

Financial Statements
June 30, 2025

Aberdeen School District 6-1

Board Members

Term Expiration

Aaron Schultz	June 30, 2026
Brian Sharp.....	June 30, 2026
Kevin Burckhard	June 30, 2026
Mark Murphy	June 30, 2027
Brad Olson.....	June 30, 2027
Darin Beckius.....	June 30, 2028
Gayle Bortnem	June 30, 2028

Superintendent

Dr. Becky Guffin N/A

Director of Finance

Michaela Rogers..... N/A

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Independent Auditor's Report

To the School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Aberdeen School District 6-1 (the School District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the the School District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*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 School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 on pages 5 through 17, and budgetary comparison information, schedule employer's share or net pension liability (asset) and schedule of employer's contributions, and schedule changes in the School District's total OPEB liability and related ratios on pages 55 through 65 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the School District's Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or if the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2026, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Aberdeen, South Dakota
April 17, 2026

This section of Aberdeen School District 6-1's annual financial report presents management's discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School District's financial statements, which follow this section.

Financial Highlights

- The School District's net position from government and business-type activities increased \$2,217,509.
- During the year, the School District's revenues generated from taxes and other revenues of the governmental and business-type programs were \$62,132,746. Governmental and business-type program expenditures were \$59,915,237.
- As of June 30, 2025, the School District's governmental funds reported combined ending fund balances of \$15,892,107, an increase of \$1,890,542.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and the 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 government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status. The government-wide financial statements also include component unit financial statements.
- The remaining statements are fund financial statements that focus on individual parts of the School District government, reporting the School District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities that the School District operates like a business.

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

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

Figure A-1
Required Components of Aberdeen School District’s Annual Financial Report

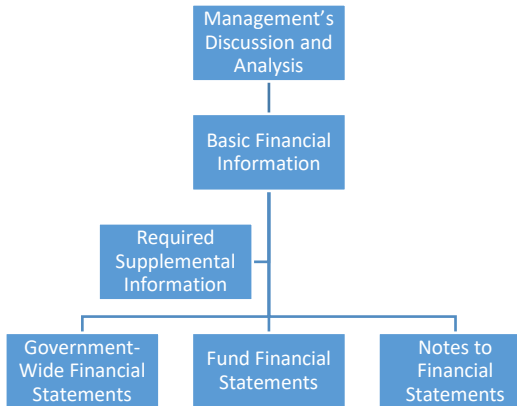


Figure A-2 summarizes the major features of the School District’s financial statements, including the portion of the School District government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure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

Figure A-2
Major Features of Aberdeen School District’s Government-Wide and Fund Financial Statements

	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire School District government (including the School District’s component unit)	The activities of the School District that are not proprietary, such as elementary and high school education programs	Activities the School District operates similar to private businesses, such as the food service program and the other enterprise fund
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
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
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

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

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

- **Governmental Activities** – This category includes the School District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.), and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- **Business-Type Activities** – The School District charges a fee to students to help cover the costs of providing hot meals to all students. The Food Service Fund and Other Enterprise Fund are the business-type activities of the School District.
- **Discretely Presented Component Unit** – Component units are legally separated organizations for which the School District is financially accountable, or the nature and significance of the unit's relationship with the School District is such that exclusion of the unit would cause the School District's financial statements to be misleading or incomplete. The following entity is included in the component unit column of the School District's government-wide financial statements:

- ✓ Aberdeen Public Schools Foundation, Inc.

Fund Financial Statements

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

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

The School District has two kinds of funds:

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

Component Unit – As mentioned above, component units are legally separate organizations for which the School District is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit in a single column on the (a) statement of net position and (b) statement of activities.

Financial Analysis of the School District as a Whole

Net Position

The School District's combined net position increased as follows:

**Table A-1
Aberdeen School District
Statement of Net Position**

	Governmental Activities 6/30/25	Business-Type Activities 6/30/25	Total 6/30/25
Current and Other Assets	\$ 38,685,516	\$ 393,985	\$ 39,079,501
Capital Assets	64,242,193	224,833	64,467,026
Total Assets	<u>102,927,709</u>	<u>618,818</u>	<u>103,546,527</u>
Deferred Outflows of Resources	<u>8,300,632</u>	<u>202,696</u>	<u>8,503,328</u>
Total Assets and Deferred Outflows	<u>\$ 111,228,341</u>	<u>\$ 821,514</u>	<u>\$ 112,049,855</u>
Long-Term Debt Outstanding	\$ 6,700,765	\$ -	\$ 6,700,765
Total OPEB Liability	1,666,006	-	1,666,006
Other Liabilities	5,815,637	95,750	5,911,387
Total Liabilities	<u>14,182,408</u>	<u>95,750</u>	<u>14,278,158</u>
Deferred Inflows of Resources	<u>18,402,558</u>	<u>132,268</u>	<u>18,534,826</u>
Net Position			
Net investment in capital assets	59,077,928	224,833	59,302,761
Restricted	11,970,480	71,480	12,041,960
Unrestricted	7,594,967	297,183	7,892,150
Total Net Position	<u>78,643,375</u>	<u>593,496</u>	<u>79,236,871</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 111,228,341</u>	<u>\$ 821,514</u>	<u>\$ 112,049,855</u>
Beginning Net Position	\$ 76,283,014	\$ 736,348	\$ 77,019,362
Increase (Decrease) in Net Position	<u>2,360,361</u>	<u>(142,852)</u>	<u>2,217,509</u>
Ending Net Position	<u>\$ 78,643,375</u>	<u>\$ 593,496</u>	<u>\$ 79,236,871</u>
Percentage of Increase (Decrease) in Net Position for 2025	<u>3.1%</u>	<u>-19.4%</u>	<u>2.9%</u>

Aberdeen School District 6-1
Management's Discussion and Analysis
June 30, 2025

	Governmental Activities 6/30/24	Business-Type Activities 6/30/24	Total 6/30/24
Current and Other Assets	\$ 37,847,273	\$ 606,193	\$ 38,453,466
Capital Assets	64,425,024	192,160	64,617,184
Total Assets	<u>102,272,297</u>	<u>798,353</u>	<u>103,070,650</u>
Deferred Outflows of Resources	<u>9,446,427</u>	<u>250,560</u>	<u>9,696,987</u>
Total Assets and Deferred Outflows	<u>\$ 111,718,724</u>	<u>\$ 1,048,913</u>	<u>\$ 112,767,637</u>
Long-Term Debt Outstanding	\$ 8,575,931	\$ -	\$ 8,575,931
Total OPEB Liability	1,669,843	-	1,669,843
Other Liabilities	6,596,550	168,963	6,765,513
Total Liabilities	<u>16,842,324</u>	<u>168,963</u>	<u>17,011,287</u>
Deferred Inflows of Resources	<u>18,593,386</u>	<u>143,602</u>	<u>18,736,988</u>
Net Position			
Net investment in capital assets	57,281,770	192,160	57,473,930
Restricted	11,744,037	109,831	11,853,868
Unrestricted	7,257,207	434,357	7,691,564
Total Net Position	<u>76,283,014</u>	<u>736,348</u>	<u>77,019,362</u>
Total Liabilities and Net Position	<u>\$ 111,718,724</u>	<u>\$ 1,048,913</u>	<u>\$ 112,767,637</u>
Beginning Net Position, Restated	\$ 72,788,912	\$ 990,970	\$ 73,779,882
Increase (Decrease) in Net Position	<u>3,494,102</u>	<u>(254,622)</u>	<u>3,239,480</u>
Ending Net Position	<u>\$ 76,283,014</u>	<u>\$ 736,348</u>	<u>\$ 77,019,362</u>
Percentage of Increase (Decrease) in Net Position for 2024	<u>4.8%</u>	<u>-25.7%</u>	<u>4.4%</u>

The statement of net position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School District, consisting of compensated absences payable, early retirement benefits payable, capital outlay certificates payable, direct financing payables, unamortized premium payable, and OPEB obligations payable, have been reported in this manner on the statement of net position. The difference between the School District's assets and liabilities is its net position.

Changes in Net Position

The School District’s total revenues totaled \$62,132,746 (see Table A-2). Approximately 43% of the School District’s revenue comes from property and other taxes, with 32% coming from state aid (see Figure A-3).

The School District’s total expenses totaled \$59,915,237. The School District’s expenses cover a range of services encompassing instruction, support services and food services. 58% of expenses were spent on instruction and 32% on support services (see Figure A-4).

Figure A-3. Aberdeen School District, Sources of Revenue for Fiscal Year 2024-2025

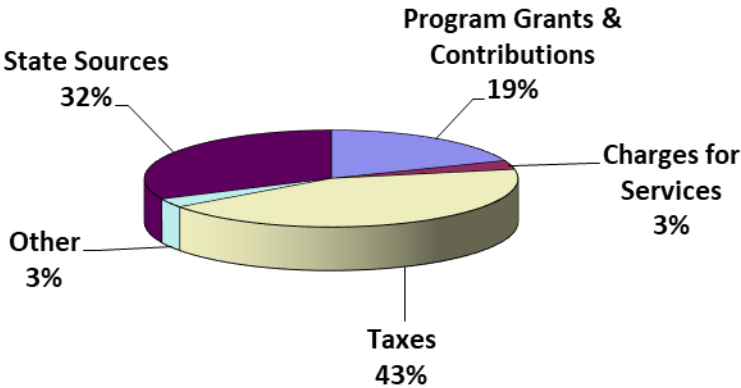
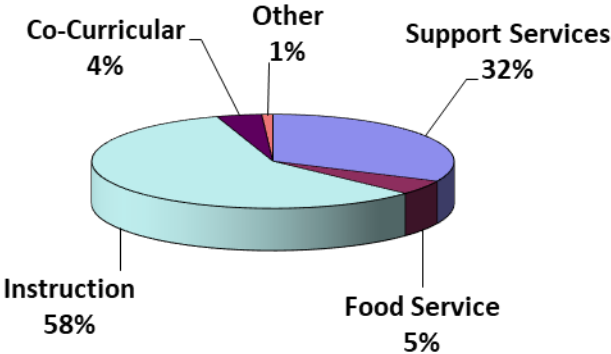


Figure A-4 Aberdeen School District, Functional Expenses for Fiscal Year 2024-2025



Governmental Activities

Table A-2, and the narrative that follows, considers the operations of the government-wide activities.

**Table A-2
Aberdeen School District
Statement of Activities**

	<u>Total Governmental Activities 2024-2025</u>	<u>Total Business-Type Activities 2024-2025</u>	<u>Total 2024-2025</u>
Revenues			
Program Revenues			
Charges for Services	\$ 295,679	\$ 1,414,585	\$ 1,710,264
Operating Grants and Contributions	10,413,439	1,580,795	11,994,234
Capital Grants and Contributions	284,476	-	284,476
General Revenues			
Taxes	26,532,355	-	26,532,355
Revenue State Sources	19,664,015	-	19,664,015
Revenue Federal Sources	61,617	-	61,617
Revenue Intermediate Sources	1,464,273	-	1,464,273
Unrestricted Investment Earnings	421,512	-	421,512
Total Revenues	<u>59,137,366</u>	<u>2,995,380</u>	<u>62,132,746</u>
Expenses			
Instruction	34,698,387	-	34,698,387
Support Services	19,127,978	-	19,127,978
Community Services	100,021	-	100,021
Debt Service	180,432	-	180,432
Co-curricular Activities	2,615,056	-	2,615,056
Other Enterprise Fund	-	49,729	49,729
Food Service	-	3,143,634	3,143,634
Total Expenses	<u>56,721,874</u>	<u>3,193,363</u>	<u>59,915,237</u>
Increase (Decrease) Before Contributions	2,415,492	(197,983)	2,217,509
Transfer for capital contribution	(55,131)	55,131	-
Changes in Net Position	<u>2,360,361</u>	<u>(142,852)</u>	<u>2,217,509</u>
Net Position - Beginning	<u>76,283,014</u>	<u>736,348</u>	<u>77,019,362</u>
Net Position, End of Period	<u>\$ 78,643,375</u>	<u>\$ 593,496</u>	<u>\$ 79,236,871</u>

	Total Governmental Activities 2023-2024	Total Business-Type Activities 2023-2024	Total 2023-2024
Revenues			
Program Revenues			
Charges for Services	\$ 246,276	\$ 1,495,806	\$ 1,742,082
Operating Grants and Contributions	10,110,316	1,501,673	11,611,989
Capital Grants and Contributions	74,580	-	74,580
General Revenues			
Taxes	26,419,265	-	26,419,265
Revenue State Sources	18,815,453	-	18,815,453
Revenue Federal Sources	61,295	-	61,295
Revenue Intermediate Sources	1,429,325	-	1,429,325
Unrestricted Investment Earnings	268,637	-	268,637
Total Revenues	57,425,147	2,997,479	60,422,626
Expenses			
Instruction	32,411,486	-	32,411,486
Support Services	18,775,092	-	18,775,092
Community Services	37,478	-	37,478
Debt Service	200,400	-	200,400
Co-curricular Activities	2,471,334	-	2,471,334
Other Enterprise Fund	-	60,091	60,091
Food Service	-	3,227,265	3,227,265
Total Expenses	53,895,790	3,287,356	57,183,146
Increase Before Contributions	3,529,357	(289,877)	3,239,480
Transfers	(35,255)	35,255	-
Changes in Net Position	3,494,102	(254,622)	3,239,480
Net Position, Beginning, Restated	72,788,912	990,970	73,779,882
Net Position, End of Period	<u>\$ 76,283,014</u>	<u>\$ 736,348</u>	<u>\$ 77,019,362</u>

Revenues of the School District's governmental activities increased by approximately 3.6% to \$59,137,366 and expenses increased by 5.2% to \$56,721,874. Factors contributing to these results included:

- The increase in revenue was due primarily to the increase to the target teacher salary in the funding formula.
- The increase in expenditures was due primarily to increases in salaries and benefits and an increase in special education service costs necessitated by student needs.

Business-Type Activities

Revenues of the School District's business-type activities decreased by approximately 0.1% to \$2,995,380, and expenses decreased by 2.9% to \$3,193,363. Factors contributing to these results included:

- The decrease in expenses was due primarily to a decrease in salaries and benefits.

Financial Analysis of the School District's Funds

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$15,892,107, an increase of \$1,890,542 compared to the prior year. Approximately 99.7% of this total amount (\$15,849,104) constitutes spendable fund balances, which are available for spending at the School District's discretion. The remainder of the fund balances is nonspendable to indicate that the amounts are not available for new spending because they have already been committed for inventory of \$43,003.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned and assigned fund balances of the General Fund was \$6,860,203, while total fund balance was \$6,903,206. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16.8% of total General Fund expenditures, while total fund balance represents 19.1% of that same amount.

The fund balance of the School District's General Fund increased by \$598,940 during the current fiscal year. The School District had budgeted for a decrease in the General Fund balance of \$901,842. Key factors in this decrease are as follows:

- Actual revenues and other financing sources were exceeded by budgeted revenues and other financing sources by \$949,166. Budgeted revenues and other financing sources were \$35,781,280 and actual revenues and other financing sources were \$36,730,446.
- The School District expended 98.5% of the 2024-2025 General Fund budget which resulted in an unexpended budget of \$551,616.

The Capital Outlay Fund had an increase in fund balance of \$2,399,059. The School District had budgeted for an increase in the Capital Outlay Fund balance of \$23,916. Actual revenues and other financing sources exceeded budgeted revenues and other financing sources by \$216,279, and the School District had an unexpended budget of \$2,158,864.

The Special Education Fund had a decrease in fund balance of \$112,093. The School District had budgeted for a decrease in the Special Education Fund balance of \$430,494. Actual revenues and other financing sources exceeded budgeted revenue and other financing sources by \$88,652, and the School District expended 98.3% of the budget providing an unexpended budget of \$229,749.

The Arena Fund had an increase in fund balance of \$11,644. The Bond Redemption Fund had a decrease in fund balance of \$1,007,008.

Proprietary Funds

The School District’s enterprise funds include the Food Service Fund and the Other Enterprise Fund. The Food Service Fund had a decrease in net position of \$165,792. The Other Enterprise Fund had an increase in net position of \$22,940. The School District’s Internal Service Fund had a decrease in net position of \$104,536.

Budgetary Highlights

Over the course of the year, the School Board revised the School District’s budget. These amendments fall into two categories:

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

Capital Asset Administration

By the end of 2024-2025, the School District had invested \$64,467,026 in a broad range of capital assets, including land, buildings, construction in progress, various machinery and equipment, right-to-use subscription IT assets and intangible assets (see Table A-3). This amount represents a net decrease (including additions and deductions) of \$150,158 or 0.2%.

**Table A-3
Aberdeen School District 6-1
Capital Assets**

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2025	2024	2025	2024	2024-2025	2024-2025
Land	\$ 879,982	\$ 879,982	\$ -	\$ -	\$ -	0.0%
Construction Work-in-Progress	1,077,477	622,080	-	-	455,397	73.2%
Buildings	59,390,875	60,435,319	-	-	(1,044,444)	-1.7%
Machinery and Equipment	1,701,326	1,801,531	224,833	192,160	(67,532)	-3.4%
Right-to-use subscription IT assets	151,731	78,699	-	-	73,032	92.8%
Right-to-use leased assets	141,037	68,119	-	-	72,918	100.0%
Intangible assets	899,765	539,294	-	-	360,471	66.8%
Total capital assets	\$ 64,242,193	\$ 64,425,024	\$ 224,833	\$ 192,160	\$ (150,158)	-0.2%

Additional information on the School District’s capital assets can be found in Note 3.

Long-Term Debt

At year-end, the School District had \$6,700,765 in long-term debt. This is a decrease of 21.9% as shown on Table A-4 below.

**Table A-4
Aberdeen School District 6-1
Outstanding Debt and Obligations**

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2025	2024	2025	2024	Change 2024-2025	Change 2024-2025
General Obligation Bonds	\$ -	\$ 885,000	\$ -	\$ -	\$ (885,000)	-100.0%
Early Retirement	1,350,637	1,252,612	-	-	98,025	7.8%
Capital Outlay Certificates	5,035,000	6,200,000	-	-	(1,165,000)	-18.8%
Compensated Absences	185,863	180,065	-	-	5,798	3.2%
Financing (Capital Acquisition)	129,265	58,254	-	-	71,011	121.9%
Total outstanding debt and obligations	\$ 6,700,765	\$ 8,575,931	\$ -	\$ -	\$ (1,875,166)	-21.9%

The School District is liable for the accrued vacation leave payable for all full-time twelve (12) month employees.

The School District also maintains an early retirement plan which allows those meeting certain qualifications to retire and receive either 80% or 60% of their last year's salary in equal payments spread over the next six years.

The School District also allows retirees to remain on the health insurance plan if certain eligibility requirements are met. As a result of this, the School District reports a total OPEB liability of \$1,666,006 and \$1,669,843 as of June 30, 2025 and 2024, respectively. Additional information on this plan can be found in Note 8.

Additional information on the School District's long-term debt can be found in Note 4.

Economic Factors and Next Year's Budgets and Rates

The School District experienced an increase in total property valuation of approximately \$306,842,377, or 9.7%, from the prior year.

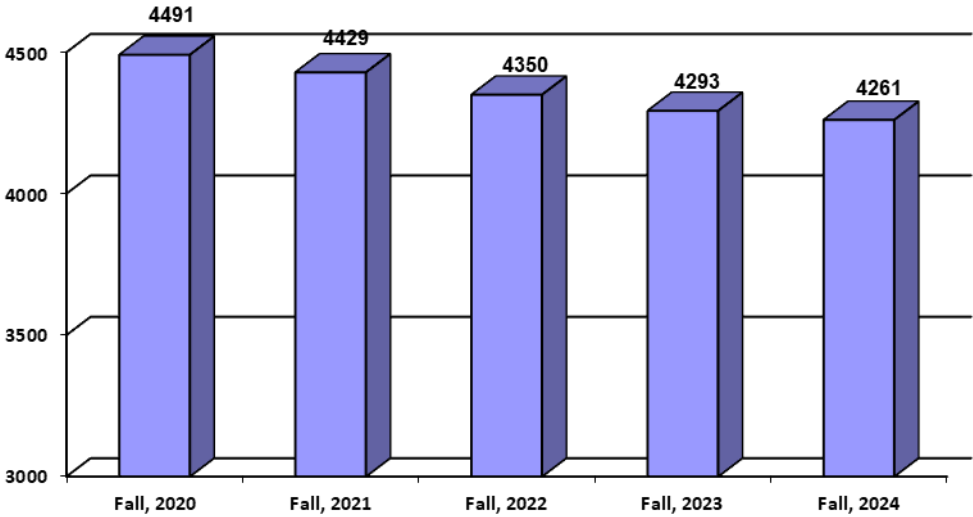
With the exception of the General Fund and Special Education Fund, the increase in property valuation allows the School District the ability to increase the amount of revenue generated from property taxes; however, the total amount which can be levied is limited by the State of South Dakota.

The State of South Dakota increased the target teacher salary in the 2025-2026 General Fund funding formula by 1.25% from the prior year.

The General Fund funding formula is based on fall enrollment (see Figure A-5), and the target teacher salary component of the formula is adjusted annually by the State of South Dakota. The state aid formula ensures property taxes plus state aid equals total need.

The School District’s enrollment for the past five years has been as follows in Figure A-5.

Figure A-5. Aberdeen School District Fall Enrollment For the Last Five Years



Contacting the School District’s Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the School District’s finances and to demonstrate the School District’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Aberdeen School District’s Finance Office, 1224 S. 3rd Street, Aberdeen, SD 57401.

The School District’s discretely presented component unit issues its own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

Aberdeen School District 6-1

Statement of Net Position

June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Aberdeen Public Schools Foundation, Inc.
Assets				
Cash and cash equivalents	\$ 24,720,850	\$ 536,429	\$ 25,257,279	\$ 243,908
Investments	-	-	-	2,257,080
Taxes receivable	12,127,148	-	12,127,148	-
Other receivables	1,609,667	-	1,609,667	-
Interfund balances	143,496	(143,496)	-	-
Inventories	43,003	-	43,003	12,407
Net pension asset	41,352	1,052	42,404	-
Capital assets				
Land and construction in progress	1,957,459	-	1,957,459	-
Other capital assets, net of depreciation	62,284,734	224,833	62,509,567	-
	<u>102,927,709</u>	<u>618,818</u>	<u>103,546,527</u>	<u>2,513,395</u>
Deferred Outflows of Resources				
OPEB-related deferred outflows	327,394	-	327,394	-
Pension-related deferred outflows	7,963,957	202,696	8,166,653	-
Other deferred outflows of resources	9,281	-	9,281	-
	<u>8,300,632</u>	<u>202,696</u>	<u>8,503,328</u>	<u>-</u>
	<u>\$ 111,228,341</u>	<u>\$ 821,514</u>	<u>\$ 112,049,855</u>	<u>\$ 2,513,395</u>
Liabilities				
Accounts payable	\$ 855,897	\$ 4,866	\$ 860,763	\$ -
Other current liabilities	4,959,740	9,090	4,968,830	-
Unearned revenue	-	81,794	81,794	-
Noncurrent liabilities				
Due within one year	1,172,418	-	1,172,418	-
Due in more than one year	5,528,347	-	5,528,347	-
Total OPEB liability	1,666,006	-	1,666,006	-
	<u>14,182,408</u>	<u>95,750</u>	<u>14,278,158</u>	<u>-</u>
Deferred Inflows of Resources				
OPEB-related deferred inflows	412,232	-	412,232	-
Pension-related deferred inflows	5,196,818	132,268	5,329,086	-
Taxes levied for future period	12,793,508	-	12,793,508	-
	<u>18,402,558</u>	<u>132,268</u>	<u>18,534,826</u>	<u>-</u>
Net Position				
Net investment in capital assets	59,077,928	224,833	59,302,761	-
Restricted for				
Capital outlay	6,372,608	-	6,372,608	-
Special education	2,767,983	-	2,767,983	-
Pension benefit	2,808,491	71,480	2,879,971	-
Arena	21,398	-	21,398	-
Foundation	-	-	-	2,257,080
Unrestricted	7,594,967	297,183	7,892,150	256,315
	<u>78,643,375</u>	<u>593,496</u>	<u>79,236,871</u>	<u>2,513,395</u>
	<u>\$ 111,228,341</u>	<u>\$ 821,514</u>	<u>\$ 112,049,855</u>	<u>\$ 2,513,395</u>

Aberdeen School District 6-1
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Aberdeen Public Schools Foundation, Inc.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities								
Instruction	\$ 34,698,387	\$ 22,692	\$ 10,366,229	\$ 284,476	\$ (24,024,990)	\$ -	\$ (24,024,990)	\$ -
Support services	19,127,978	153,993	-	-	(18,973,985)	-	(18,973,985)	-
Community services	100,021	-	-	-	(100,021)	-	(100,021)	-
*Interest on long-term debt	180,432	-	-	-	(180,432)	-	(180,432)	-
Co-curricular activities	2,615,056	118,994	47,210	-	(2,448,852)	-	(2,448,852)	-
Total governmental activities	56,721,874	295,679	10,413,439	284,476	(45,728,280)	-	(45,728,280)	-
Business-type activities								
Food service	3,143,634	1,341,916	1,580,795	-	-	(220,923)	(220,923)	-
Drivers education	49,729	72,669	-	-	-	22,940	22,940	-
Total business-type activities	3,193,363	1,414,585	1,580,795	-	-	(197,983)	(197,983)	-
Total primary government	\$ 59,915,237	\$ 1,710,264	\$ 11,994,234	\$ 284,476	(45,728,280)	(197,983)	(45,926,263)	-
Component Unit	\$ 326,383	\$ 171,328	\$ 301,746					146,691
General Revenues								
Taxes								
Property taxes					25,966,087	-	25,966,087	-
Gross receipts tax					566,268	-	566,268	-
Revenue from state sources								
State aid					19,651,865	-	19,651,865	-
Other					12,150	-	12,150	-
Revenue from federal sources								
Investment earnings					61,617	-	61,617	-
Other general revenues					421,512	-	421,512	182,354
Transfer for capital contribution					1,464,273	-	1,464,273	-
Total general revenues and transfers					(55,131)	55,131	-	-
Total general revenues and transfers					48,088,641	55,131	48,143,772	182,354
Change in Net Position					2,360,361	(142,852)	2,217,509	329,045
Net Position - Beginning					76,283,014	736,348	77,019,362	2,184,350
Net Position - Ending					\$ 78,643,375	\$ 593,496	\$ 79,236,871	\$ 2,513,395

* 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.

Aberdeen School District 6-1
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Assets						
101 Cash and cash equivalents	\$ 9,835,746	\$ 6,892,392	\$ 3,749,942	\$ 21,398	\$ -	\$ 20,499,478
110 Taxes receivable - current	5,458,572	4,214,993	2,080,667	-	-	11,754,232
112 Taxes receivable - delinquent	199,828	115,131	57,957	-	-	372,916
120 Accounts receivable	-	160,812	-	-	-	160,812
132 Due from other fund	143,496	-	-	-	-	143,496
140 Due from other government	999,058	-	449,797	-	-	1,448,855
170 Inventory of supplies	43,003	-	-	-	-	43,003
	<u>\$ 16,679,703</u>	<u>\$ 11,383,328</u>	<u>\$ 6,338,363</u>	<u>\$ 21,398</u>	<u>\$ -</u>	<u>\$ 34,422,792</u>
Liabilities						
402 Accounts payable	\$ 164,760	\$ 419,139	\$ 270,683	\$ -	\$ -	\$ 854,582
403 Accrued salaries payable	152,789	-	104,612	-	-	257,401
404 Contracts payable	2,556,748	-	723,379	-	-	3,280,127
450 Payroll deductions and withholdings and employer matching payable	767,010	-	205,141	-	-	972,151
Total liabilities	<u>3,641,307</u>	<u>419,139</u>	<u>1,303,815</u>	<u>-</u>	<u>-</u>	<u>5,364,261</u>
Deferred Inflows of Resources						
551 Taxes levied for future period	5,935,362	4,591,581	2,266,565	-	-	12,793,508
551 Unavailable revenue-delinquent property taxes	199,828	115,131	57,957	-	-	372,916
Total deferred inflows of resources	<u>6,135,190</u>	<u>4,706,712</u>	<u>2,324,522</u>	<u>-</u>	<u>-</u>	<u>13,166,424</u>
Fund Balances						
710 Nonspendable for Inventory	43,003	-	-	-	-	43,003
720 Restricted for Capital outlay	-	6,257,477	-	-	-	6,257,477
Special education	-	-	2,710,026	-	-	2,710,026
Arena	-	-	-	21,398	-	21,398
750 Assigned to Next year's budget	774,373	-	-	-	-	774,373
760 Unassigned	6,085,830	-	-	-	-	6,085,830
Total fund balances	<u>6,903,206</u>	<u>6,257,477</u>	<u>2,710,026</u>	<u>21,398</u>	<u>-</u>	<u>15,892,107</u>
	<u>\$ 16,679,703</u>	<u>\$ 11,383,328</u>	<u>\$ 6,338,363</u>	<u>\$ 21,398</u>	<u>\$ -</u>	<u>\$ 34,422,792</u>

Aberdeen School District 6-1
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended June 30, 2025

Total Fund Balances - Governmental Funds	\$	15,892,107
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$101,695,206 and the accumulated depreciation/amortization is \$37,453,013.		64,242,193
Long-term liabilities, including bonds payable, leases and accrued leave payable, are not due and payable in the current period and, therefore, are not reported in the funds. The cost of the liabilities is \$6,700,765 less the deferred outflows of \$9,281.		(6,691,484)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred in the funds.		372,916
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.		3,809,057
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.		(39,061)
OPEB obligations and related deferred outflows and inflows of resources do not represent available financial resources and, therefore, are not reported in the funds.		(1,750,844)
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.		2,808,491
		2,808,491
Net Position - Governmental Funds	\$	78,643,375

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Revenues						
1000 Revenue from local sources						
1100 Taxes						
1110 Ad valorem taxes	\$ 11,824,428	\$ 8,854,844	\$ 4,405,494	\$ -	\$ 435,638	\$ 25,520,404
1120 Prior year's ad valorem taxes	133,375	91,382	50,172	-	13,215	288,144
1140 Gross receipts taxes	566,268	-	-	-	-	566,268
1190 Penalties and interest on taxes	31,931	20,642	11,638	-	3,230	67,441
1300 Tuition and fees						
1310 Regular day school tuition	12,171	-	-	-	-	12,171
1500 Earnings on investments and deposits	335,881	-	-	-	-	335,881
1700 Co-curricular activities						
1710 Admissions	93,928	-	-	11,644	-	105,572
1790 Other student activity income	13,422	-	-	-	-	13,422
1900 Other revenue from local sources						
1910 Rentals	24,000	-	-	-	-	24,000
1920 Contributions and donations	41,060	46,150	-	-	-	87,210
1970 Charges for service	25,756	-	138,758	-	-	164,514
1990 Other	898,792	60,280	-	-	-	959,072
2000 Revenue from intermediate sources						
2100 County sources						
2110 County apportionment	372,287	-	-	-	-	372,287
2200 Revenue in lieu of taxes	20,201	-	-	-	-	20,201
3000 Revenue from state sources						
3100 Grants-in-aid						
3110 Unrestricted grants-in-aid	19,651,865	-	-	-	-	19,651,865
3120 Restricted grants-in-aid	58,734	-	7,093,272	-	-	7,152,006
3300 Tuition						
3320 Regular	19,816	-	-	-	-	19,816
3900 Other state revenue	12,150	-	-	-	-	12,150
4000 Revenue from federal sources						
4100 Grants-in-aid						
4140 Restricted grants-in-aid received directly from federal government	72,814	-	-	-	-	72,814
4150-4199 Restricted grants-in-aid received from federal government through the state	1,751,839	284,476	1,329,754	-	-	3,366,069
4400 Johnson O'Malley funds	61,617	-	-	-	-	61,617
4900 Other federal revenue	1,127	-	-	-	-	1,127
Total revenues	<u>36,023,462</u>	<u>9,357,774</u>	<u>13,029,088</u>	<u>11,644</u>	<u>452,083</u>	<u>58,874,051</u>

Aberdeen School District 6-1
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures						
1000 Instruction						
1100 Regular programs						
1110 Elementary schools	8,969,496	11,364	-	-	-	8,980,860
1120 Middle/junior high schools	4,674,150	-	-	-	-	4,681,419
1130 High school	6,389,721	181,537	-	-	-	6,571,258
1200 Special programs						
1220 Programs for special education	-	-	9,303,769	-	-	9,303,769
1250 Culturally different	577,279	-	-	-	-	577,279
1270 Educationally deprived	1,281,931	-	-	-	-	1,281,931
2000 Support services						
2100 Pupils						
2120 Guidance	920,724	-	-	-	-	920,724
2130 Health	326,787	-	339,813	-	-	666,600
2140 Psychological	-	-	762,950	-	-	762,950
2150 Speech pathology	-	-	929,818	-	-	929,818
2170 Student therapy services	-	-	501,378	-	-	501,378
2200 Support services - instructional staff						
2210 Improvement of instruction	355,094	339,156	28,135	-	-	722,385
2220 Educational media	1,350,806	1,571,822	-	-	-	2,922,628
2300 Support services - general administration						
2310 Board of Education	81,493	-	-	-	-	81,493
2320 Executive administration	313,022	-	-	-	-	313,022
2400 Support services - school administration						
2410 Office of the Principal	2,596,732	-	-	-	-	2,596,732
2440 Title I program administration	21,783	-	-	-	-	21,783
2490 Other support services	5,282	-	-	-	-	5,282
2500 Support services - business						
2520 Fiscal services	337,571	51,654	-	-	-	389,225
2540 Operation and maintenance of plant	4,726,454	1,072,675	-	-	-	5,799,129
2550 Pupil transportation	320,583	-	-	-	-	320,583
2560 Food services	-	101,675	-	-	-	101,675
2570 Internal services	15,435	-	-	-	-	15,435
2600 Support services - central						
2630 Information	110,526	-	-	-	-	110,526
2640 Staff	251,549	-	-	-	-	251,549
2700 Support services - special education						
2710 Administrative costs	-	-	544,178	-	-	544,178
2730 Transportation costs	-	-	659,224	-	-	659,224

Aberdeen School District 6-1

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Arena Fund	Bond Redemption Fund	Total Governmental Funds
3000 Community services						
3700 Nonpublic school	100,021	-	-	-	-	100,021
4000 Nonprogrammed charges						
4500 Early retirement payments	273,125	-	71,916	-	-	345,041
5000 Debt services	-	1,297,024	-	-	888,009	2,185,033
6000 Co-curricular activities						
6100 Male activities	454,863	-	-	-	-	454,863
6200 Female activities	487,271	-	-	-	-	487,271
6500 Transportation	453,926	-	-	-	-	453,926
6900 Combined activities	735,882	90,966	-	-	-	826,848
7500 Capital outlay	-	2,281,079	-	-	-	2,281,079
Total expenditures	<u>36,131,506</u>	<u>7,006,221</u>	<u>13,141,181</u>	<u>-</u>	<u>888,009</u>	<u>57,166,917</u>
Excess of Revenue over (under) Expenditures	<u>(108,044)</u>	<u>2,351,553</u>	<u>(112,093)</u>	<u>11,644</u>	<u>(435,926)</u>	<u>1,707,134</u>
Other Financing Sources (Uses)						
5110 Transfers in	621,082	-	-	-	-	621,082
8110 Transfers out	-	(50,000)	-	-	(571,082)	(621,082)
5140 Compensation for loss of general capital assets	-	1,684	-	-	-	1,684
5130 Sale of surplus	85,902	-	-	-	-	85,902
5120 Proceeds from long-term debt	-	95,822	-	-	-	95,822
Total other financing sources (uses)	<u>706,984</u>	<u>47,506</u>	<u>-</u>	<u>-</u>	<u>(571,082)</u>	<u>183,408</u>
Net Change in Fund Balances	598,940	2,399,059	(112,093)	11,644	(1,007,008)	1,890,542
Fund Balance - Beginning	<u>6,304,266</u>	<u>3,858,418</u>	<u>2,822,119</u>	<u>9,754</u>	<u>1,007,008</u>	<u>14,001,565</u>
Fund Balance - Ending	<u>\$ 6,903,206</u>	<u>\$ 6,257,477</u>	<u>\$ 2,710,026</u>	<u>\$ 21,398</u>	<u>\$ -</u>	<u>\$ 15,892,107</u>

Aberdeen School District 6-1
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds		\$ 1,890,542
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 expense. This is the amount by which capital outlay (\$2,281,080) was exceeded by depreciation/amortization (\$2,463,911) in the current period.		(182,831)
Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		2,074,811
Bond	\$ 885,000	
CO Certificate	1,165,000	
Lease	24,811	
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.		(95,822)
Lease	\$ (95,822)	
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 earned during the period exceeded the amount paid.		(98,025)
In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statement 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."		90,098
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.		(5,798)
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.		6,625

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
Year Ended June 30, 2025

Deferred charges from refunding bonds are not recorded on the fund statements. The annual amortization of these deferred charges are reported as deferred charges and reported as interest expense in the statement of activities.	(52,024)
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.	(104,536)
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.	(72,556)
Changes in the pension-related deferred outflows/inflows are direct components of pension liability (assets) and are not reflected in the governmental funds.	<u>(1,090,123)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,360,361</u></u>

Aberdeen School District 6-1
Statement of Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 468,878	\$ 67,551	\$ 536,429	\$ 4,221,372
Total current assets	468,878	67,551	536,429	4,221,372
Noncurrent assets				
196 Net pension asset	993	59	1,052	-
200 Capital assets				
204 Machinery and equipment	770,691	-	770,691	-
Less accumulated depreciation	(545,858)	-	(545,858)	-
Total noncurrent assets	225,826	59	225,885	-
Deferred outflows of resources				
252 Pension-related deferred outflows	191,263	11,433	202,696	-
	\$ 885,967	\$ 79,043	\$ 965,010	\$ 4,221,372
Liabilities and Net Position				
Liabilities				
400 Current liabilities				
402 Accounts payable	\$ 4,206	\$ 660	\$ 4,866	\$ 1,315
403 Accrued salaries payable	1,080	8,010	9,090	-
409 Incurred but not reported claims	-	-	-	411,000
410 Due to General Fund	143,496	-	143,496	-
475 Unearned revenue	81,794	-	81,794	-
Total current liabilities	230,576	8,670	239,246	412,315
Deferred inflows of resources				
554 Pension-related deferred inflows	124,807	7,461	132,268	-
Total deferred inflows of resources	124,807	7,461	132,268	-
Net Position				
706 Net investment in capital assets	224,833	-	224,833	-
707.2 Restricted for pension benefits	67,449	4,031	71,480	-
708 Unrestricted net position	238,302	58,881	297,183	3,809,057
Total net position	530,584	62,912	593,496	3,809,057
	\$ 885,967	\$ 79,043	\$ 965,010	\$ 4,221,372

Aberdeen School District 6-1
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2025

	Enterprise Funds			Internal Service Funds
	Food Service Fund	Other Enterprise Fund	Total	
Operating Revenues				
Sales				
1610 To pupils	\$ 1,050,689	\$ -	\$ 1,050,689	\$ -
1620 To adults	11,157	-	11,157	-
1660 Other	280,070	-	280,070	-
1970 Self-insurance premiums	-	-	-	5,700,203
1979 Other charges for services	-	72,669	72,669	-
Total operating revenues	<u>1,341,916</u>	<u>72,669</u>	<u>1,414,585</u>	<u>5,700,203</u>
Operating Expenses				
100 Salaries	610,242	40,856	651,098	-
200 Employee benefits	308,798	5,782	314,580	-
300 Purchased services	1,960,263	44	1,960,307	-
400 Supplies	15,693	3,047	18,740	-
462 Cost of sales - donated food	226,179	-	226,179	-
910 Depreciation - local funds	22,459	-	22,459	-
4620 Self-insurance costs	-	-	-	5,890,370
Total operating expenses	<u>3,143,634</u>	<u>49,729</u>	<u>3,193,363</u>	<u>5,890,370</u>
Operating Income (Loss)	<u>(1,801,718)</u>	<u>22,940</u>	<u>(1,778,778)</u>	<u>(190,167)</u>
Nonoperating Revenue				
Local sources				
1500 Investment earnings	-	-	-	85,631
1000 Other local revenue	13,048	-	13,048	-
State sources				
3810 Cash reimbursements	6,068	-	6,068	-
Federal sources				
4810 Cash reimbursements	1,335,500	-	1,335,500	-
4820 Donated food	226,179	-	226,179	-
Total nonoperating revenue	<u>1,580,795</u>	<u>-</u>	<u>1,580,795</u>	<u>85,631</u>
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(220,923)	22,940	(197,983)	(104,536)
5170 Capital contributions	<u>55,131</u>	<u>-</u>	<u>55,131</u>	<u>-</u>
Change in Net Position	(165,792)	22,940	(142,852)	(104,536)
Net Position - Beginning	<u>696,376</u>	<u>39,972</u>	<u>736,348</u>	<u>3,913,593</u>
Net Position - Ending	<u>\$ 530,584</u>	<u>\$ 62,912</u>	<u>\$ 593,496</u>	<u>\$ 3,809,057</u>

Aberdeen School District 6-1
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	Enterprise Funds			
	Food Service Fund	Other Enterprise Fund	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities				
Cash receipts from customers	\$ 1,274,499	\$ 72,669	\$ 1,347,168	\$ -
Cash receipts from interfund services provided	-	-	-	5,700,203
Payments to employees	(908,895)	(48,127)	(957,022)	-
Payments to suppliers	(1,976,631)	(3,160)	(1,979,791)	-
Claims paid	-	-	-	(6,173,899)
Net Cash from (used for) Operating Activities	(1,611,027)	21,382	(1,589,645)	(473,696)
Cash Flows from Noncapital Financing Activities				
Other income	13,047	-	13,047	-
Operating subsidies	1,341,568	-	1,341,568	-
Net Cash from Noncapital Financing Activities	1,354,615	-	1,354,615	-
Cash Flows from Investing Activities				
Cash received for interest	-	-	-	85,631
Net Cash from Investing Activities	-	-	-	85,631
Net Change in Cash and Cash Equivalents	(256,412)	21,382	(235,030)	(388,065)
Cash and Cash Equivalents, Beginning of Year	725,290	46,169	771,459	4,609,437
Cash and Cash Equivalents, End of Year	\$ 468,878	\$ 67,551	\$ 536,429	\$ 4,221,372
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities				
Operating income (loss)	\$ (1,801,718)	\$ 22,940	\$ (1,778,778)	\$ (190,167)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities				
Depreciation expense	22,459	-	22,459	-
Value of donated commodities used	226,179	-	226,179	-
Change in assets and liabilities				
Accounts receivable	-	-	-	64,156
Pension asset and deferred outflows	49,708	(23)	49,685	-
Accounts payable	(675)	(69)	(744)	(347,685)
Accrued wages payable	(2,624)	(2,428)	(5,052)	-
Due to General Fund	(24,643)	-	(24,643)	-
Unearned revenue	(67,417)	-	(67,417)	-
Pension liability and deferred inflows	(12,296)	962	(11,334)	-
Net Cash from (used for) Operating Activities	\$ (1,611,027)	\$ 21,382	\$ (1,589,645)	\$ (473,696)
Noncash Investing, Capital and Financing Activities				
Value of commodities received	\$ 226,179	\$ -	\$ 226,179	\$ -
Capital contributions	55,131	-	55,131	-

Note 1 - Summary of Significant Accounting Policies

The Aberdeen School District 6-1'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 Aberdeen School District 6-1 (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 primary government is financially accountable.

Discretely presented component units are entities that are legally separate from the School District for which the School District is considered to be financially accountable or for which the nature and significance of the relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Aberdeen Public Schools Foundation, Inc., meets this definition of a discretely presented component unit. This component unit is displayed in a separate column in the government-wide financial statements to emphasize its legal separateness from the School District. Separate financial statements are available for the component unit. The financial statements are available upon request from the School District.

Basis of Presentation, 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 unit 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. The School District does not currently have any fiduciary funds. 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 the general operating fund of the School District. It is used to account for all financial resources of the general government except those required to be accounted for in another 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 Capital Outlay, Special Education, and Arena Funds are the special revenue funds maintained by the School District.

Debt Service Funds: Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Bond Redemption Fund of the School District is a debt service fund.

Proprietary Funds

Enterprise Funds: Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing goods and services be financed or recovered primarily through user charges. The Food Service Fund is used to account for the operations of the food service program for the students and faculty of the School District, and is financed primarily through meal sales and federal reimbursement. The Other Enterprise Fund is used to account for the operations of the other enterprise functions such as driver's education, child care, and ACT test preparation. It is financed primarily through tuition charges to the families of the students participating in these classes.

Internal Service Funds: Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The self-insurance fund is the internal fund maintained by the School District with the primary purpose of the funds being to account for self-funded health insurance.

The School District reports the following major funds:

Funds	Brief Description
General Fund	See above description.
Special Revenue Funds:	
Special Education Fund	A fund established by South Dakota Codified Law (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.
Capital Outlay Fund	A fund established by SDCL 13-16-6 to meet expenditures that result in the acquisition of, or additions to, real property, plant or equipment. This fund is financed by property taxes.
Arena Fund	A fund established by SDCL 6-4-1 to provide funding for improvements at the Central High School arena and theater. This fund is financed by 10% of the admission revenues at events held in these facilities.
Debt Service Fund:	
Bond Redemption Fund	A fund established by SDCL 13-16-13 to account for the payment of principal and interest on all bonded indebtedness. This fund is financed by property taxes. This fund was closed in 2025.
Enterprise Funds:	
Food Service Fund	A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants.
Other Enterprise Fund	A fund used to record financial transactions related to other enterprise fund operations. This fund is financed by user charges.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

In the fund financial statements, the governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 bills of the current period. The accrual period for the School District's property tax receipts is sixty days. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies. Federal revenue is recorded in the year in which the related expenditure is made. Other revenues are considered available when they are earned. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other post-employment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under direct financing leases are reported as other financing sources. Under the terms of grant agreements, the School District funds certain grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables are reported as nonspendable fund balance to the extent that the proceeds from the collection of those receivables are not restricted, committed or assigned. Current portions of interfund receivables are considered “available spendable resources” and are reported in the appropriate fund balance category.

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). For the Aberdeen Public Schools Foundation, Inc., “cash and cash equivalents” includes all demand and savings accounts. Investments held by the Aberdeen Public Schools Foundation, Inc., include money market funds, corporate obligations, fixed mutual funds, equity mutual funds, equities, and brokered certificates of deposits.

Deposits and Investments, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

The School District follows the practice of aggregating some of 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 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% 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.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The School District’s policy is to credit income from pooled accounts to the General Fund and interest on accounts held solely by one fund to the fund making the investment.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District’s deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized. All financial institutions which hold the School District’s deposits pledge securities in the amount over \$250,000 for all public School District funds. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2025, all of the School District’s deposits were covered by insurance or collateral in accordance with the deposit policy.

The actual School District bank balances at June 30, 2025, were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 599,648
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	25,564,102
	\$ 26,163,750
The School District's carrying amount of deposits at June 30, 2025	\$ 25,257,279

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

Custodial Credit Risk: For investments, custodial credit risk is 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's investment policy does not address custodial risk.

Interest Rate Risk: Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The School District has a formal investment policy that limits investment maturities to a maximum of 5 years.

Credit Risk: Credit risk is the risk of loss due to the failure of the security issuer or backer. It is the investment policy of the School District to limit the purchase of investments to direct U.S. government obligations and U.S. government and federal agency issues.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may invest in any one issuer.

The Aberdeen Public Schools Foundation, Inc., does not have any formal policies over deposits and investments that address custodial credit risk, interest rate risk, credit risk, or concentration of credit risk. The Foundation's deposits are fully FDIC insured as of June 30, 2025. Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of net position. Investment earnings are reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Receivables

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

All accounts and property tax receivables are shown net of an allowance for uncollectibles of zero. No valuation allowance has been established based upon the School District's estimate that uncollectible receivables, if any, would be immaterial.

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 they 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.

Capital Assets

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

Government-Wide 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. Interest costs incurred during construction of capital assets are not capitalized along with other capital asset costs.

The total June 30, 2025, balance of capital assets for governmental activities includes approximately 8% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2025, balance of capital assets for business-type activities are all valued at original cost.

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	\$ 10,000	Straight-Line	10 - 50 years
Equipment	10,000	Straight-Line	3 - 20 years

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

Right-to-use subscription IT assets and intangible assets are recognized at the subscription or contract commencement date and represent the School District’s right to use the underlying IT asset or the right to use electronic curriculum for the subscription/contract term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. Intangible assets are measured at the historical costs. The amortization period varies from 2 to 6 years.

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 lease 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 5 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.

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 compensated absences, early retirement benefits payable, general obligation bonds, capital outlay certificates payable, and direct financing including leases.

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 statements 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.

Eligible employees of the School District earn vacation and sick leave days in varying amounts, both of which accumulate but only vacation days are paid out upon termination. Vacation leave days accumulated are paid out at the employee's daily compensation rate. In accordance with GASB 101, *Compensated Absences*, a liability is recognized when it is more likely than not to be used for time off or, otherwise, paid in cash or settled through noncash means. The School District recognizes a liability for accumulated vacation leave.

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Property taxes
Special Education Fund	Grants and property taxes
Arena Fund	Co-curricular admissions

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/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS’s fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 four 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, changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position, and deferred charges relating to debt.

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 three 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. The other items are changes in the net pension liability (asset) not included in pension expense and changes in net OPEB liability not included in health insurance expense reported in the government-wide statement of net position.

Adoption of New Standards

As of July 1, 2024, the School District adopted GASB Statement No. 101, *Compensated Absences* and No. 102, *Certain Risk Disclosures*. The provisions of GASB 101 modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The provisions of GASB 102 require management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the School District's financial statements as a result of the implementation of these standards.

Note 2 - Due from Other Governments

As of June 30, 2025, amounts due from other governments are as follows:

General Fund		
Due from federal sources	\$	428,253
Due from state sources		570,805
Special Education		
Due from federal sources		430,610
Due from state sources		19,187
		<hr/>
Total due from other governments	\$	<u>1,448,855</u>

Note 3 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

<u>Primary Government</u>	Balance 7/1/24	Increases	Decreases	Balance 6/30/25
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 879,982	\$ -	\$ -	\$ 879,982
Construction work in process	622,080	455,397	-	1,077,477
Total not being depreciated	<u>1,502,062</u>	<u>455,397</u>	<u>-</u>	<u>1,957,459</u>
Capital assets, being depreciated/amortized				
Buildings and improvements	93,246,087	764,693	-	94,010,780
Machinery and equipment	3,901,425	213,649	144,847	3,970,227
Right-to-use subscription IT assets	115,401	112,392	27,799	199,994
Right-to-use leased assets	74,132	95,822	-	169,954
Intangible assets	904,700	639,127	157,035	1,386,792
Total being depreciated/amortized	<u>98,241,745</u>	<u>1,825,683</u>	<u>329,681</u>	<u>99,737,747</u>
Less accumulated depreciation/amortization for				
Buildings and improvements	32,810,768	1,809,137	-	34,619,905
Machinery and equipment	2,099,894	313,854	144,847	2,268,901
Right-to-use subscription IT assets	36,702	39,360	27,799	48,263
Right-to-use leased assets	6,013	22,904	-	28,917
Intangible assets	365,406	278,656	157,035	487,027
Total accumulated depreciation/amortization	<u>35,318,783</u>	<u>2,463,911</u>	<u>329,681</u>	<u>37,453,013</u>
Capital assets being depreciated/amortized, net	<u>62,922,962</u>	<u>(638,228)</u>	<u>-</u>	<u>62,284,734</u>
Total governmental activity capital assets, net	<u>\$ 64,425,024</u>	<u>\$ (182,831)</u>	<u>\$ -</u>	<u>\$ 64,242,193</u>
Total capital assets being depreciated/amortized, net	<u>\$ 63,738,912</u>	<u>\$ (689,252)</u>	<u>\$ -</u>	<u>\$ 63,049,660</u>
Total amortized right-to-use leased assets, net	<u>\$ 68,119</u>	<u>\$ 72,918</u>	<u>\$ -</u>	<u>\$ 141,037</u>
Total amortized right-to-use IT assets, net	<u>\$ 78,699</u>	<u>\$ 73,032</u>	<u>\$ -</u>	<u>\$ 151,731</u>
Total amortized intangible assets, net	<u>\$ 539,294</u>	<u>\$ 360,471</u>	<u>\$ -</u>	<u>\$ 899,765</u>
Governmental activities				
Instruction				\$ 1,896,464
Support services				210,158
Co-curricular activities				<u>357,289</u>
Total depreciation/amortization expense - governmental activities				<u>\$ 2,463,911</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/25</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 715,560	\$ 55,131	\$ -	\$ 770,691
Total being depreciated	<u>715,560</u>	<u>55,131</u>	<u>-</u>	<u>770,691</u>
Total accumulated depreciation	<u>523,400</u>	<u>22,459</u>	<u>-</u>	<u>545,859</u>
Total capital assets being depreciated, net	<u>192,160</u>	<u>32,672</u>	<u>-</u>	<u>224,832</u>
Business-type activity capital assets, net	<u>\$ 192,160</u>	<u>\$ 32,672</u>	<u>\$ -</u>	<u>\$ 224,832</u>
Business-type activities				
Food service				<u>\$ 22,459</u>
Total depreciation expense - business-type activities				<u>\$ 22,459</u>

The School District has entered into contracts for the use of software and curriculum such as e-books. The School District pays the full contract at the beginning of the contract period and so will not report a liability for the use of the curriculum or software. The curriculum is reported as intangible assets.

Note 4 - Long-Term Liabilities Including Leases

A summary of changes in long-term liabilities follows:

	<u>Amounts Outstanding 7/1/24</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/25</u>	<u>Due in One Year</u>
Governmental activities					
General obligation bonds	\$ 885,000	\$ -	\$ (885,000)	\$ -	\$ -
Capital outlay certificates	6,200,000	-	(1,165,000)	5,035,000	570,000
Early retirement	1,252,612	443,064	(345,039)	1,350,637	388,461
Leases	58,254	95,822	(24,811)	129,265	28,094
Compensated absences	<u>180,065</u>	<u>233,121</u>	<u>(227,323)</u>	<u>185,863</u>	<u>185,863</u>
	<u>\$ 8,575,931</u>	<u>\$ 772,007</u>	<u>\$ (2,647,173)</u>	<u>\$ 6,700,765</u>	<u>\$ 1,172,418</u>

Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

A summary of deferred charges on various bond refundings as of June 30, 2025, follows:

	<u>Original Cost</u>	<u>2025 Amortization</u>	<u>Accumulated Amortization</u>	<u>Unamortized Costs</u>
2016 Refunding	\$ 217,191	\$ 24,132	\$ 217,191	\$ -
2017 Refunding	74,244	9,281	64,963	9,281
2021 Refunding	<u>55,832</u>	<u>18,611</u>	<u>55,832</u>	<u>-</u>
	<u>\$ 347,267</u>	<u>\$ 52,024</u>	<u>\$ 337,986</u>	<u>\$ 9,281</u>

Long-term liabilities and leases at June 30, 2025, are comprised of the following individual issues:

Capital outlay refunding certificates, series 2017, subject to semi-annual sinking fund requirements in July and January beginning July 15, 2018, with final installment due July 15, 2025, interest rates range from 1.10% to 1.95%, paid from the Capital Outlay Fund.	\$ 110,000
Capital outlay refunding certificates, series 2021, subject to annual sinking fund requirements in August beginning August 1, 2021, with final installment due August 1, 2034, interest rates range from 0.25% to 2.25%, paid from the Capital Outlay Fund.	4,925,000
Century Business Products copiers, matures August 9, 2029, 8.5% interest, monthly payments of \$1,952.10, paid by the Capital Outlay Fund.	81,951
Turf tank GPS paint robot, matures September 8, 2027, 8.5% interest, annual payments of \$15,000 with a \$26,500 buyout option, paid from the Capital Outlay Fund.	47,314
Early Retirement Requires annual payments of not more than \$345,040 from General Fund and Special Education Fund; non-interest bearing; final payment July 2029.	<u>1,350,637</u>
	<u><u>\$ 6,514,902</u></u>

The annual requirements to maturity for all debt outstanding for governmental activities as of June 30, 2025, excluding compensated absences, but including sinking fund installments, are as follows:

Year Ending June 30,	C.O. Certificates		Leases	
	Principal	Interest	Principal	Interest
2026	\$ 570,000	\$ 83,088	\$ 28,094	\$ 10,331
2027	465,000	78,080	30,540	7,885
2028	470,000	72,583	44,700	5,226
2029	475,000	65,729	22,068	1,357
2030	485,000	57,804	3,863	41
2031-2035	<u>2,570,000</u>	<u>124,009</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,035,000</u>	<u>\$ 481,293</u>	<u>\$ 129,265</u>	<u>\$ 24,840</u>
Year Ending June 30,	Early Retirement	Total		
	Principal	Principal	Interest	
2026	\$ 388,461	\$ 986,555	\$ 93,419	
2027	303,981	799,521	85,965	
2028	237,204	751,904	77,809	
2029	198,867	695,935	67,086	
2030	148,280	637,143	57,845	
2031-2035	<u>73,844</u>	<u>2,643,844</u>	<u>124,009</u>	
	<u>\$ 1,350,637</u>	<u>\$ 6,514,902</u>	<u>\$ 506,133</u>	

Note 5 - Early Retirement

Each employee who accepts retirement after the age of 55, with at least 20 years of service in the School District, will receive incentive pay equal to 80% of their current annual salary for employees with 30 or more years of service, and 60% of their current annual salary for employees with 20 to 29 years of service, paid out in six equal, annual installments. The liability is recorded based upon the specified annual payments that are due and have not been discounted as the School District has determined the discount to not be material.

Note 6 - Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the endowments held for the Aberdeen Public Schools Foundation, Inc., measured at fair value on a recurring basis as of June 30, 2025:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments - endowment pool				
Money market funds	\$ 148,134	\$ 148,134	\$ -	\$ -
Corporate obligations	471,998	-	471,998	-
Fixed mutual funds	296,325	296,325	-	-
Equity mutual funds	585,489	585,489	-	-
Equities	755,006	755,006	-	-
Total accrual	<u>128</u>	<u>128</u>		
Total investments by fair value level	<u>\$ 2,257,080</u>	<u>\$ 1,785,082</u>	<u>\$ 471,998</u>	<u>\$ -</u>

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	\$ 6,372,608
Special Education	Law	2,767,983
SDRS pension benefits	Law	2,879,971
Arena	Law	21,398
Total restricted net position		<u>\$ 12,041,960</u>

Note 8 - Post-Employment Healthcare Plan**Plan Description**

Aberdeen School District Healthcare Plan is a single-employer, defined-benefit healthcare plan administered by the School District. 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 insurance committee and insurance provider. An employee or administrator who retires from the School District on or after the age of 55 and with at least 20 years of consecutive service with the School District (15 years of service if hired prior to July 1, 2005) may be eligible for retiree health insurance coverage. Coverage ceases when the retiree attains the age of 65 with the exception that, at the time the retiree participant becomes eligible for Medicare (age 65) and he/she had dependent(s) not eligible for Medicare, coverage for those dependent(s) may be continued under the plan until the spouse reaches age 65 and dependent(s) reach the age of 26. The retiree is responsible for 100% of the premiums for both the retiree and the retiree plus spouse coverage.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Active employees	<u>532</u>
	<u>546</u>

Total OPEB Liability

The School District's total OPEB liability of \$1,666,006 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2025. The School District's obligation is unfunded at June 30, 2025. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per year
Salary increases	3.0% per year
Discount rate	3.93 percent*
Healthcare cost trend rates	5.0% for all years

*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

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

Other Assumptions

Mortality	RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement.	
Future Retiree Participation Rate	45%	
Initial Spouse Participation Rate	Male Employees	30%
	Female Employees	30%
Age Difference	Husbands are assumed to be three years older than wives	
Turnover	Rates based on Scale T-10 of the Actuary's Pension Handbook.	
Disability	None	

Changes in the Total OPEB Liability

Balance at July 1, 2024	\$ 1,669,843
Service cost	40,515
Interest cost	65,067
Benefit payments	<u>(109,419)</u>
Total Changes	<u>(3,837)</u>
Balance at June 30, 2025	<u><u>\$ 1,666,006</u></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	\$ 1,824,582	\$ 1,666,006	\$ 1,527,314

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	4.0%	5.0%	6.0%
Total OPEB Liability	\$ 1,509,182	\$ 1,666,006	\$ 1,848,241

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

For the year ended June 30, 2025, the School District recognized a decrease of health insurance expense of \$72,556 due to OPEB. At June 30, 2025, 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	\$ 256,305	\$ 195,149
Changes of assumptions	71,089	217,083
Total	<u>\$ 327,394</u>	<u>\$ 412,232</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>
2026	\$ 57,496
2027	5,498
2028	(27,602)
2029	(41,812)
2030	(56,014)
Thereafter	(22,404)
	<u>\$ (84,838)</u>

Note 9 - Litigation

The School District could be subject to various claims or proceedings that arise in the ordinary course of its activities. In the opinion of management, such matters will not have a material adverse effect upon the financial position of the School District.

Note 10 - 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, 2025, 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. Excess loss insurance is provided through private insurance carriers for claims exceeding \$100,000 per individual and \$5,176,070 or 125% of expected paid claims in aggregate losses for each plan year. At June 30, 2025, an estimated liability of \$411,000 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, 2025, the health insurance internal service fund had a net position balance of \$3,809,057.

The following is a history of the claims activity for the fund for the years ended June 30, 2025, 2024, and 2023, respectively.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Amount of claim liabilities, beginning of year	\$ 760,000	\$ 311,000	\$ 609,365
Incurred claims	6,739,568	6,632,802	6,008,658
Claims paid	<u>(7,088,568)</u>	<u>(6,183,802)</u>	<u>(6,307,023)</u>
Amount of claim liabilities, end of year	<u>\$ 411,000</u>	<u>\$ 760,000</u>	<u>\$ 311,000</u>

Workers' Compensation Insurance

The School District purchases liability insurance for workers' compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance

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

Unemployment Benefit

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, 2025, no claims were filed for unemployment benefits and none were paid. At June 30, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Note 11 - 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 different classes of employees: 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 retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2025, 2024, and 2023, was \$1,824,766, \$1,761,233, and \$1,661,158, 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, 2024, SDRS is 100.0% 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, 2024, and reported by the School District as of June 30, 2025, are as follows:

Proportionate share of total pension liability	\$ 156,274,757
Less proportionate share of net position restricted for pension benefits	<u>156,317,161</u>
Proportionate share of net pension liability (asset)	<u>\$ (42,404)</u>

At June 30, 2025, the School District reported a liability (asset) of (\$42,404) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, 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, 2024, the School District's proportion was 1.047540%, which is a decrease of 0.026888% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense (reduction of pension expense) of \$1,128,475. At June 30, 2025, 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	\$ 3,926,653	\$ -
Changes in assumption	699,120	5,329,086
Net difference between projected and actual earnings on pension plan investments	1,597,255	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	118,859	-
School District contributions subsequent to the measurement date	<u>1,824,766</u>	<u>-</u>
Total	<u>\$ 8,166,653</u>	<u>\$ 5,329,086</u>

There is \$1,824,766 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date. This will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended June 30:	Amount
2026	\$ (1,427,367)
2027	2,083,202
2028	225,912
2029	<u>131,054</u>
Total	<u>\$ 1,012,801</u>

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2024, 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	1.71%

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, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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, 2024, (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%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	<u>100.0%</u>	

Discount Rate

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

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

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the School District'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:

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 21,547,498	\$ (42,404)	\$ (17,709,669)

Pension Plan Fiduciary Net Position

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

Note 12 - Interfund Balances and Transfers

At June 30, 2025, the following funds had interfund balances:

- The General Fund has an amount due from the Food Service Fund of \$143,496.

The purpose of the interfund balances is for reimbursement of expenses that were incurred during 2025 but not reimbursed until July 2025.

During the year ended June 30, 2025, the Capital Outlay Fund transferred \$50,000 to the General Fund to cover certain operating expenses and the Bond Redemption Fund transferred \$571,082 to the General Fund to close the Bond Redemption Fund.

Note 13 - Commitments

As of June 30, 2025, the School District has committed to spending a total of approximately \$1,430,000 on various projects, of which \$1,077,500 was accrued or paid as of year-end. The projects will be funded with funds on hand.

Required Supplementary Information
June 30, 2025

Aberdeen School District 6-1

Aberdeen School District 6-1
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 40,515	\$ 50,804	\$ 49,324	\$ 53,688	\$ 52,124	\$ 54,172	\$ 52,594	\$ 41,225
Interest	65,067	73,795	74,229	42,243	42,397	64,406	64,263	59,831
Changes of benefit terms	-	-	-	-	-	(256,582)	-	-
Difference between expected and actual experience	-	(267,427)	-	448,280	-	224,101	-	38,960
Changes of assumptions	-	(147,075)	-	(235,194)	-	272,413	-	282,280
Benefit payments	<u>(109,419)</u>	<u>(148,094)</u>	<u>(126,514)</u>	<u>(111,884)</u>	<u>(94,245)</u>	<u>(110,383)</u>	<u>(119,070)</u>	<u>(86,352)</u>
Net change in total OPEB liability	(3,837)	(437,997)	(2,961)	197,133	276	248,127	(2,213)	335,944
Total OPEB liability - beginning	<u>1,669,843</u>	<u>2,107,840</u>	<u>2,110,801</u>	<u>1,913,668</u>	<u>1,913,392</u>	<u>1,665,265</u>	<u>1,667,478</u>	<u>1,331,534</u>
Total OPEB liability - ending	<u><u>\$ 1,666,006</u></u>	<u><u>\$ 1,669,843</u></u>	<u><u>\$ 2,107,840</u></u>	<u><u>\$ 2,110,801</u></u>	<u><u>\$ 1,913,668</u></u>	<u><u>\$ 1,913,392</u></u>	<u><u>\$ 1,665,265</u></u>	<u><u>\$ 1,667,478</u></u>
Covered-employee payroll	\$ 28,565,426	\$ 27,733,423	\$ 25,688,145	\$ 24,939,947	\$ 24,214,100	\$ 23,508,835	\$ 23,033,134	\$ 22,362,266
District's total OPEB liability as a percentage of covered-employee payroll	5.83%	6.02%	8.21%	8.46%	7.90%	8.14%	7.23%	7.46%

*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.

Changes in Benefits

None.

Changes in Assumptions

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

- The discount rates have been updated through the June 30, 2024, reporting date which changed from 3.54% to 3.93%.
- The future retiree participation rate was changed from 50% to 45%.
- The initial spouse participation rate was changed from 20% to 30%.

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 11,313,031	\$ 11,313,031	\$ 11,824,428	\$ 511,397
1120 Prior year's ad valorem taxes	130,000	130,000	133,375	3,375
1140 Gross receipts taxes	551,000	551,000	566,268	15,268
1190 Penalties and interest on taxes	30,000	30,000	31,931	1,931
1300 Tuition and fees				
1310 Regular day school tuition	10,450	10,450	12,171	1,721
1500 Earnings on investments and deposits	205,000	205,000	335,881	130,881
1700 Co-curricular activities				
1710 Admissions	73,000	73,000	93,928	20,928
1790 Other student activity income	15,500	15,500	13,422	(2,078)
1900 Other revenue from local sources				
1910 Rentals	24,000	24,000	24,000	-
1921 Contributions and donations	40,000	40,000	41,060	1,060
1970 Charges for services	20,521	20,521	25,756	5,235
1990 Other	73,850	763,850	898,792	134,942
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	304,000	304,000	372,287	68,287
2200 Revenue in lieu of taxes	19,000	19,000	20,201	1,201
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	19,770,534	19,770,534	19,651,865	(118,669)
3120 Restricted grants-in-aid	82,910	82,910	58,734	(24,176)
3300 Tuition				
3320 Regular	57,000	57,000	19,816	(37,184)
3900 Other state revenue	10,750	10,750	12,150	1,400
4000 Revenue from federal sources				
4140 Restricted grants-in-aid received directly from federal government	65,000	65,000	72,814	7,814
4150-4199 Restricted grants-in-aid received from federal government through the state	1,432,784	1,664,784	1,751,839	87,055
4400 Johnson O'Malley funds	20,000	20,000	61,617	41,617
4900 Other federal revenue	1,200	1,200	1,127	(73)
Total revenues	<u>34,249,530</u>	<u>35,171,530</u>	<u>36,023,462</u>	<u>851,932</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary schools	9,099,869	9,099,869	8,969,496	130,373
1120 Middle/junior high schools	4,653,839	4,703,839	4,674,150	29,689
1130 High school	5,752,470	6,392,470	6,389,721	2,749
1200 Special programs				
1250 Culturally different	594,267	594,267	577,279	16,988
1270 Educationally deprived	1,096,860	1,289,860	1,281,931	7,929
2000 Support services				
2100 Pupils				
2120 Guidance	912,661	925,661	920,724	4,937
2130 Health	317,680	329,680	326,787	2,893
2200 Support services - instructional staff				
2210 Improvement of instruction	335,255	346,255	355,094	(8,839)
2220 Educational media	1,395,095	1,395,095	1,350,806	44,289
2300 Support services - general administration				
2310 Board of Education	122,399	122,399	81,493	40,906
2320 Executive administration	333,054	333,054	313,022	20,032
2400 Support services - school administration				
2410 Office of the Principal	2,622,643	2,622,643	2,596,732	25,911
2440 Title I program administration	22,686	22,686	21,783	903
2490 Other support services	9,175	9,175	5,282	3,893
2500 Support services - business				
2520 Fiscal services	343,951	343,951	337,571	6,380
2540 Operation and maintenance of plant	4,687,608	4,780,608	4,726,454	54,154
2550 Pupil transportation	385,000	385,000	320,583	64,417
2570 Internal services	72,095	72,095	15,435	56,660
2600 Support services - central				
2630 Information	114,684	114,684	110,526	4,158
2640 Staff	247,951	247,951	251,549	(3,598)
3000 Community services				
3700 Nonpublic school	44,124	59,124	100,021	(40,897)
4000 Nonprogrammed costs				
4500 Early retirement payments	273,125	273,125	273,125	-
6000 Co-curricular activities				
6100 Male activities	466,381	466,381	454,863	11,518
6200 Female activities	474,411	474,411	487,271	(12,860)
6500 Transportation	443,940	443,940	453,926	(9,986)
6900 Combined activities	739,899	739,899	735,882	4,017
7000 Contingencies	200,000	200,000	-	200,000
Amount transferred	-	(105,000)	-	(105,000)
Total expenditures	<u>35,761,122</u>	<u>36,683,122</u>	<u>36,131,506</u>	<u>551,616</u>
Excess of Revenue over (under) Expenditures	<u>(1,511,592)</u>	<u>(1,511,592)</u>	<u>(108,044)</u>	<u>1,403,548</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources				
5110 Transfers in	600,000	600,000	621,082	(21,082)
5130 Sale of surplus	9,750	9,750	85,902	(76,152)
Total other financing sources	<u>609,750</u>	<u>609,750</u>	<u>706,984</u>	<u>(97,234)</u>
Net Change in Fund Balances	(901,842)	(901,842)	598,940	1,500,782
Fund Balance - Beginning	<u>6,304,266</u>	<u>6,304,266</u>	<u>6,304,266</u>	-
Fund Balance - Ending	<u>\$ 5,402,424</u>	<u>\$ 5,402,424</u>	<u>\$ 6,903,206</u>	<u>\$ 1,500,782</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 8,838,916	\$ 8,838,916	\$ 8,854,844	\$ 15,928
1120 Prior year's ad valorem taxes	70,000	70,000	91,382	21,382
1190 Penalties and interest on taxes	20,000	20,000	20,642	642
1900 Other revenue from local sources				
1920 Contributions and donations	20,000	20,000	46,150	26,150
1990 Other	-	-	60,280	60,280
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	290,085	290,085	284,476	(5,609)
Total revenues	<u>9,239,001</u>	<u>9,239,001</u>	<u>9,357,774</u>	<u>118,773</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary schools	25,000	25,000	11,364	13,636
1120 Middle/junior high schools	10,000	10,000	7,269	2,731
1130 High school	313,085	313,085	390,773	(77,688)
2000 Support services				
2200 Support services - instructional staff				
2210 Improvement of instruction	919,000	1,139,000	1,095,774	43,226
2220 Educational media	890,478	1,837,478	1,611,493	225,985
2500 Support services - business				
2520 Fiscal services	46,000	52,000	51,654	346
2540 Operation and maintenance of plant	5,012,522	3,783,522	2,348,229	1,435,293
2560 Food services	50,000	106,000	101,675	4,325
5000 Debt services	1,273,000	1,273,000	1,297,024	(24,024)
6000 Co-curricular activities				
6900 Combined activities	76,000	76,000	90,966	(14,966)
Total expenditures	<u>8,615,085</u>	<u>8,615,085</u>	<u>7,006,221</u>	<u>1,608,864</u>
Excess of Revenue over (under) Expenditures	<u>623,916</u>	<u>623,916</u>	<u>2,351,553</u>	<u>1,727,637</u>
Other Financing Sources (Uses)				
8110 Transfers out	(600,000)	(600,000)	(50,000)	550,000
5120 Proceeds from long-term debt	-	-	95,822	95,822
5140 Compensation for loss of general capital assets	-	-	1,684	1,684
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>47,506</u>	<u>647,506</u>
Net Change in Fund Balances	23,916	23,916	2,399,059	2,375,143
Fund Balance - Beginning	<u>3,858,418</u>	<u>3,858,418</u>	<u>3,858,418</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,882,334</u>	<u>\$ 3,882,334</u>	<u>\$ 6,257,477</u>	<u>\$ 2,375,143</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 4,080,665	\$ 4,080,665	\$ 4,405,494	\$ 324,829
1120 Prior year's ad valorem taxes	40,000	40,000	50,172	10,172
1190 Penalties and interest on taxes	10,000	10,000	11,638	1,638
1900 Other revenue from local sources				
1970 Charges for services	89,000	89,000	138,758	49,758
3000 Revenue from state sources				
3100 Grants-in-aid				
3120 Restricted grants-in-aid	7,408,478	7,408,478	7,093,272	(315,206)
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	1,312,293	1,312,293	1,329,754	17,461
Total revenues	<u>12,940,436</u>	<u>12,940,436</u>	<u>13,029,088</u>	<u>88,652</u>
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	9,286,913	9,456,913	9,303,769	153,144
2000 Support services				
2100 Pupils				
2130 Health	344,524	344,524	339,813	4,711
2140 Psychological	769,313	769,313	762,950	6,363
2150 Speech pathology	991,276	991,276	929,818	61,458
2170 Student therapy services	470,832	504,832	501,378	3,454
2200 Support services - instructional staff				
2210 Improvement of instruction	28,500	28,500	28,135	365
2700 Support services - special education:				
2710 Administrative costs	547,657	547,657	544,178	3,479
2730 Transportation costs	428,000	656,000	659,224	(3,224)
2750 Other special education costs	280,000	-	-	-
4000 Nonprogrammed costs				
4500 Early retirement	71,915	71,915	71,916	(1)
Total expenditures	<u>13,218,930</u>	<u>13,370,930</u>	<u>13,141,181</u>	<u>229,749</u>
Excess of Revenue over (under) Expenditures	<u>(278,494)</u>	<u>(430,494)</u>	<u>(112,093)</u>	<u>318,401</u>
Net Change in Fund Balances	(278,494)	(430,494)	(112,093)	318,401
Fund Balance - Beginning	<u>2,822,119</u>	<u>2,822,119</u>	<u>2,822,119</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 2,543,625</u>	<u>\$ 2,391,625</u>	<u>\$ 2,710,026</u>	<u>\$ 318,401</u>

Aberdeen School District 6-1
 Budgetary Comparison Schedule – Budgetary Basis – Arena Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1700 Co-curricular activities				
1710 Admissions	\$ 8,000	\$ 8,000	\$ 11,644	\$ 3,644
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>11,644</u>	<u>3,644</u>
Expenditures				
2000 Support services				
2500 Support services - business				
2540 Operation and maintenance of plant	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue over Expenditures	<u>8,000</u>	<u>8,000</u>	<u>11,644</u>	<u>3,644</u>
Net Change in Fund Balances	8,000	8,000	11,644	3,644
Fund Balance - Beginning	<u>9,754</u>	<u>9,754</u>	<u>9,754</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 17,754</u>	<u>\$ 17,754</u>	<u>\$ 21,398</u>	<u>\$ 3,644</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.
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 - Budget Reconciliation

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. The major difference between the budgetary basis and the GAAP basis is that all capital outlay expenditures are recorded with other functional expenses for budget purposes rather than as a separate line item for GAAP purposes. There is no effect on the net change in fund balance.

Schedule of Employer’s Share of Net Pension Liability (Asset) and Schedule of Employer’s Contributions
Year Ended June 30, 2025

Schedule of Employer’s Share of Net Pension Liability (Asset)

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2025	1.0475%	\$ (42,404)	\$ 29,353,821	-0.1%	100.00%
SDRS	6/30/2024	1.0744%	(104,869)	27,685,906	-0.4%	100.10%
SDRS	6/30/2023	1.1018%	(104,131)	26,280,648	-0.4%	100.10%
SDRS	6/30/2022	1.1712%	(8,969,616)	26,557,155	-33.8%	105.52%
SDRS	6/30/2021	1.1617%	(50,451)	25,470,834	-0.2%	100.04%
SDRS	6/30/2020	1.1806%	(125,107)	25,074,491	-0.5%	100.09%
SDRS	6/30/2019	1.1719%	(27,332)	24,338,937	-0.1%	100.02%
SDRS	6/30/2018	1.1475%	(104,139)	23,276,255	-0.4%	100.10%
SDRS	6/30/2017	1.1032%	3,726,643	20,951,710	17.8%	96.89%
SDRS	6/30/2016	1.0997%	(4,664,272)	20,072,700	-23.2%	104.10%

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.

Schedule of Employer’s Contributions

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions Percentage of Covered Payroll (b/d)
SDRS	6/30/2025	\$ 1,824,766	\$ 1,824,766	\$ -	\$ 30,412,711	6.0%
SDRS	6/30/2024	1,761,233	1,761,233	-	29,353,821	6.0%
SDRS	6/30/2023	1,661,158	1,661,158	-	27,685,906	6.0%
SDRS	6/30/2022	1,576,834	1,576,834	-	26,280,648	6.0%
SDRS	6/30/2021	1,594,248	1,594,248	-	26,557,155	6.0%
SDRS	6/30/2020	1,528,253	1,528,253	-	25,470,834	6.0%
SDRS	6/30/2019	1,504,472	1,504,472	-	25,074,491	6.0%
SDRS	6/30/2018	1,460,339	1,460,339	-	24,338,937	6.0%
SDRS	6/30/2017	1,396,568	1,396,568	-	23,276,255	6.0%
SDRS	6/30/2016	1,257,103	1,257,103	-	20,951,710	6.0%

Changes from Prior Valuation

The June 30, 2024, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, actuarial valuation.

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

Benefit Provision Changes

During the 2024 legislative session, no significant SDRS benefit changes were made.

Actuarial Method Changes

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

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, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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.



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
Aberdeen School District 6-1
Aberdeen, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Aberdeen School District 6-1 (the School District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated April 17, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, 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*.

Aberdeen School District 6-1's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the finding 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. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
April 17, 2026



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

The School Board
Aberdeen School District 6-1
Aberdeen, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Aberdeen School District 6-1’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, 2025. 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, 2025.

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.

Report on Internal Control over Compliance

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

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

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

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.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
April 17, 2026

Aberdeen School District 6-1
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

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	*	\$ 226,179
Cash Assistance			
School Breakfast Program	10.553	*	178,299
National School Lunch Program (Supply Chain)	10.555	*	62,368
National School Lunch Program	10.555	*	<u>1,094,833</u>
Total for Child Nutrition Cluster			<u>1,561,679</u>
Total U.S. Department of Agriculture			<u>1,561,679</u>
U.S. Department of the Interior			
Direct Federal Funding			
477 Cluster			
Indian Education - Assistance to Schools	15.130	N/A	<u>61,617</u>
Total for 477 Cluster			<u>61,617</u>
Total U.S. Department of the Interior			<u>61,617</u>
U.S. Department of Education			
Direct Federal Funding			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	72,814
Pass-Through the SD Department of Education			
Title I Grants to Local Educational Agencies	84.010	*	1,339,491
Title I Program for Neglected and Delinquent Children	84.013	*	38,801
Career and Technical Education - Basic Grants to States	84.048	*	62,692
Improving Teacher Quality State Grants	84.367	*	355,801
COVID-19 Education Stabilization Fund			
American Rescue Plan			
Education Stabilization Fund	84.425V	*	239,530
Special Education Cluster			
Special Education - Grants to States	84.027	*	1,281,757
Special Education - Preschool Grants	84.173	*	<u>42,126</u>
Total for Special Education Cluster			<u>1,323,883</u>
Special Education - Grants for Infants and Families	84.181	*	<u>5,871</u>
Total U.S. Department of Education			<u>3,438,883</u>
Total Federal Financial Assistance			<u>\$ 5,062,179</u>

* Pass-Through Number not Provided

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Aberdeen School District 6-1 (the School District) under programs of the federal government for the year ended June 30, 2025. 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 - Pass-Through Entities

The pass-through entities have not provided identifying numbers; therefore, they are not included in this schedule.

Note 4 - Indirect Cost Rate

The School District has not elected to use the 10% *de minimus* cost rate.

Note 5 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the School District had food commodities totaling \$0 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	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	None Reported
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 (a):	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Education Cluster	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA, Preschool)	84.173
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 2025-001 – Lack of Reconciliation over Food Service Receipts

Material Weakness

Criteria: A good system of internal controls allows for reconciliation of cash received for the food service program at school locations to be reconciled to the amount deposited into student lunch accounts on a weekly and monthly basis.

Condition: The School District did not have a control in place to reconcile the cash amounts received in the main business office from the school locations compared to the amounts that are added to student lunch accounts.

Cause: The School District had not previously implemented such control.

Effect: This condition increases the risk that fraud or errors could occur for food service cash receipts at school locations.

Recommendation: We recommend that a reconciliation process by school be added on a weekly basis to ensure that cash received matches amounts that are recorded in the student lunch accounts.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

Aberdeen School District 6-1

Michaela Solum, Finance Director

1224 S 3rd St
Aberdeen, SD 57401
Phone (605) 725-7103
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Management's Response to Auditor's Findings: Summary Schedule of Prior Audit Findings and Corrective Action Plan

June 30, 2025

Prepared by Management of
Aberdeen School District #6-1

Corrective Action Plan

Yellow Book

Finding 2025-001

Finding Summary: Lack of Reconciliation over Food Service Receipts

Responsible Individuals: Michaela Solum, Finance Director

Corrective Action Plan: Daily, food service staff reconcile receipts and complete a Food Service Deposit slip with the date, location, total cash and checks, and signature. This slip and the funds are given to the school's Administrative Assistant, who verifies the amount against an Infinite Campus report, signs the slip, and secures everything in a locked bag for transport to the business office. Upon arrival, the Accounts Payable Technician verifies the deposit and provides final sign-off.

Anticipated Completion Date: March 2025