

Canton School District No. 41-1

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

**For the Year Ended
June 30, 2025**

Canton School District No. 41-1
School District Officials
June 30, 2025

Board Members

Josh Otkin----- Board President
Jennifer Skiles-----Vice President
Todd Gannon----- Member
Eric Stearns ----- Member
Taylor Vaksdal ----- Member
Robin Kappenman ----- Member
Tharron Ockenga----- Member

Russ Townsend -----Superintendent

Brian Andersen -----Business Manager

Canton School District No. 41-1

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

School Board
Canton School District No. 41-1
Canton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton School District No. 41-1, South Dakota, as of June 30, 2025 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 29, 2026, which was qualified because the School District did not adopt the Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. A significant deficiency was identified as lack of segregation of duties for revenues in the finding 2025-001. However, other material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

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

A handwritten signature in dark ink, appearing to read "CIO of LRC".

Yankton, South Dakota
June 29, 2026

Canton School District No. 41-1
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2025

Prior Audit Findings

Finding No. 2024-001 – Internal Controls Finding

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the District, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated as a significant deficiency under current audit finding number 2025-001.

Current Audit Findings:

Finding No. 2025-001 – Internal Controls Finding

Significant Deficiency

There is a significant deficiency from a general lack of segregation of duties and monitoring of accounting functions.

Condition: There is a general lack of segregation of duties and monitoring of accounting functions including payroll, journal entries, and reconciliations specially relating to year-end entries due to the small staff size and lack of involvement of other business office employees in the finance function of the School District.

Criteria: Duties within the finance function of the School District should be segregated among Business Office employees and activities monitored to mitigate risk of error.

Cause: This condition exists due to small staff size within the finance function of the School District. These issues are common in a district of this size.

Effect: The Business Manager performs closing entries and reconciliations without oversight. The possibility of fraud or errors occurring and not being detected or corrected is present.

Auditor's Recommendation: It is the responsibility of management and those charges with governance to make the decision whether to accept the degree of risk associated with the Business Manager performing entries and reconciliations without proper oversight, because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding.



Independent Auditor's Report

School Board
Canton School District No. 41-1
Canton, South Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton School District No. 41-1, Canton, South Dakota, as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise Canton School District's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton School District No. 41-1, South Dakota 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 Qualified and Unmodified Opinions

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "CIO Prof LLC". The signature is written in a cursive, stylized font.

Yankton, South Dakota
June 29, 2026

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

This section of Canton School District 41-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, Canton School District's Net Position in Governmental Activities increased by \$617,059 (3.26%).

Overview of the Financial Statements

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

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

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

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

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

Figure A-1

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

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

The School has three kinds of funds:

- **Governmental Funds** – Most of the School’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund’s statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Canton School District 41-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	2024-2025
Current and Other Assets	\$ 8,805,919	\$ 9,188,395	\$ 108,566	\$ 129,910	\$ 8,914,485	\$ 9,318,305	4.53%
Capital Assets (Net of Depreciation)	21,207,261	20,891,266	37,990	42,820	21,245,251	20,934,086	-1.46%
Total Assets	30,013,180	30,079,661	146,556	172,730	30,159,736	30,252,391	0.31%
Pension Related Deferred Outflows	1,757,860	1,547,365	--	--	1,757,860	1,547,365	-11.97%
Total Deferred Outflows or Resources	1,757,860	1,547,365	--	--	1,757,860	1,547,365	-11.97%
Long-Term Liabilities Outstanding	8,369,578	7,576,030	--	--	8,369,578	7,576,030	-9.48%
Other Liabilities	942,810	827,233	36,723	30,956	979,533	858,189	-12.39%
Total Liabilities	9,312,388	8,403,263	36,723	30,956	9,349,111	8,434,219	-9.79%
Taxes Levied for Future Period	3,117,925	3,270,599	--	--	3,117,925	3,270,599	4.90%
Pension Related Deferred Inflows	1,031,578	1,026,956	--	--	1,031,578	1,026,956	-0.45%
Total Deferred Inflows of Resources	4,149,503	4,297,555	--	--	4,149,503	4,297,555	3.57%
Net Investment in Capital Assets	12,880,321	13,362,749	37,990	42,820	12,918,311	13,405,569	3.77%
Restricted	4,035,951	3,846,777	--	--	4,035,951	3,846,777	-4.69%
Unrestricted	1,392,877	1,716,682	71,843	98,954	1,464,720	1,815,636	23.96%
Total Net Position	18,309,149	18,926,208	109,833	141,774	18,418,982	19,067,982	3.52%
Beginning Net Position	17,680,084	18,309,149	179,918	109,833	17,860,002	18,418,982	3.13%
Increase (Decrease) in Net Position	\$ 629,065	\$ 617,059	\$ (70,085)	\$ 31,941	\$ 558,980	\$ 649,000	-16.10%
Percentage of Increase (Decrease) in Net Position	3.56%	3.37%	-38.95%	29.08%	3.13%	3.52%	

The School's combined net position of approximately \$19 million is approximately \$652,732 or 3.54% larger than on June 30, 2024. The increase in the School's financial position was primarily in its governmental activities due in part to additional general revenues in taxes.

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

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Changes in Net Position

The Canton School District's total revenues (excluding transfers) in FY25 were \$12,585,675. More than 60% of the School's revenue comes from property and other taxes, with approximately 29% coming from state aid. (See Table A-2).

Table A-2
Canton School District 41-1
Sources of Revenues
Fiscal Year 2025

Taxes	\$ 7,644,743	60.74%
State Sources	3,650,004	29.00%
Operating Grants & Contributions	486,917	3.87%
Charges For Services	449,109	3.57%
Other General Revenues	202,663	1.61%
Unrestricted Investment Earnings	<u>152,239</u>	<u>1.21%</u>
Total Revenue	<u>\$ 12,585,675</u>	<u>100.00%</u>

Total expenditures of all programs and services increased by approximately 1.39%. The Canton School District expenses totaled \$11,936,675. School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, nonprogrammed charges, and food services. (See Table A-3).

Table A-3
Canton School District 41-1
Statement of Expenditures
Fiscal Year 2025

Instruction	\$ 6,601,165	55.30%
Support Services	4,154,856	34.81%
Interest on Long-Term Debt	199,918	1.67%
Cocurricular Activities	490,748	4.11%
Food Service	484,305	4.06%
Nonprogrammed Charges	<u>5,683</u>	<u>0.05%</u>
Total Expenditures	<u>\$ 11,936,675</u>	<u>100.00%</u>

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4

	Government Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	
Revenues							
Program Revenues							
Charge for Services	\$ 102,002	\$ 102,630	\$ 225,585	\$ 346,479	\$ 327,587	\$ 449,109	37.10%
Operating Grants/ Contributions	693,621	317,150	148,001	169,767	841,622	486,917	-42.15%
General Revenues							
Taxes	7,279,823	7,644,743	--	--	7,279,823	7,644,743	5.01%
Revenue State Sources	3,576,572	3,650,004	--	--	3,576,572	3,650,004	2.05%
Other							
Other general revenues	151,589	202,663	--	--	151,589	202,663	33.69%
Unrestricted Investment Earnings	155,050	152,239	--	--	155,050	152,239	-1.81%
	<u>11,958,657</u>	<u>12,069,429</u>	<u>373,586</u>	<u>516,246</u>	<u>12,332,243</u>	<u>12,585,675</u>	<u>2.06%</u>
Expenses							
Instruction	6,683,503	6,601,165	--	--	6,683,503	6,601,165	-1.23%
Support Services	3,946,819	4,154,856	--	--	3,946,819	4,154,856	5.27%
Non-programmed Charges	841	5,683	--	--	841	5,683	575.74%
Interest on long-term debt	225,449	199,918	--	--	225,449	199,918	-11.32%
Co-curricular Activities	472,980	490,748	--	--	472,980	490,748	3.76%
Food Service	--	--	443,671	484,305	443,671	484,305	9.16%
	<u>11,329,592</u>	<u>11,452,370</u>	<u>443,671</u>	<u>484,305</u>	<u>11,773,263</u>	<u>11,936,675</u>	<u>1.39%</u>
Increase (Decrease) in Net Position	629,065	617,059	(70,085)	31,941	558,980	649,000	16.10%
Beginning Net Position	<u>17,680,084</u>	<u>18,309,149</u>	<u>179,918</u>	<u>109,833</u>	<u>17,860,002</u>	<u>18,418,982</u>	<u>3.13%</u>
Ending Net Position	<u>\$18,309,149</u>	<u>\$18,926,208</u>	<u>\$ 109,833</u>	<u>\$ 141,774</u>	<u>\$18,418,982</u>	<u>\$19,067,982</u>	<u>3.52%</u>

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental Activities

Revenues for the School's governmental activities increased approximately 38.19% while expenses for governmental activities increased by approximately 9.16%.

Business-Type Activities

Expenditures of the School's business-type activities (Food Service Operation) increased by 1.08% while revenues increased by 0.93%.

Financial Analysis of the School's Funds

The General Fund's fund balance increased by \$305,487, primarily due to increased taxes and interfund transfers. Similarly, the Capital Outlay and Special Education fund balances increased by \$42,917 and \$5,946, respectively, reflecting additional taxes and maintained expenditures.

General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this School.

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund, Capital Outlay Fund, and the Special Education Fund.

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Capital Asset Administration

By the end of FY25, the School had invested \$20,934,086 (net of depreciation) in a broad range of capital assets, including, land, buildings, improvements, various machinery and equipment, and library books. (See Table A-5.) This amount represents a net decrease (including additions and deductions) of \$311,165.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2024	2025	2024	2025	Change	Change
Land	\$ 328,488	\$ 328,488	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	19,648,810	19,298,350	--	--	(350,460)	-1.78%
Machinery & Equipment	1,220,580	1,254,751	37,990	42,820	39,001	3.10%
Library Books	9,383	9,677	--	--	294	3.13%
Total Capital Assets	<u>\$ 21,207,261</u>	<u>\$ 20,891,266</u>	<u>\$ 37,990</u>	<u>\$ 42,820</u>	<u>\$ (311,165)</u>	<u>-1.46%</u>

Major capital outlay purchases in FY25 included roof improvements, bathroom remodels, lighting improvements, a tractor/loader, a Ford Transit T350, a server, and library books.

Long-Term Debt

At year-end, the School had \$7,576,030 in general long-term obligations. This balance includes General Obligation Bonds, Capital Outlay Certificates, unamortized premiums, and accrued compensated absences. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar	Total %
	2024	2025	Change	Change
General Obligation Bonds	\$ 4,890,000	\$ 4,530,000	\$ (360,000)	-7.36%
Capital Outlay Certificates	3,140,000	2,735,000	(405,000)	-12.90%
Plus: Unamortized Premiums	287,474	263,517	(23,957)	-8.33%
Direct Borrowings	9,466	--	(9,466)	-100.00%
Accrued Compensated Absences -				
Governmental Funds	42,638	47,513	4,875	11.43%
Total Outstanding Debt	<u>\$ 8,369,578</u>	<u>\$ 7,576,030</u>	<u>\$ (793,548)</u>	<u>-9.48%</u>

Canton School District No. 41-1
Management Discussion and Analysis (MD&A)
June 30, 2025

The School is liable for the repayment of General Obligation bonds, Capital Outlay Certificates, and accrued sick leave payable to the various employees who have earned it due to terms of their employment at the School District.

Economic Factors and Next Year's Budgets and Rates

The School's current economic position has shown little change. The School did experience an increase in total property valuation from the prior year. The increase in property valuation allows the School 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.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Canton School's Business Office, 800 N. Main, Canton, SD 57013.

Canton School District No. 41-1
Statement of Net Position – Government-Wide
June 30, 2025

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 5,494,257	\$ 118,479	\$ 5,612,736
Due from other governments	345,555	--	345,555
Taxes receivable	3,331,964	--	3,331,964
Inventories	8,487	2,062	10,549
Other assets	--	9,369	9,369
Net pension asset	8,132	--	8,132
Capital assets:			
Land and construction in progress	328,488	--	328,488
Other capital assets, net of depreciation	20,562,778	42,820	20,605,598
Total Assets	30,079,661	172,730	30,252,391
Deferred Outflows of Resources:			
Pension-related deferred outflows	1,547,365	--	1,547,365
Total Deferred Outflows of Resources	1,547,365	--	1,547,365
Liabilities:			
Unearned revenue	--	30,956	30,956
Other current liabilities	827,233	--	827,233
Long-term liabilities:			
Due within one year	598,210	--	598,210
Due in more than one year	6,977,820	--	6,977,820
Total Liabilities	8,403,263	30,956	8,434,219
Deferred Inflows of Resources:			
Taxes levied for future periods	3,270,599	--	3,270,599
Pension related deferred inflows	1,026,956	--	1,026,956
Total Deferred Inflows of Resources	4,297,555	--	4,297,555
Net Position:			
Net investment in capital assets	13,362,749	42,820	13,405,569
Restricted for:			
Capital outlay	3,045,883	--	3,045,883
Special education	86,366	--	86,366
Debt service	185,987	--	185,987
SDRS pension purposes	528,541	--	528,541
Unrestricted	1,716,682	98,954	1,815,636
Total Net Position	\$ 18,926,208	\$ 141,774	\$ 19,067,982

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

Canton School District No. 41-1
Statement of Activities – Government-Wide
June 30, 2025

				Net (Expenses) Revenues and Changes in Net Position		
				Primary Government		
		Program Revenues				
			Operating			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction	\$ 6,601,165	\$ --	\$ 317,150	\$ (6,284,015)	\$ --	\$ (6,284,015)
Support services	4,154,856	--	--	(4,154,856)	--	(4,154,856)
Nonprogrammed charges	5,683	--	--	(5,683)	--	(5,683)
Interest on long-term debt	199,918	--	--	(199,918)	--	(199,918)
Cocurricular activities	490,748	102,630	--	(388,118)	--	(388,118)
Total Governmental Activities	11,452,370	102,630	317,150	(11,032,590)	--	(11,032,590)
Business-Type Activities:						
Food service	484,305	346,479	169,767	--	31,941	31,941
Total Business Type Activities	484,305	346,479	169,767	--	31,941	31,941
Total Primary Government	\$ 11,936,675	\$ 449,109	\$ 486,917	(11,032,590)	31,941	(11,000,649)
General Revenues:						
Taxes:						
Property taxes				7,340,180	--	7,340,180
Gross receipts taxes				304,563	--	304,563
Revenue from state sources:						
State aid				3,443,325	--	3,443,325
Other				206,679	--	206,679
Unrestricted investment earning				152,239	--	152,239
Other general revenues				202,663	--	202,663
Total General Revenues				11,649,649	--	11,649,649
Change in Net Position				617,059	31,941	649,000
Net Position - Beginning of Year				18,309,149	109,833	18,418,982
Net Position - End of Year				\$ 18,926,208	\$ 141,774	\$ 19,067,982

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

Canton School District No. 41-1
Balance Sheet – Governmental Funds
June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 2,073,200	\$ 3,030,023	\$ 208,495	\$ 182,539	\$ 5,494,257
Taxes receivable - current	1,350,634	1,010,697	700,679	208,589	3,270,599
Taxes receivable - delinquent	30,995	15,860	11,062	3,448	61,365
Due from other governments	345,555	--	--	--	345,555
Inventory	8,487	--	--	--	8,487
Total Assets	<u>\$ 3,808,871</u>	<u>\$ 4,056,580</u>	<u>\$ 920,236</u>	<u>\$ 394,576</u>	<u>\$ 9,180,263</u>
Liabilities and Fund Balances:					
Liabilities:					
Contracts payable	\$ 620,596	\$ --	\$ 109,926	\$ --	\$ 730,522
Payroll deductions and withholding and employer matching payable	84,508	--	12,203	--	96,711
Total Liabilities	<u>705,104</u>	<u>--</u>	<u>122,129</u>	<u>--</u>	<u>827,233</u>
Deferred Inflows of Resources:					
Taxes levied for future period	1,350,634	1,010,697	700,679	208,589	3,270,599
Delinquent taxes not available	30,995	15,860	11,062	3,448	61,365
Total Deferred Inflows of Resources	<u>1,381,629</u>	<u>1,026,557</u>	<u>711,741</u>	<u>212,037</u>	<u>3,331,964</u>
Fund Balances:					
Nonspendable-inventory	8,487	--	--	--	8,487
Restricted:					
For capital outlay	--	3,030,023	--	--	3,030,023
For special education	--	--	86,366	--	86,366
For debt service	--	--	--	182,539	182,539
Assigned					
For unemployment	127,227	--	--	--	127,227
Unassigned	1,586,424	--	--	--	1,586,424
Total Fund Balances	<u>1,722,138</u>	<u>3,030,023</u>	<u>86,366</u>	<u>182,539</u>	<u>5,021,066</u>
Total Liabilities and Fund Balances	<u>\$ 3,808,871</u>	<u>\$ 4,056,580</u>	<u>\$ 920,236</u>	<u>\$ 394,576</u>	<u>\$ 9,180,263</u>

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

Canton School District No. 41-1Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds \$ 5,021,066

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 20,891,266

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

GO Bonds	(4,530,000)	
Capital Outlay Certificates	(2,998,517)	
Accrued Leave	<u>(47,513)</u>	(7,576,030)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 61,365

Proportionate Share of Net Pension Asset 8,132

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (1,026,956)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 1,547,365

Net Position - Governmental Activities \$ 18,926,208

Canton School District No. 41-1

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

June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 2,953,021	\$ 2,206,480	\$ 1,550,978	\$ 445,813	\$ 7,156,292
Prior years' ad valorem taxes	59,976	41,127	28,923	8,541	138,567
Utility taxes	304,563	--	--	--	304,563
Penalties and interest on taxes	5,927	4,834	3,288	1,090	15,139
Earnings on Investments and Deposits	152,239	--	--	--	152,239
Cocurricular Activities:					
Admissions	55,496	--	--	--	55,496
Rentals	1,350	--	--	--	1,350
Other pupil activity income	45,784	--	--	--	45,784
Other Revenue from Local Sources:					
Rentals	7,968	--	--	--	7,968
Contributions and donations	23,534	47,283	--	--	70,817
Charges for services	3,050	--	51,340	--	54,390
Other	40,184	--	44	--	40,228
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	29,260	--	--	--	29,260
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	3,443,325	--	--	--	3,443,325
Restricted grants-in-aid	9,665	--	196,914	--	206,579
Other state revenue	--	--	100	--	100
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received from federal government through the state	185,676	131,474	--	--	317,150
Total Revenues	<u>\$ 7,321,018</u>	<u>\$ 2,431,198</u>	<u>\$ 1,831,587</u>	<u>\$ 455,444</u>	<u>\$ 12,039,247</u>

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

Canton School District No. 41-1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2025 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	\$ 1,819,974	\$ 18,926	\$ --	\$ --	\$ 1,838,900
Middle/junior high	989,517	12,421	--	--	1,001,938
High school	1,170,294	139,180	--	--	1,309,474
Special Programs:					
Programs for special education	--	9,135	1,376,057	--	1,385,192
Educationally deprived	234,852	--	--	--	234,852
Other special programs	66,641	--	--	--	66,641
Support Services:					
Students:					
Attendance and social work	10,729	--	--	--	10,729
Guidance	230,663	--	--	--	230,663
Health	74,147	2,592	81,809	--	158,548
Psychological	--	--	28,438	--	28,438
Speech pathology	--	--	71,589	--	71,589
Student therapy services	--	--	72,764	--	72,764
Instructional Staff:					
Improvement of instruction	7,794	--	--	--	7,794
Educational media	216,998	115,891	--	--	332,889
General Administration:					
Board of education	285,297	--	--	--	285,297
Executive administration	241,605	--	--	--	241,605
School Administration:					
Office of the principal	417,628	382	--	--	418,010
Other	153	--	--	--	153
Business:					
Fiscal services	250,273	--	--	--	250,273
Operation and maintenance of plant	907,426	83,262	--	--	990,688
Student transportation	511,991	74,067	--	--	586,058
Internal Services	9,295	6,310	--	--	15,605
Special Education:					
Administrative costs	--	--	117,827	--	117,827
Transportation costs	--	--	77,157	--	77,157

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

Canton School District No. 41-1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2025 (Continued)

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Nonprogrammed Charges:					
Early retirement payments	5,683	--	--	--	5,683
Debt Services:	--	516,136	--	482,205	998,341
Cocurricular Activities:					
Male activities	151,635	33,618	--	--	185,253
Female activities	84,543	4,045	--	--	88,588
Combined activities	198,016	18,891	--	--	216,907
Capital Outlay	--	483,802	--	--	483,802
Total Expenditures	<u>7,885,154</u>	<u>1,518,658</u>	<u>1,825,641</u>	<u>482,205</u>	<u>11,711,658</u>
Excess of Revenue Over (Under) Expenditures	<u>(564,136)</u>	<u>912,540</u>	<u>5,946</u>	<u>(26,761)</u>	<u>327,589</u>
Other Financing Sources (Uses):					
Transfer in	869,623	--	--	--	869,623
Transfer out	--	(869,623)	--	--	(869,623)
Total Other Financing Sources (Uses)	<u>869,623</u>	<u>(869,623)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	305,487	42,917	5,946	(26,761)	327,589
Fund Balance, Beginning of Year	<u>1,416,651</u>	<u>2,987,106</u>	<u>80,420</u>	<u>209,300</u>	<u>4,693,477</u>
Fund Balance, End of Year	<u><u>\$ 1,722,138</u></u>	<u><u>\$ 3,030,023</u></u>	<u><u>\$ 86,366</u></u>	<u><u>\$ 182,539</u></u>	<u><u>\$ 5,021,066</u></u>

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

Canton School District No. 41-1

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2025**

Net Change in Fund Balances - Total Governmental Funds \$ 327,589

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

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 483,802

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources. (799,797)

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.

GO Bond	360,000	
Direct Borrowings	9,466	
CO Certificate	<u>428,957</u>	798,423

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available." 30,182

Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses. (4,875)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (218,265)

Change in net position of governmental activities \$ 617,059

Canton School District No. 41-1
Statement of Net Position – Proprietary Funds
June 30, 2025

	Food Service Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 118,479
Accounts receivable, net	9,369
Inventory of donated food	<u>2,062</u>
Total Current Assets	<u>129,910</u>
Noncurrent Assets:	
Machinery and equipment - local funds	221,655
Less accumulated depreciation	<u>(178,835)</u>
Total Noncurrent Assets	<u>42,820</u>
Total Assets	<u><u>\$ 172,730</u></u>
Liabilities:	
Current Liabilities:	
Unearned revenue	<u>\$ 30,956</u>
Total Current Liabilities	<u>30,956</u>
Net Position:	
Net investment in capital assets	42,820
Unrestricted net position	<u>98,954</u>
Total Net Position	<u><u>\$ 141,774</u></u>

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

Canton School District No. 41-1**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds**
June 30, 2025

	Food Service Fund
Operating Revenue:	
Food Sales:	
Student	\$ 345,573
Adult	906
Total Operating Revenue	<u>346,479</u>
Operating Expenses:	
Food Service:	
Purchased services	458,509
Supplies	853
Cost of sales - donated	21,373
Depreciation	3,570
Total Operating Expenses	<u>484,305</u>
Operating Income(Loss)	<u>(137,826)</u>
Nonoperating Revenues:	
State grants	997
Federal grants	145,788
Donated food	22,982
Total Nonoperating Revenue	<u>169,767</u>
Change in Net Position	31,941
Net Position - Beginning of Year	<u>109,833</u>
Net Position - End of Year	<u><u>\$ 141,774</u></u>

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

Canton School District No. 41-1
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Food Service Fund
Cash Flows from Operating Activities	
Cash receipts from customers	\$ 341,431
Cash payments to suppliers	<u>(459,362)</u>
Net Cash (Used) by Operating Activities	<u>(117,931)</u>
Cash Flows from Noncapital Financing Activities:	
Cash reimbursements - state	997
Cash reimbursements - federal	<u>145,788</u>
Net Cash Provided by Noncapital Financing Activities	<u>146,785</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	<u>(8,400)</u>
Net Cash (Used) by Capital and Related Financing Activities:	<u>(8,400)</u>
Net Change in Cash and Cash Equivalents	20,454
Cash and Cash Equivalents, Beginning of Year	98,025
Cash and Cash Equivalents, End of Year	<u><u>\$ 118,479</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	\$ (137,826)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	3,570
Value of commodities used	21,373
Change in Assets and Liabilities:	
Accounts receivable	719
Deferred revenue	<u>(5,767)</u>
Net cash (used) by operating activities:	<u><u>\$ (117,931)</u></u>
Noncash Investing, Capital and Financing Activities	
Value of commodities received	<u><u>\$ 22,982</u></u>

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

Canton School District No. 41-1
Statement of Net Position – Fiduciary Funds
June 30, 2025

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ 318,437
Accounts Receivable	<u>4,311</u>
 Total Assets	 <u><u>\$ 322,748</u></u>
 Liability:	
Amount held for others	<u>\$ 322,748</u>
 Total Liabilities	 <u><u>\$ 322,748</u></u>

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Canton School District No. 41-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a seven-member Board of Trustees (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organizations governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities.

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

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

Governmental Funds:

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

The Bond Redemption Fund – a fund established by SDCL 13-16-13 to account for the proceeds on a special property tax restricted to use for the payment of principal and interest of general obligation bonded debt for Capital Projects.

Proprietary Funds:

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
2. Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Fiduciary Funds:

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

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Canton School District 41-1, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2025 are due from federal governments, local governments, rural electric and telephone gross receipts.

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

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

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

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

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

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

The total June 30, 2025 balance of capital assets for governmental activities includes approximately 1% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals of deflated current replacement cost. The total June 30, 2025 balance of capital assets for business-type activities are valued at original costs. These estimated original costs were determined by prior records at cost or historical costs.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All Land	--	--
Buildings	\$ 100,000	Straight-line	50 years
Improvements	\$ 50,000	Straight-line	15-25 years
Equipment	\$ 10,000	Straight-line	5-20 years
Intangible assets (Leases & SBITAs)	\$ 50,000	Straight-line	> 1 year

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of bonds payable, capital outlay certificates payable, unamortized premiums, and compensated absences.

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

h. Leases:

The School District does not have any leases. If the School District had any leases, it would recognize a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

i. Subscription-Based Technology Arrangements:

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

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

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

The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

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

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

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

j. Deferred Outflows/Inflows of Resources:

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

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

k. 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 nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Fiduciary fund equity is reported as net position held in trust for other purposes.

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the School Board.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund balance is comprised of the following:

- Amount reported in non-spendable form, such as inventory, in the amount of \$8,487.

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

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

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

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

q. Use of Estimates:

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

r. Pensions:

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

Deposits – The School District’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits.

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2025, the District’s deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

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

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

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

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

3. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is actual cost. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

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

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The School District had \$8,487 worth of inventory on hand at June 30, 2025.

4. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year’s appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year’s appropriations, but which will not be collected during the current fiscal year or within the “availability period” has been deferred in the fund financial statements. Property tax revenues intended to finance the current year’s appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

5. Due from Other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$345,555 due from various county, school, state, and federal governments.

6. Changes in Capital Assets:

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

	<u>6/30/2024</u>			<u>6/30/2025</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 328,488	\$ --	\$ --	\$ 328,488
Total capital assets not being depreciated	<u>328,488</u>	<u>--</u>	<u>--</u>	<u>328,488</u>
Capital assets being depreciated:				
Buildings & Improvements	30,038,587	275,597	--	30,314,184
Machinery & Equipment	2,874,391	205,445	--	3,079,836
Library Books	397,231	2,760	--	399,991
Total capital assets being depreciated	<u>33,310,209</u>	<u>483,802</u>	<u>--</u>	<u>33,794,011</u>
Less accumulated depreciation for:				
Buildings & Improvements	10,389,777	626,057	--	11,015,834
Machinery & Equipment	1,653,811	171,274	--	1,825,085
Library Books	387,848	2,466	--	390,314
Total accumulated depreciation	<u>12,431,436</u>	<u>799,797</u>	<u>--</u>	<u>13,231,233</u>
Total capital assets being depreciated, net	<u>20,878,773</u>	<u>(315,995)</u>	<u>--</u>	<u>20,562,778</u>
Net Capital Assets	<u>\$ 21,207,261</u>	<u>\$ (315,995)</u>	<u>\$ --</u>	<u>\$ 20,891,266</u>

Depreciation expense was charged to functions as follows:

Instruction	\$ 543,862
Support services	<u>255,935</u>
Total Depreciation Expense	<u>\$ 799,797</u>

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

6. Changes in Capital Assets: (Continued)

	Balance 6/30/2024	Increases	Decreases	Balance 6/30/2025
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 213,255	\$ 8,400	\$ --	\$ 221,655
Less accumulated depreciation for:				
Less: Accumulated Depreciation	175,265	3,570	--	178,835
Total capital assets being depreciated, net	<u>\$ 37,990</u>	<u>\$ 4,830</u>	<u>\$ --</u>	<u>\$ 42,820</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 3,570</u>

7. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2025 is as follows:

	6/30/2024	Increase	Decrease	6/30/2025	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 4,890,000	\$ --	\$ 360,000	\$ 4,530,000	\$ 365,000
Capital Outlay Certificates	3,140,000	--	405,000	2,735,000	195,000
Plus: Unamortized Premiums	287,474	--	23,957	263,517	23,956
	<u>8,317,474</u>	--	788,957	7,528,517	583,956
Other Liabilities:					
Compensated Absences	42,638	41,456	36,581	47,513	14,254
Direct Borrowing:	9,466	--	9,466	--	--
Total Long-Term Liabilities	<u>\$ 8,369,578</u>	<u>\$ 41,456</u>	<u>\$ 835,004</u>	<u>\$ 7,576,030</u>	<u>\$ 598,210</u>

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

7. Long-Term Liabilities: (Continued)

Debt payable, not including premiums, at June 30, 2025 is comprised of the following:

Canton School District No 41-1 General Obligation Certificates, Series 2017A	During January 2017, the School District entered into an agreement to receive General Obligation Certificates in the amount of \$4,175,000. There is an interest rate of 2.00% to 3.50% assessed on these certificates. Final maturity is December 2036. Payments to be made from Capital Outlay Fund.	\$ 2,735,000
Canton School District No 41-1 General Obligation Bonds, Series 2016A	During September 2016, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$7,200,000. There is an interest rate of 0.650% to 3.00% assessed on these bonds. Final payment is December 2035. The Debt Service Fund makes payment on this debt.	\$ 4,530,000

Compensated Absences –

Payable from the fund to which payroll expenditures are charged \$ 47,513

The annual requirements to amortize the General Obligation Bonds and Capital Outlay Certificates outstanding at June 30, 2025, are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 365,000	\$ 115,523	\$ 218,956	\$ 83,913	\$ 583,956	\$ 199,436
2027	375,000	109,045	223,956	78,975	598,956	188,020
2028	380,000	102,060	228,956	73,400	608,956	175,460
2029	385,000	94,600	233,956	67,175	618,956	161,775
2030	395,000	45,375	238,956	76,475	633,956	121,850
2031-2035	2,160,000	236,550	1,304,780	195,550	3,464,780	432,100
2036-2040	470,000	7,050	548,957	18,463	1,018,957	25,513
Totals	<u>\$ 4,530,000</u>	<u>\$ 710,203</u>	<u>\$ 2,998,517</u>	<u>\$ 593,951</u>	<u>\$ 7,528,517</u>	<u>\$ 1,304,154</u>

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

8. Interfund Transfers:

Transfers to/from other funds at June 30, 2025, consist of the following:

Transfer from the Capital Outlay Fund to the General Fund Under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund Balance with unused Capital Outlay funds. \$ 869,623

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2025 was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Purposes:		
Capital Outlay	Law	\$ 3,045,883
Special Education	Law	86,366
Debt Service	Debt Covenant	185,987
SDRS Pension Purposes	Law	528,541
Total		<u>\$ 3,846,777</u>

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

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

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

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2025, 2024, and 2023, equal to required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 339,832
2024	337,791
2023	326,798

d. 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 South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2024 and reported by the School District as of June 30, 2025 are as follows:

Proportionate share of pension benefits	\$ 29,967,057
Less proportionate share of net pension restricted for pension benefits	<u>29,975,189</u>
Proportionate share of net pension (asset)	<u>\$ (8,132)</u>

At June 30, 2025, the School District reported an (asset) of (\$8,132) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2024 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the School District's proportion was 0.20087500%, which is a decrease of 0.0093990% from its proportion measured as of June 30, 2023.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

For the year ended June 30, 2025, the School District recognized a pension expense of \$218,267. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 752,970	\$ --
Changes in assumption	134,062	1,021,899
Net difference between projected and actual earnings on pension plan investments	306,288	--
Changes in proportion and difference between district contributions and proportionate share of contributions	14,213	5,057
District contributions subsequent to the measurement date	339,832	--
Total	<u>\$ 1,547,365</u>	<u>\$ 1,026,956</u>

\$339,832 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2026	\$ (282,206)
2027	394,699
2028	43,840
2029	25,678
Total	<u>\$ 182,011</u>

e. 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	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.20% and real returns of 4.00%
Future COLAs	1.71%

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 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>	

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 4,131,922</u>	<u>\$ (8,132)</u>	<u>\$ (3,395,985)</u>

h. Pension Plan Fiduciary Net Position:

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

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

10. Pension Plan: (Continued)

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

11. Risk Management:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2025, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases coverage with the premiums it receives from the members. The coverage includes the option of three different plans with a deductible from \$1,000 to \$5,000.

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

Liability Insurance:

The School District purchases liability insurance for risks related to torts, theft, 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.

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

11. Risk Management: (Continued)

The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgements. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual incident.

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

Unemployment Benefits:

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

The School District has Assigned Fund Balances in the amount of \$127,227 for the payment of future unemployment benefits.

During the year ended June 30, 2025, there were no claims for unemployment that were paid. There are no future expected claims at this time.

12. Subsequent Events:

Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

Canton School District No. 41-1
Notes to the Financial Statements
June 30, 2025

13. Joint Ventures:

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

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

Alcester-Hudson	10%
Beresford	20%
Canton	28%
Elk Point-Jefferson	22%
Irene-Wakonda	8%
Viborg-Hurley	12%

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

At June 30, 2025, this joint venture had the following:

Assets and deferred outflows of resources	\$ 1,517,046
Liabilities and deferred inflows of resources	<u>463,030</u>
Net position	<u><u>\$ 1,054,016</u></u>

Required Supplementary Information

Canton School District No. 41-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 3,119,346	\$ 3,119,346	\$ 2,953,021	\$ (166,325)
Prior years' ad valorem taxes	14,000	14,000	59,976	45,976
Utility taxes	209,535	209,535	304,563	95,028
Penalties and interest on taxes	5,000	5,000	5,927	927
Earnings on Investments and Deposits	50,000	50,000	152,239	102,239
Cocurricular Activities:				
Admissions	49,000	49,000	55,496	6,496
Rentals	1,500	1,500	1,350	(150)
Other pupil activity income	20,500	20,500	45,784	25,284
Other Revenue from Local Sources:				
Rentals	2,500	2,500	7,968	5,468
Contributions and donations	10,000	10,000	23,534	13,534
Charges for services	5,000	5,000	3,050	(1,950)
Other	15,000	15,000	40,184	25,184
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	24,028	24,028	29,260	5,232
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	3,290,989	3,290,989	3,443,325	152,336
Restricted grants-in-aid	--	--	9,665	9,665
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	168,110	168,110	185,676	17,566
Total Revenues	\$ 6,984,508	\$ 6,984,508	\$ 7,321,018	\$ 336,510

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

Canton School District No. 41-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2025 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				Positive
				(Negative)
Instructional Services:				
Regular Programs:				
Elementary	\$ 1,947,633	\$ 1,947,633	\$ 1,819,974	\$ 127,659
Middle/junior high	916,667	916,667	989,517	(72,850)
High school	1,154,376	1,154,376	1,170,294	(15,918)
Special Programs:				
Educationally deprived	224,884	224,884	234,852	(9,968)
Other special programs	67,784	67,784	66,641	1,143
Support Services:				
Students:				
Attendance and social work	8,000	8,000	10,729	(2,729)
Guidance	227,245	227,245	230,663	(3,418)
Health	73,704	73,704	74,147	(443)
Instructional Staff:				
Improvement of instruction	13,210	13,210	7,794	5,416
Educational media	212,006	212,006	216,998	(4,992)
General Administration:				
Board of education	261,612	261,612	285,297	(23,685)
Executive administration	256,750	256,750	241,605	15,145
School Administration:				
Office of the principal	419,372	419,372	417,628	1,744
Other	800	800	153	647
Business:				
Fiscal services	235,415	235,415	250,273	(14,858)
Operation and maintenance of plant	997,857	997,857	907,426	90,431
Student transportation	522,500	522,500	511,991	10,509
Internal service	2,500	2,500	9,295	(6,795)
Nonprogrammed Charges:				
Early retirement payments	--	--	5,683	(5,683)
Cocurricular Activities:				
Male activities	128,495	128,495	151,635	(23,140)
Female activities	93,772	93,772	84,543	9,229
Combined activities	213,513	213,513	198,016	15,497
Total Expenditures	<u>7,978,095</u>	<u>7,978,095</u>	<u>7,885,154</u>	<u>92,941</u>
Excess of Revenues Over Expenditures	<u>(993,587)</u>	<u>(993,587)</u>	<u>(564,136)</u>	<u>429,451</u>
Other Financing Sources:				
Operating transfers in	<u>993,587</u>	<u>993,587</u>	<u>869,623</u>	<u>(123,964)</u>
Total Other Financing Sources:	<u>993,587</u>	<u>993,587</u>	<u>869,623</u>	<u>(123,964)</u>
Net Change in Fund Balances	--	--	305,487	305,487
Fund Balance, Beginning of Year	<u>1,416,651</u>	<u>1,416,651</u>	<u>1,416,651</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,416,651</u>	<u>\$ 1,416,651</u>	<u>\$ 1,722,138</u>	<u>\$ 305,487</u>

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

Canton School District No. 41-1

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 2,282,956	\$ 2,282,956	\$ 2,206,480	\$ (76,476)
Prior years' ad valorem taxes	10,000	10,000	41,127	31,127
Penalties and interest on taxes	1,500	1,500	4,834	3,334
Other Revenue from Local Sources:				
Contributions and Donations	--	--	47,283	47,283
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	--	--	131,474	131,474
Total Revenues	<u>2,294,456</u>	<u>2,294,456</u>	<u>2,431,198</u>	<u>136,742</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	98,167	98,167	18,926	79,241
Middle/junior high	98,167	98,167	12,421	85,746
High school	125,167	125,167	145,080	(19,913)
Special Programs:				
Programs for special education	7,500	7,500	9,135	(1,635)
Support Services:				
Students:				
Health	--	--	2,592	(2,592)
Instructional Staff:				
Educational media	122,032	122,032	139,333	(17,301)
General Administration:				
Executive administration	2,000	2,000	--	2,000
General Administration:				
Office of the principal	--	--	382	(382)
Business:				
Fiscal services	4,000	4,000	--	4,000
Operation and maintenance of plant	617,600	617,600	537,722	79,878
Student transportation	80,000	80,000	74,067	5,933
Food services	10,000	10,000	--	10,000
Internal service	3,000	3,000	6,310	(3,310)
Debt Services:	480,935	480,935	516,136	(35,201)
Cocurricular Activities:				
Male activities	35,000	35,000	33,618	1,382
Female activities	11,500	11,500	4,045	7,455
Combined activities	10,000	10,000	18,891	(8,891)
Total Expenditures	<u>1,705,068</u>	<u>1,705,068</u>	<u>1,518,658</u>	<u>186,410</u>
Excess of Revenue Over (Under)				
Expenditures	<u>589,388</u>	<u>589,388</u>	<u>912,540</u>	<u>323,152</u>
Other Financing Sources (Uses):				
Transfers in	993,587	993,587	--	(993,587)
Transfers out	(993,587)	(993,587)	(869,623)	123,964
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>(869,623)</u>	<u>(869,623)</u>
Net Change in Fund Balances	589,388	589,388	42,917	(546,471)
Fund Balance, Beginning of Year	<u>2,987,106</u>	<u>2,987,106</u>	<u>2,987,106</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 3,576,494</u>	<u>\$ 3,576,494</u>	<u>\$ 3,030,023</u>	<u>\$ (546,471)</u>

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

Canton School District No. 41-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,400,804	\$ 1,400,804	\$ 1,550,978	\$ 150,174
Prior years' ad valorem taxes	4,000	4,000	28,923	24,923
Penalties and interest on taxes	1,800	1,800	3,288	1,488
Other Revenue from Local Sources:				
Charges for services	13,500	13,500	51,340	37,840
Other Revenue	--	--	44	44
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	495,126	495,126	196,914	(298,212)
Other	--	--	100	100
Total Revenues	<u>1,915,230</u>	<u>1,915,230</u>	<u>1,831,587</u>	<u>(83,643)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	1,498,407	1,498,407	1,376,057	122,350
Support Services:				
Students:				
Health services	68,614	68,614	81,809	(13,195)
Psychological services	57,000	57,000	28,438	28,562
Speech pathology	44,000	44,000	71,589	(27,589)
Student therapy services	82,000	82,000	72,764	9,236
Special Education:				
Administrative costs	100,799	100,799	117,827	(17,028)
Transportation costs	62,610	62,610	77,157	(14,547)
Other special education costs	1,800	1,800	--	1,800
Total Expenditures	<u>1,915,230</u>	<u>1,915,230</u>	<u>1,825,641</u>	<u>89,589</u>
Net Change in Fund Balance	--	--	5,946	5,946
Fund Balance, Beginning of Year	<u>80,420</u>	<u>80,420</u>	<u>80,420</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 80,420</u>	<u>\$ 80,420</u>	<u>\$ 86,366</u>	<u>\$ 5,946</u>

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

Canton School District No. 41-1
Notes to the Required Supplementary Information
June 30, 2025

1. Basis of Presentation:

The Budgetary Comparison Schedules have been prepared on the modified accrual basis of accounting. The Budgetary Comparison Schedules present capital outlay expenditures within each function while the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds present Capital outlay expenditures as a separate function.

2. Budgets and Budgetary Accounting:

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

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

Canton School District No. 41-1

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

<u>Fiscal Year</u>	<u>District's Proportion of the Net Pension Liability/Asset</u>	<u>District's Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2025	0.200875%	\$ (8,131)	\$ 5,629,849	0.14%	100.00%
2024	0.210274%	\$ (20,524)	\$ 5,446,628	0.38%	100.10%
2023	0.207689%	\$ (19,628)	\$ 4,959,289	0.40%	100.10%
2022	0.207239%	\$ (1,587,096)	\$ 4,701,742	33.76%	105.52%
2021	0.207949%	\$ (9,031)	\$ 4,562,703	0.20%	100.04%
2020	0.204020%	\$ (21,621)	\$ 4,337,218	0.50%	100.09%
2019	0.204640%	\$ (4,773)	\$ 4,253,030	0.11%	100.02%
2018	0.212098%	\$ (19,248)	\$ 4,307,171	0.45%	100.10%
2017	0.207762%	\$ 701,798	\$ 3,949,417	17.77%	96.89%
2016	0.209730%	\$ (889,527)	\$ 3,829,077	23.23%	104.10%

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

Canton School District No. 41-1
Schedule of the School District Contributions South Dakota Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 339,832	\$ 339,832	\$ --	\$ 5,663,855	6.00%
2024	\$ 337,791	\$ 337,791	\$ --	\$ 5,629,849	6.00%
2023	\$ 326,798	\$ 326,798	\$ --	\$ 5,446,628	6.00%
2022	\$ 297,665	\$ 297,665	\$ --	\$ 4,959,289	6.00%
2021	\$ 282,104	\$ 282,104	\$ --	\$ 4,701,742	6.00%
2020	\$ 273,832	\$ 273,832	\$ --	\$ 4,562,703	6.00%
2019	\$ 260,233	\$ 260,233	\$ --	\$ 4,337,218	6.00%
2018	\$ 255,182	\$ 255,182	\$ --	\$ 4,253,030	6.00%
2017	\$ 258,430	\$ 258,430	\$ --	\$ 4,307,171	6.00%
2016	\$ 237,035	\$ 237,035	\$ --	\$ 3,949,417	6.00%

Canton School District No. 41-1

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2025

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.