>	<u>\$ 44,556</u>	<u>\$ 10,747</u>	<u>\$ 23,608</u>	<u>\$ 1,355,169</u>	<u>\$ 369,470</u>	<u>\$ 435,545</u>	<u>\$ 2,784,692</u>

Watertown School District No. 14-4
Combining Statements of Cash Flows – Nonmajor Proprietary Funds
Year Ended June 30, 2024

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Cash Flows from (used for) Operating Activities								
Cash receipts from customers	\$ 862,736	\$ 149,187	\$ 65,324	\$ -	\$ 3,657,977	\$ 730,629	\$ 443,087	\$ 5,908,940
Payments to employees	(1,089,020)	(61,955)	(57,618)	(1,570)	(228,059)	(277,619)	(362,288)	(2,078,129)
Payments to suppliers	(1,147,564)	(83,138)	(3,505)	-	(3,071,751)	(445,968)	(36,920)	(4,788,846)
Net Cash from (used for) Operating Activities	<u>(1,373,848)</u>	<u>4,094</u>	<u>4,201</u>	<u>(1,570)</u>	<u>358,167</u>	<u>7,042</u>	<u>43,879</u>	<u>(958,035)</u>
Cash Flows from Noncapital Financing Activities								
Operating subsidies	<u>978,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,618</u>	<u>1,011,203</u>
Net Cash from Noncapital Financing Activities	<u>978,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,618</u>	<u>1,011,203</u>
Cash Flows from Investing Activities								
Sale of investments	<u>112,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,231</u>
Net Cash from Investing Activities	<u>112,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,231</u>
Net Change in Cash and Cash Equivalents	(283,032)	4,094	4,201	(1,570)	358,167	7,042	76,497	165,399
Cash and Cash Equivalents, Beginning of Year	<u>324,159</u>	<u>24,153</u>	<u>5,099</u>	<u>15,146</u>	<u>483,367</u>	<u>193,861</u>	<u>194,804</u>	<u>1,240,589</u>
Cash and Cash Equivalents, End of Year	<u>\$ 41,127</u>	<u>\$ 28,247</u>	<u>\$ 9,300</u>	<u>\$ 13,576</u>	<u>\$ 841,534</u>	<u>\$ 200,903</u>	<u>\$ 271,301</u>	<u>\$ 1,405,988</u>

Watertown School District No. 14-4
Combining Statements of Cash Flows – Nonmajor Proprietary Funds
Year Ended June 30, 2024

	Enterprise Funds							Totals
	Food Service Fund	Concessions Fund	Drivers Education Fund	Pre-School Services Fund	Bookstore Fund	LATC Food Service Fund	LATC Daycare Fund	
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities								
Operating income (loss)	\$ (1,422,473)	\$ (110)	\$ 4,176	\$ (1,158)	\$ (70,338)	\$ 14,813	\$ 32,761	\$ (1,442,329)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:								
Depreciation expense	37,099	390	-	-	-	2,063	3,003	42,555
Value of donated commodities used	96,751	-	-	-	-	-	-	96,751
Change in assets and liabilities:								
Accounts receivable	-	-	-	-	(40,566)	2,745	1,876	(35,945)
Inventories	(3,827)	-	-	-	(31,875)	1,907	-	(33,795)
Due from other funds	(950)	-	-	-	(2,454)	(6,945)	-	(10,349)
Due from other governments	-	-	-	-	-	-	2,840	2,840
Prepaid expenses	-	-	-	-	15,199	-	-	15,199
Pension asset and deferred outflows	15,046	3,036	(7,148)	2,766	2,700	(3,286)	8,727	21,841
Accounts payable	(32,594)	1,452	3,214	-	290,294	(5,619)	(2,814)	253,933
Contracts payable	3,315	1,128	-	(1,225)	-	68	1,877	5,163
Payroll deductions and withholdings and employer matching payable	1,159	86	-	(345)	-	71	554	1,525
Due to other funds	-	-	-	-	(1,018)	-	950	(68)
Deposits payable	(272)	-	-	-	-	-	-	(272)
Unearned revenue	(54,891)	-	-	-	198,611	-	-	143,720
Pension liability and deferred inflows	(12,211)	(1,888)	3,959	(1,608)	(2,386)	1,225	(5,895)	(18,804)
Net Cash from (used for) Operating Activities	<u>\$ (1,373,848)</u>	<u>\$ 4,094</u>	<u>\$ 4,201</u>	<u>\$ (1,570)</u>	<u>\$ 358,167</u>	<u>\$ 7,042</u>	<u>\$ 43,879</u>	<u>\$ (958,035)</u>
Noncash Investing, Capital and Financing Activities								
Value of commodities received	\$ 96,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,751
Gain on investments not affecting operating income (loss)	13,506	356	25	459	16,090	4,827	4,035	39,298



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

To the School Board
Watertown School District No. 14-4
Watertown, 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 Watertown School District No. 14-4 (the School District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Watertown School District No. 14-4’s basic financial statements and have issued our report thereon dated January 17, 2025. In our report, we expressed a disclaimer of opinion on the discretely presented component unit as the financial statements of the Lake Area Technical College Foundation have not been audited and we were not engaged to audit the Lake Area Technical College Foundation. In our report, we also expressed a qualified opinion on the aggregate remaining fund information and the governmental activities which include the Arrow Education Foundation as the financial statements of the Arrow Education Foundation have not been audited and we were not engaged to audit the Arrow Education Foundation.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watertown School District No. 14-4's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

A handwritten signature in black ink that reads "Erik Sallie LLP". The signature is written in a cursive style.

Aberdeen, South Dakota
January 17, 2025



**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors
Watertown School District No. 14-4
Watertown, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watertown School District No. 14-4’s (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2024. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-002 to be a significant deficiency.

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

Government Auditing Standards require the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Aberdeen, South Dakota
January 17, 2025

Watertown School District No. 14-4
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Pass-Through the SD Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	*	\$ 96,751
Cash Assistance:			
School Breakfast Program	10.553	*	145,498
National School Lunch Program	10.555	*	828,464
Cash Assistance Total:			<u>973,962</u>
Total for Child Nutrition Cluster		*	<u>1,070,713</u>
Child and Adult Care Food Program	10.558	*	<u>32,618</u>
Total U.S. Department of Agriculture			<u>1,103,331</u>
U.S. Department of Education			
Direct Federal Funding:			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063		3,090,638
Federal Workstudy Program	84.033		76,276
Federal Supplemental Educational Opportunity Grants	84.007		65,000
Perkins Loan Program (Note 5 and Note 6)	84.038		304,093
Federal Direct Student Loans	84.268		<u>5,896,887</u>
Total Student Financial Aid Cluster			<u>9,432,894</u>
Education Stabilization Fund			
COVID-19 - Higher Education Emergency Relief Fund Institutional Portion	84.425F		85,469
Passed through the SD Department of Education:			
COVID-19 Elementary and Secondary Emergency Relief Fund	84.425D	*	6,082
COVID-19 - American Rescue Plan - Elementary and Secondary Emergency Relief Fund	84.425U	*	2,732,478
COVID-19 - American Rescue Plan – Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	*	<u>18,141</u>
Total Education Stabilization Fund			<u>2,842,170</u>
Passed through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	*	743,623
Career and Technical Education - Basic Grants to States	84.048	*	786,160
Improving Teacher Quality State Grants	84.367	*	246,375
Title IV - A	84.424	*	91,187
Title III - Immigrant	84.365A	*	31,062
Special Education Cluster:			
Special Education - Grants to States	84.027	*	1,222,134
Special Education - Preschool Grants	84.173	*	<u>18,391</u>
Total for Special Education Cluster			<u>1,240,525</u>
Total U.S. Department of Education			<u>15,413,996</u>

Watertown School District No. 14-4
 Schedule of Expenditures of Federal Awards
 June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Commerce Manufacturing Extension Partnership	11.611		<u>822,597</u>
Total U.S. Department of Commerce			<u>822,597</u>
Department of National Science Foundation Cultivating Career Pathways for Advanced Manufacturing Technicians	47.076		<u>18,312</u>
Total Department of National Science Foundation			<u>18,312</u>
Total Federal Financial Assistance			<u><u>\$ 17,358,236</u></u>

* Pass-through identifying numbers were not provided.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Watertown School District No. 14-4 (the School District) under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The School District has elected to use the 10% *de minimus* cost rate for specific programs.

Note 4 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the School District had food commodities totaling \$4,591 in inventory.

Note 5 - Federal Student Loan Programs

The federal student loan programs listed are administered directly by Lake Area Technical College; and, balances and transactions relating to these programs are included in the School District's basic financial statements. No new loans were made during the year. The balance of loans outstanding at June 30, 2024, related to the Federal Perkins Loan Program #84.038 was \$0. (See Note 6)

Note 6 - Perkins Loan Program Liquidation

During 2024, the Perkins Loan Program was liquidated with all outstanding loans being assumed by the Department of Education. As part of the 2024 single audit testing, we have included testing the liquidation of the program as outlined in the compliance supplement.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	
Discretely Presented Component Unit	Disclaimer
Aggregate Remaining Fund Information	Qualified
Governmental Activities	Qualified
All Other Opinion Units	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Workstudy Program	84.033
FSEOG Program	84.007
Perkins Loan Program	84.038
Direct Loan Program	84.268
Child Nutrition Cluster	
Non-Cash Assistance (Commodities)	
National School Lunch Program	10.555
Cash Assistance	
School Breakfast Program	10.553
National School Lunch Program	10.555
Manufacturing Extension Partnership (MTS)	11.611
Career and Technical Education	84.048
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2024-001 Auditor Preparation of Financial Statements and Audit Adjustments

Material Weakness

Criteria: The school district’s internal control structure should be designed to provide for the preparation of the financial statements and required footnote disclosures, which includes having an adequate internal control system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: As the auditor, we prepared the financial statements and required footnote disclosures for the year ended June 30, 2024. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments that were not identified by the Watertown School District’s current internal controls.

Cause: The School District’s internal controls did not identify and detect the misstatements noted during our audit, resulting in proposed audit adjustments. Additionally, the auditor was requested to prepare the complete financial statements and related required footnotes.

Effect: The presence of identified audit adjustments may affect the condition of financial information throughout the year being used by management in analysis and decision making, and increase the risk that potential misstatements remain present in the financial statements. The auditor’s preparation of the financial statements and footnotes may also affect the School District’s ability to summarize and report financial data consistent with the assertions of management.

Recommendation: We recommend management perform a thorough review of the auditor-prepared financial statements and proposed audit adjustments, as well as account balances in each fund to ensure all necessary adjustments are reflected in the financial statements in accordance with generally accepted accounting principles. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the auditor’s role in preparation of the financial statements and footnotes.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2024-002 **Department of Education**
Student Financial Aid Cluster
Federal Financial Assistance Listing #84.264 – Federal Direct Student Loans,
Award Year 2024

Special Tests and Provisions – Enrollment Reporting
Significant Deficiency in Internal Controls over Compliance and Compliance

Criteria: 34 CFR 685.309 sets forth the criteria for administrative and fiscal control and accounting requirements for schools participating in the Federal Direct Loan Program in regard to enrollment reporting requirements.

Condition: The following was noted in testing: 1) One student was not properly reported as graduated in 2024, 2) three students had an incorrect program start date reported (off by 5 days), and 3) one student had an incorrect withdrawn date (off by 1 day).

Cause: For errors 1 and 2 noted above, the School properly reported in a timely manner the dates to the National Student Clearinghouse (NSC) and NSC did not report those dates to NSLDS. For the last reporting issue, an error in entry of the date was made into the system which is used to report to NSLDS, so the date was incorrectly reported.

Effect: The errors in reporting resulted in reporting dates incorrectly or not reported to NSLDS.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 60 students with a change in status out of 625 students with a change in status were selected for enrollment reporting requirements.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend a spot check be completed on a monthly basis of changes to ensure those changes are properly reported. We specifically recommend any known, unusual situations be reviewed on the NSLDS site to ensure they were properly reported.

Views of Responsible Officials: Management agrees with the finding.



WATERTOWN SCHOOL DISTRICT No. 14-4

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Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2023

Prepared by Management of
Watertown School District #14-4

Summary Schedule of Prior Audit Findings

Finding 2023-001

Initial Fiscal Year Finding Occurred: 2021

Finding Summary: Eide Bailly LLP prepared the financial statements and required footnote disclosures for the year ended June 30, 2023. As part of audit procedures and preparation of the financial statements, they identified and proposed various audit adjustments and adjustments to the SEFA, some of which were material, that were not identified by current internal controls. They also identified certain misstatements, deemed to be immaterial individually and in the aggregate to the financial statements as a whole, that were passed on for adjustment by management.

Status: Ongoing.

Corrective Action Plan

Financial Statement Finding

Finding 2024-001

Finding Summary:

Eide Bailly LLP prepared the financial statements and required footnote disclosures for the year ended June 30, 2024. As part of audit procedures and preparation of the financial statements, they identified and proposed various audit adjustments that were not identified by current internal controls.

Responsible Individuals:

Heidi Clausen, Business Manager

Corrective Action Plan:

It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We request that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the audit adjustments proposed during the audit.

Anticipated Completion Date: Ongoing

Corrective Action Plan

Single Audit Finding

Finding 2024-002

Federal Agency Name: Department of Education

Assistance Listing Number: #84.264

Program Name: Federal Direct Student Loans

Finding Summary: 1 of the 60 students selected for testing the reporting of student status changes were reported with the incorrect enrollment status based on NSLDS Enrollment Reporting guidance. 3 of the 60 students selected for testing the reporting of student status changes were reported to NSLDS with incorrect program begin dates based on NSLDS Enrollment Reporting guidance. 1 of the 60 students selected for testing the reporting of student status changes were reported to NSLDS with an incorrect status effective date based on NSLDS Enrollment Reporting guidance.

Corrective Action Plan: LATC currently runs a SQL database script against the enrollment file before sending it to NSC. This script checks for missing and erroneous data (race/ethnicity, non-degree seeking majors, anticipated grad dates, etc.) in the file and updates it to correct values. The Director of Enrollment will work with the Database Administrator to regularly update these tables and review to ensure accurate information is being imported. The Registrar's office will manually investigate these records and (if necessary) updated before sending the file to NSC.

Every 30 days, representatives from the Financial Aid and the Registrar's departments will pull 10 randomly selected student files to compare information in National Student Clearinghouse, PowerFaid, and NSLDS.

The Director of Enrollment will work the error reports that the National Student Clearinghouse sends to LATC after every enrollment file upload with the assistance of the Database Administrator to ensure data submitted is compliant with DOE regulations.

The Director of Financial Aid will review NSLDS to ensure corrections submitted by the Director of Enrollment are being properly recorded.

Responsible Individual(s): Eric Schultz, Director of Enrollment and Kayla Bossly, Director of Financial Aid

Anticipated Completion Date: Corrections complete by December 31, 2024. New process is ongoing.