

Castlewood School District No. 28-1

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

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

Castlewood School District No. 28-1

School District Officials

June 30, 2025

Board Members

Alisha Nielsen ----- Board President
Craig Horn-----Vice President
Cory Akin ----- Member
Costner Ching ----- Member
Jason Julius ----- Member

Peter Books-----Superintendent

Dawn Wiersma -----Business Manager

Castlewood School District No. 28-1

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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
Castlewood School District No. 28-1
Hamlin County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castlewood School District No. 28-1, South Dakota (School District), 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 February 24, 2026, which was qualified because management has not implemented the provisions of Governmental Accounting Standards Board Statement No. 84 *Fiduciary Activities* and the long-term financial obligations.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Audit Findings as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 findings identified in our audit. The School District's response to the findings identified in our audit are described in the accompanying Schedule of Prior and Current Audit Findings. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Elk Point, South Dakota
February 24, 2026

Castlewood School District No. 28-1
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2025

Prior Audit Findings

Finding 2024-001 – Lack of Segregation of Duties

A significant deficiency in internal controls was disclosed by our audit for lack of proper segregation of duties for revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2025-001.

Finding 2024-002 – Compliance Finding

There was a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance and the available fund balance for the Special Education Fund. This finding has been corrected and will not be restated.

Current Audit Findings

Finding 2025-001 – Lack of Segregation of Duties

Condition: There is a general lack of segregation of duties and monitoring of accounting functions including payroll, journal entries, and reconciliations specifically 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 District.

Criteria: Duties within the finance function of the 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 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 charged 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.

Management's Response: Management agrees with the finding. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

Repeat Finding from Prior Years: Yes



Independent Auditor's Report

School Board
Castlewood School District No. 28-1
Hamlin, 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 Castlewood School District No. 28-1, South Dakota (School District), 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 as listed in the table of contents.

In our opinion, except for the matters 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 Castlewood School District No. 28-1 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 (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 qualified 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2026 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.



Elk Point, South Dakota
February 24, 2026

Castlewood School District No. 28-1
Statement of Net Position – Government-Wide
June 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 3,834,684	\$ 52,845	\$ 3,887,529
Investments - certificates of deposit	150,000	--	150,000
Accounts receivable	121,323	19	121,342
Taxes receivable	1,004,928	--	1,004,928
Inventories	--	5,161	5,161
Net pension asset	3,157	74	3,231
Capital assets:			
Land and construction in progress	18,835,637	--	18,835,637
Other capital assets, net	4,182,401	450,080	4,632,481
Total Assets	28,132,130	508,179	28,640,309
Deferred Outflows of Resources:			
Pension-related deferred outflows	584,090	24,601	608,691
Total Deferred Outflows of Resources	584,090	24,601	608,691
Liabilities:			
Unearned revenue	--	28,313	28,313
Other current liabilities	272,396	9,241	281,637
Long-term liabilities:			
Due within one year	201,437	--	201,437
Due in more than one year	6,925,000	--	6,925,000
Total Liabilities	7,398,833	37,554	7,436,387
Deferred Inflows of Resources:			
Taxes levied for future periods	995,351	--	995,351
Pension related deferred inflows	403,437	18,251	421,688
Total Deferred Inflows of Resources	1,398,788	18,251	1,417,039
Net Position:			
Net investment in capital assets	16,898,073	450,080	17,348,153
Restricted for:			
Capital outlay	1,631,141	--	1,631,141
Special education	140,917	--	140,917
Debt service	441,313	--	441,313
SDRS pension purposes	183,810	6,424	190,234
Unrestricted	623,345	20,471	643,816
Total Net Position	\$ 19,918,599	\$ 476,975	\$ 20,395,574

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

Castlewood School District No. 28-1
Statement of Activities – Government-Wide
June 30, 2025

Functions/Programs	Net (Expenses) Revenues and Changes in Net Position						
	Expenses	Program Revenues		Primary Government		Total	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		
Governmental Activities:							
Instruction	\$ 2,568,831	\$ --	\$ 78,264	\$ (2,490,567)	\$ --	\$ (2,490,567)	
Support services	1,687,079	21,245	62,199	(1,603,635)	--	(1,603,635)	
Interest on long-term debt*	211,409	--	--	(211,409)	--	(211,409)	
Cocurricular activities	363,137	77,689	--	(285,448)	--	(285,448)	
Total Governmental Activities	4,830,456	98,934	140,463	(4,591,059)	--	(4,591,059)	
Business-Type Activities:							
Food service	277,926	115,857	82,096	--	(79,973)	(79,973)	
Preschool and drivers education	59,149	11,025	--	--	(48,124)	(48,124)	
Total Business-Type Activities	337,075	126,882	82,096	--	(128,097)	(128,097)	
Total Primary Government	\$ 5,167,531	\$ 225,816	\$ 222,559	(4,591,059)	(128,097)	(4,719,156)	
General Revenues:							
Taxes:							
				Property taxes	2,280,453	--	2,280,453
				Gross receipts taxes	87,808	--	87,808
Revenue from state sources:							
				State aid	2,170,166	--	2,170,166
				Other	119,797	--	119,797
				Unrestricted investment earnings	312,171	1,398	313,569
				Other general revenues	2,176,710	--	2,176,710
				Transfers	(50,000)	50,000	--
				Total General Revenues and Transfers	7,097,105	51,398	7,148,503
				Change in Net Position	2,506,046	(76,699)	2,429,347
				Net Position - Beginning of Year	17,412,553	553,674	17,966,227
				Net Position - End of Year	\$ 19,918,599	\$ 476,975	\$ 20,395,574

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

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

Castlewood School District No. 28-1

Balance Sheet – Governmental Funds

June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Capital Projects #2</u>	<u>Capital Projects #3</u>	<u>Total Governmental Funds</u>
Assets:							
Cash and cash equivalents	\$ 589,374	\$ 983,260	\$ 186,683	\$ 440,515	\$ 649,817	\$ 985,035	\$ 3,834,684
Investments - certificates of deposit	150,000	--	--	--	--	--	150,000
Accounts receivable	13,302	--	--	--	--	--	13,302
Taxes receivable - current	311,558	311,579	216,399	155,815	--	--	995,351
Taxes receivable - delinquent	4,268	2,542	1,969	798	--	--	9,577
Due from other governments	108,021	--	--	--	--	--	108,021
Total Assets	<u>\$ 1,176,523</u>	<u>\$ 1,297,381</u>	<u>\$ 405,051</u>	<u>\$ 597,128</u>	<u>\$ 649,817</u>	<u>\$ 985,035</u>	<u>\$ 5,110,935</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable	\$ 24,693	\$ 4,478	\$ 21,134	\$ --	\$ --	\$ --	\$ 50,305
Contracts payable	150,184	--	19,318	--	--	--	169,502
Payroll deductions and withholding and employer matching payable	45,306	--	7,283	--	--	--	52,589
Total Liabilities	<u>220,183</u>	<u>4,478</u>	<u>47,735</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>272,396</u>
Deferred Inflows of Resources:							
Taxes levied for future period	311,558	311,579	216,399	155,815	--	--	995,351
Delinquent taxes not available	4,268	2,542	1,969	798	--	--	9,577
Total Deferred Inflows of Resources	<u>315,826</u>	<u>314,121</u>	<u>218,368</u>	<u>156,613</u>	<u>--</u>	<u>--</u>	<u>1,004,928</u>
Fund Balances:							
Restricted:							
For capital outlay	--	978,782	--	--	649,817	985,035	2,613,634
For special education	--	--	138,948	--	--	--	138,948
For debt service	--	--	--	440,515	--	--	440,515
Assigned for next years budget	207,223	--	--	--	--	--	207,223
Unassigned	433,291	--	--	--	--	--	433,291
Total Fund Balances	<u>640,514</u>	<u>978,782</u>	<u>138,948</u>	<u>440,515</u>	<u>649,817</u>	<u>985,035</u>	<u>3,833,611</u>
Total Liabilities and Fund Balances	<u>\$ 1,176,523</u>	<u>\$ 1,297,381</u>	<u>\$ 405,051</u>	<u>\$ 597,128</u>	<u>\$ 649,817</u>	<u>\$ 985,035</u>	<u>\$ 5,110,935</u>

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

Castlewood School District No. 28-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds \$ 3,833,611

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. 23,018,038

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

GO Bonds	(6,000,000)	
Capital Outlay Certificates	(1,105,000)	
Accrued Leave	<u>(21,437)</u>	(7,126,437)

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 9,577

Proportionate Share of Net Pension Asset 3,157

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (403,437)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 584,090

Net Position - Governmental Activities \$ 19,918,599

Castlewood School District No. 28-1

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>Capital Projects #2</u>	<u>Capital Projects #3</u>	<u>Total Governmental Funds</u>
Revenues							
Revenue from Local Sources:							
Taxes:							
Ad valorem taxes	\$ 694,817	\$ 710,518	\$ 488,886	\$ 371,740	\$ --	\$ --	\$ 2,265,961
Prior years' ad valorem taxes	2,339	1,613	1,143	433	--	--	5,528
Utility taxes	87,808	--	--	--	--	--	87,808
Penalties and interest on taxes	1,646	1,728	1,180	927	--	--	5,481
Earnings on Investments and Deposits	15,678	15,329	4,153	6,349	83,419	187,243	312,171
Cocurricular Activities:							
Admissions	30,413	--	--	--	--	--	30,413
Rentals	250	--	--	--	--	--	250
Other student activity income	47,026	--	--	--	--	--	47,026
Other Revenue from Local Sources:							
Rentals	6,990	--	--	--	--	--	6,990
Contributions and donations	8,287	7,325	--	--	268,000	--	283,612
Services provided other school districts	21,245	--	--	--	--	--	21,245
Charges for services	2,916	--	3,099	--	--	--	6,015
Other	13,339	--	--	--	--	--	13,339
Revenue from Intermediate Sources:							
County Sources:							
County apportionment	16,550	--	--	--	--	--	16,550
Revenue in lieu of taxes	189	330	225	--	--	--	744
Revenue from State Sources:							
Grants-in-Aid:							
Unrestricted grants-in-aid	2,170,166	--	--	--	--	--	2,170,166
Restricted grants-in-aid	900	--	118,897	--	--	--	119,797
Revenue from Federal Sources:							
Grants-in-Aid:							
Restricted grants-in-aid received directly from federal government	--	62,199	--	--	--	--	62,199
Restricted grants-in-aid received from federal government through the state	70,635	--	--	--	7,629	--	78,264
Total Revenues	\$ 3,191,194	\$ 799,042	\$ 617,583	\$ 379,449	\$ 359,048	\$ 187,243	\$ 5,533,559

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

Castlewood School District No. 28-1

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>Capital Projects #2</u>	<u>Capital Projects #3</u>	<u>Total Governmental Funds</u>
Expenditures							
Instructional Services:							
Regular Programs:							
Elementary	\$ 718,883	\$ 25,913	\$ --	\$ --	\$ --	\$ --	\$ 744,796
Middle/junior high	284,172	10,057	--	--	--	--	294,229
High school	474,930	75,373	--	--	--	--	550,303
Special Programs:							
Programs for special education	--	--	594,873	--	--	--	594,873
Educationally deprived	107,595	--	--	--	--	--	107,595
Support Services:							
Students:							
Guidance	74,347	--	--	--	--	--	74,347
Psychological	--	--	20,312	--	--	--	20,312
Health	49,504	2,244	--	--	--	--	51,748
Speech pathology	--	--	27,061	--	--	--	27,061
Student therapy services	--	--	17,539	--	--	--	17,539
Instructional Staff:							
Improvement of instruction	3,588	--	--	--	--	--	3,588
Educational media	122,166	28,809	--	--	--	--	150,975
General Administration:							
Board of education	36,768	--	840	--	--	--	37,608
Executive administration	168,391	1,098	--	--	--	--	169,489
School Administration:							
Office of the principal	214,228	1,098	--	--	--	--	215,326
Other	205	--	--	--	--	--	205
Business:							
Fiscal services	133,543	8,851	--	--	--	--	142,394
Facilities acquisition and construction	--	3,369	--	--	--	--	3,369
Operation and maintenance of plant	335,532	49,240	--	--	--	--	384,772
Student transportation	137,526	--	--	--	--	--	137,526
Central:							
Staff	429	--	--	--	--	--	429
Special Education:							
Administrative costs	--	--	6,409	--	--	--	6,409
Transportation costs	--	--	27,513	--	--	--	27,513

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

Castlewood School District No. 28-1

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>Debt Service</u>	<u>Capital Projects #2</u>	<u>Capital Projects #3</u>	<u>Total Governmental Funds</u>
Debt Services	--	124,043	--	148,657	--	33,709	306,409
Cocurricular Activities:							
Male activities	95,998	12,344	--	--	--	--	108,342
Female activities	89,008	5,741	--	--	--	--	94,749
Transportation	36,335	--	--	--	--	--	36,335
Combined activities	77,239	300	--	--	--	--	77,539
Capital Outlay	--	43,021	--	--	4,581,428	5,168,499	9,792,948
Total Expenditures	<u>3,160,387</u>	<u>391,501</u>	<u>694,547</u>	<u>148,657</u>	<u>4,581,428</u>	<u>5,202,208</u>	<u>14,178,728</u>
Excess of Revenue Over (Under) Expenditures	30,807	407,541	(76,964)	230,792	(4,222,380)	(5,014,965)	(8,645,169)
Other Financing Sources (Uses):							
Transfer out	(50,000)	--	--	--	--	--	(50,000)
General long-term debt issued	--	--	--	--	--	6,000,000	6,000,000
Compensation for loss of general capital assets	--	--	--	--	1,853,060	--	1,853,060
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,853,060</u>	<u>6,000,000</u>	<u>7,803,060</u>
Net Change in Fund Balances	(19,193)	407,541	(76,964)	230,792	(2,369,320)	985,035	(842,109)
Fund Balance, Beginning of Year	<u>659,707</u>	<u>571,241</u>	<u>215,912</u>	<u>209,723</u>	<u>3,019,137</u>	<u>--</u>	<u>4,675,720</u>
Fund Balance, End of Year	<u>\$ 640,514</u>	<u>\$ 978,782</u>	<u>\$ 138,948</u>	<u>\$ 440,515</u>	<u>\$ 649,817</u>	<u>\$ 985,035</u>	<u>\$ 3,833,611</u>

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

Castlewood School District No. 28-1
 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		\$ (842,109)
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.		9,792,948
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.		(461,724)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(3,600)
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.		
Capital outlay certificates	95,000	95,000
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."		3,483
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		(6,000,000)
Governmental funds do not reflect the change in compensated absences liabilities but the Statement of Activities reflects the change in these accruals through expenses.		3,191
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		(81,143)
Change in net position of governmental activities		\$ 2,506,046

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

Castlewood School District No. 28-1
Statement of Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		Totals
	Food Service Fund	Preschool and Drivers Education Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 44,491	\$ 8,354	\$ 52,845
Accounts receivable, net	19	--	19
Inventory - materials and supplies	350	--	350
Inventory - stores for resale	2,710	--	2,710
Inventory of donated food	2,101	--	2,101
Net pension asset	48	26	74
Total Current Assets	<u>49,719</u>	<u>8,380</u>	<u>58,099</u>
Noncurrent Assets:			
Machinery and equipment	566,199	--	566,199
Less accumulated depreciation	<u>(116,119)</u>	<u>--</u>	<u>(116,119)</u>
Total Noncurrent Assets	<u>450,080</u>	<u>--</u>	<u>450,080</u>
Total Assets	<u><u>\$ 499,799</u></u>	<u><u>\$ 8,380</u></u>	<u><u>\$ 508,179</u></u>
Deferred Outflows of Resources:			
Pension related deferred outflows	<u>\$ 15,754</u>	<u>\$ 8,847</u>	<u>\$ 24,601</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 386	\$ 270	\$ 656
Contracts payable	835	4,086	4,921
Payroll deductions and withholdings and employer matching payable	1,749	1,600	3,349
Unearned revenue	28,313	--	28,313
Accrued leave payable	--	315	315
Total Current Liabilities	<u>31,283</u>	<u>6,271</u>	<u>37,554</u>
Deferred Inflows of Resources:			
Pension related deferred inflows	<u>11,681</u>	<u>6,570</u>	<u>18,251</u>
Total Deferred Inflows of Resources	<u>11,681</u>	<u>6,570</u>	<u>18,251</u>
Net Position:			
Net investment in capital assets	450,080	--	450,080
Restricted net position-pension	4,121	2,303	6,424
Unrestricted net position	<u>18,388</u>	<u>2,083</u>	<u>20,471</u>
Total Net Position	<u><u>\$ 472,589</u></u>	<u><u>\$ 4,386</u></u>	<u><u>\$ 476,975</u></u>

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

Castlewood School District No. 28-1

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

June 30, 2025

	Enterprise Funds		
	Food Service	Preschool and Drivers Education	Totals
	Fund	Fund	
Operating Revenue:			
Food Sales:			
Student	\$ 107,301	\$ --	\$ 107,301
Adult	6,633	--	6,633
Ala carte	1,321	--	1,321
Other charges for goods and services	602	11,025	11,627
Total Operating Revenue	115,857	11,025	126,882
Operating Expenses:			
Food Service:			
Salaries	85,758	44,031	129,789
Employee benefits	39,870	13,828	53,698
Purchased services	565	--	565
Supplies	8,847	1,290	10,137
Cost of sales - purchased	73,945	--	73,945
Cost of sales - donated	15,851	--	15,851
Other	166	--	166
Depreciation	52,924	--	52,924
Total Operating Expenses	277,926	59,149	337,075
Operating Income(Loss)	(162,069)	(48,124)	(210,193)
Nonoperating Revenues/Expenses:			
Investment earnings	1,370	28	1,398
State grants	356	--	356
Federal grants	68,754	--	68,754
Donated food	12,986	--	12,986
Total Nonoperating Revenue/ (Expenses)	83,466	28	83,494
Income (Loss) Before Contributions and Transfers	(78,603)	(48,096)	(126,699)
Transfer	--	50,000	50,000
Change in Net Position	(78,603)	1,904	(76,699)
Net Position - Beginning of Year	551,192	2,482	553,674
Net Position - End of Year	\$ 472,589	\$ 4,386	\$ 476,975

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

Castlewood School District No. 28-1
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Food Service Fund	Preschool and Drivers Education Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 115,677	\$ 11,025	\$ 126,702
Cash payments to suppliers	(91,552)	(1,286)	(92,838)
Cash payments to employees	(123,268)	(63,984)	(187,252)
Net Cash (Used) by Operating Activities	<u>(99,143)</u>	<u>(54,245)</u>	<u>(153,388)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers in	--	50,000	50,000
Cash reimbursements - state	356	--	356
Cash reimbursements - federal	68,754	--	68,754
Net Cash Provided by Noncapital Financing Activities	<u>69,110</u>	<u>50,000</u>	<u>119,110</u>
Cash Flows from Investing Activities:			
Investment Earnings	1,370	28	1,398
Net Cash Provided by Investing Activities	<u>1,370</u>	<u>28</u>	<u>1,398</u>
Net Change in Cash and Cash Equivalents	(28,663)	(4,217)	(32,880)
Cash and Cash Equivalents, Beginning of Year	73,154	12,571	85,725
Cash and Cash Equivalents, End of Year	<u>\$ 44,491</u>	<u>\$ 8,354</u>	<u>\$ 52,845</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (162,069)	\$ (48,124)	\$ (210,193)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	52,924	--	52,924
Value of commodities used	15,851	--	15,851
Change in Assets and Liabilities:			
Accounts receivable	(19)	--	(19)
Inventory	(1,107)	--	(1,107)
Pension related assets	764	429	1,193
Unearned revenue	(161)	--	(161)
Contracts payable	(728)	(6,544)	(7,272)
Payroll deductions and withholdings	(46)	(790)	(836)
Accounts payable	(6,922)	4	(6,918)
Pension related deferred inflows	2,370	1,331	3,701
Accrued leave payable	--	(551)	(551)
Net cash (used) by operating activities:	<u>\$ (99,143)</u>	<u>\$ (54,245)</u>	<u>\$ (153,388)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 12,986</u>	<u>\$ --</u>	<u>\$ 12,986</u>

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

Castlewood School District No. 28-1
Statement of Net Position – Fiduciary Funds
June 30, 2025

	<u>Custodial Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 26,218</u>
 Total Assets	 <u><u>\$ 26,218</u></u>
Liabilities:	
Amount held for others	<u>\$ 26,218</u>
 Total Liabilities	 <u><u>\$ 26,218</u></u>

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

Castlewood School District No. 28-1

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 Castlewood School District No. 28-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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.

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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Capital Projects Funds – Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds.

The Tornado Capital Project Fund is for the construction and restoration of school assets destroyed by a tornado. This fund was opened in FY22. This is a major fund.

The FY25 Tornado Capital Project Fund is for the construction and restoration of school assets destroyed by a tornado. This fund was opened in FY25. 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.

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

Proprietary Funds:

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

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.

Preschool/Drivers Education Fund: A fund used to record financial transactions related to preschool and driver’s education. This fund is financed by user charges and transfers from General Fund. This is a major fund.

Castlewood School District No. 28-1

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).

Castlewood School District No. 28-1

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 Castlewood School District No. 28-1, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2025 are due from federal government for grants and utility taxes.

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.

Investments classified in the financial statements consist entirely (primarily) of certificates of deposit whose term to maturity to date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

Castlewood School District No. 28-1

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 less than 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 all valued at original cost.

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	--	--
Intangible lease assets/SBITAs	\$ 45,000	Straight-line	5-50 years
Buildings	\$ 25,000	Straight-line	15-50 years
Improvements	\$ 10,000	Straight-line	10-15 years
Equipment	\$ 5,000	Straight-line	5-15 years

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

Castlewood School District No. 28-1

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 capital outlay certificates payable, general obligation bonds, 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. 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.

i. 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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

j. 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.

k. 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.

l. 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.”

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

m. 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.

n. Fund Balance Classification Policies and Procedures:

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

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

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.

Castlewood School District No. 28-1
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

o. 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.

p. Pensions:

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

q. 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 (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

r. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a subscription, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

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

- The School District uses the interest rate charged by the vendor as the discount rate. When 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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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.

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.

As of June 30, 2025, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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.

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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

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

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

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

3. Inventory:

Inventory held for consumption is stated at cost. Inventory for resale is stated at the lower of cost or market. The cost valuation method is 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.

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.

Castlewood School District No. 28-1
Notes to the Financial Statements
June 30, 2025

5. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year and no allowance has been provided for uncollectible amounts.

6. Changes in Capital Assets:

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

	<u>Balance</u> <u>6/30/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2025</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 224,461	\$ --	\$ --	\$ 224,461
Construction in progress	8,843,684	9,767,492	--	18,611,176
Total capital assets not being depreciated/amortized	<u>9,068,145</u>	<u>9,767,492</u>	<u>--</u>	<u>18,835,637</u>
Capital assets being depreciated/amortized:				
Buildings	5,920,262	--	--	5,920,262
Improvements	470,866	--	--	470,866
Machinery & equipment	1,283,919	25,456	11,174	1,298,201
Total capital assets being depreciated/amortized	<u>7,675,047</u>	<u>25,456</u>	<u>11,174</u>	<u>7,689,329</u>
Less accumulated depreciation/amortization for:				
Buildings	1,938,104	348,603	--	2,286,707
Improvements	317,687	23,675	--	341,362
Machinery & equipment	796,987	89,446	7,574	878,859
Total accumulated depreciation/amortization	<u>3,052,778</u>	<u>461,724</u>	<u>7,574</u>	<u>3,506,928</u>
Total capital assets being depreciated/amortized, net	<u>4,622,269</u>	<u>(436,268)</u>	<u>3,600</u>	<u>4,182,401</u>
Net Capital Assets	<u>\$ 13,690,414</u>	<u>\$ 9,331,224</u>	<u>\$ 3,600</u>	<u>\$ 23,018,038</u>

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 277,035
Support services	138,517
Co-curricular activities	<u>46,172</u>
Total Depreciation/ Amortization Expense	<u>\$ 461,724</u>

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

6. Changes in Capital Assets: (Continued)

	<u>Balance 6/30/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2025</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 566,199	\$ --	\$ --	\$ 566,199
Less accumulated depreciation for:				
Less: Accumulated Depreciation	63,195	52,924	--	116,119
Total capital assets being depreciated, net	<u>\$ 503,004</u>	<u>\$ (52,924)</u>	<u>\$ --</u>	<u>\$ 450,080</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 52,924</u>

Construction Work in Progress at June 30, 2025 is comprised of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Through 6/30/2025</u>	<u>Committed</u>
Tornado Damage/Roof Repair	\$ 18,611,176	\$ 18,611,176	\$ --
Total Construction in Progress	<u>\$ 18,611,176</u>	<u>\$ 18,611,176</u>	<u>\$ --</u>

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

7. Long-Term Liabilities:

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

	<u>6/30/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2025</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ --	\$ 6,000,000	\$ --	\$ 6,000,000	\$ 80,000
Capital outlay certificates	1,200,000	--	95,000	1,105,000	100,000
	<u>1,200,000</u>	<u>6,000,000</u>	<u>95,000</u>	<u>7,105,000</u>	<u>180,000</u>
Other Liabilities:					
Compensated absences	24,628	--	3,191	21,437	21,437
Total Governmental Activities	<u>\$ 1,224,628</u>	<u>\$ 6,000,000</u>	<u>\$ 98,191</u>	<u>\$ 7,126,437</u>	<u>\$ 201,437</u>
Business-Type Activities:					
Other Liabilities:					
Compensated absences	\$ 866	\$ --	\$ 551	\$ 315	\$ 315
Total Business-Type Activities	<u>\$ 866</u>	<u>\$ --</u>	<u>\$ 551</u>	<u>\$ 315</u>	<u>\$ 315</u>

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

Compensated Absences –

Governmental - Payable from the fund to which payroll expenditures are charged	\$ 21,437
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Debt payable at June 30, 2025 is comprised of the following:

Castlewood School District No 28-1 Capital Outlay Certificates Series 2022	During April, 2022, the School District entered into an agreement to receive Capital Outlay Certificates in the amount of \$1,400,000. There is an interest rate from 2.52% assessed on these certificates. Final payment is December 2034. The Capital Outlay Fund makes payment on this debt.	\$ 1,105,000
Castlewood School District No 28-1 General Obligation Bonds, Series 2024	During July 2024, the School District entered into an agreement with Colliers Securities to receive General Obligation Bonds in the amount of \$6,000,000. There is a varying interest rate from 3.48-5% assessed on these bonds. Final payment is August 2053. The Bond Redemption Fund makes payment on this debt.	\$ 6,000,000

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

7. Long-Term Liabilities: (Continued)

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

Year Ending June 30,	GO Bonds		Capital Outlay Certificates		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 80,000	\$ 264,860	\$ 100,000	\$ 26,586	\$ 180,000	\$ 291,446
2027	85,000	261,342	100,000	24,066	185,000	285,408
2028	90,000	246,967	105,000	21,483	195,000	268,450
2029	95,000	252,343	105,000	18,837	200,000	271,180
2030	105,000	247,342	110,000	16,128	215,000	263,470
2031-2035	635,000	1,148,463	585,000	30,366	1,220,000	1,178,829
2036-2040	875,000	960,465	--	--	875,000	960,465
2041-2045	1,135,000	735,826	--	--	1,135,000	735,826
2046-2050	1,455,000	467,606	--	--	1,455,000	467,606
2051-2055	1,445,000	126,756	--	--	1,445,000	126,756
Totals	<u>\$ 6,000,000</u>	<u>\$ 4,711,970</u>	<u>\$ 1,105,000</u>	<u>\$ 137,466</u>	<u>\$ 7,105,000</u>	<u>\$ 4,849,436</u>

8. Interfund Transfers:

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

Transfer from the General Fund to the Other Enterprise Fund for operating expenses.	\$ 50,000
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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	\$ 1,631,141
Special Education	Law	140,917
Debt Service	Debt Covenant	441,313
SDRS Pension Purposes	Law	190,234
Total		<u>\$ 2,403,605</u>

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

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

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

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

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

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

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

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

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	\$ 132,584
2024	134,296
2023	111,756

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

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 shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2024 and reported by the School District as of June 30, 2025 are as follows:

Proportionate share of pension liability	\$ 11,901,938
Less proportionate share of net pension restricted for pension benefits	<u>11,905,169</u>
Proportionate share of net pension (asset)	<u><u>\$ (3,231)</u></u>

At June 30, 2025, the School District reported an (asset) of (\$3,230) 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 0.07978100%, which is an increase of 0.0075690% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized a pension expense of \$86,038. 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	\$ 299,055	\$ --
Changes in assumption	53,244	405,864
Net difference between projected and actual earnings on pension plan investments	121,648	--
Changes in proportion and difference between district contributions and proportionate share of contributions	2,160	15,824
District contributions subsequent to the measurement date	132,584	--
Total	<u><u>\$ 608,691</u></u>	<u><u>\$ 421,688</u></u>

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

\$132,584 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	\$ (116,404)
	2027	151,443
	2028	11,956
	2029	8,740
	Total	<u>\$ 55,735</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 2.50% and real returns of 4.00%
Future COLAs	1.71%

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010
Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages Beneficiaries:
PubG-2010 contingent survivor mortality table

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

10. Pension Plan: (Continued)

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>\$ 1,641,065</u>	<u>\$ (3,231)</u>	<u>\$ (1,348,774)</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.

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 Northern Plains Insurance Pool. This is a 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 from Wellmark with the premiums it receives from the members. The coverage includes the option of three different plans with a deductible from \$2,000 to \$4,000.

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.

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

11. Risk Management: (Continued)

Workers' Compensation:

The School District purchases liability insurance for worker's compensation from a commercial carrier. 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 annually budgets an amount in the General Fund for the payment of future unemployment benefits.

During the year ended June 30, 2025, no claims for unemployment were paid.

12. Joint Ventures:

The School District participates in the Northeast Educational Services 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:

Arlington School District No. 38-1	3.57%	Henry School District No. 14-2	2.21%
Britton-Hecla School District No. 45-4	5.82%	Iroquois School District No. 2-3	2.53%
Castlewood School District No. 28-1	3.91%	Lake Preston School District No. 38-3	2.06%
Clark School District No. 12-2	5.54%	Oldham-Ramona-Rutland School District No. 39-6	3.68%
DeSmet School District No. 38-2	4.01%	Rosholt School District No. 54-4	2.60%
Deubrook School District No. 5-2	4.77%	Sioux Valley School District No. 5-5	8.64%
Deuel School District No. 19-4	6.20%	Summit School District No. 54-6	2.05%
Elkton School District No. 5-3	5.23%	Waubay School District No. 18-3	1.94%
Enemy Swim Day School	1.82%	Waverly School District No. 14-5	3.08%
Estelline School District No. 28-2	3.15%	Webster School District No. 18-4	6.43%
Florence School District No. 14-1	4.00%	Willow Lake School District No. 12-3	3.83%
Hamlin School District No. 28-3	10.12%	Wilmot School District No. 54-7	2.81%

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

Castlewood School District No. 28-1

Notes to the Financial Statements

June 30, 2025

12. Joint Ventures: (Continued)

At June 30, 2025, this joint venture's statement of net position is as follows:

Total Assets and Deferred Outflows	\$ 3,284,771
Total Liabilities and Deferred Inflows	\$ 1,331,453
Total Net Position	\$ 1,953,318

The school district participates in the Northeast Technical High School for the purpose of providing vocational education. Member school districts jointly and cooperatively exercise any power common to a district board except for the authority to levy taxes and issue bonds. Any nonparticipating district would forego all present equity in equipment and facilities by non-membership.

The members of Northeast Technical High School and their relative participation are as follows:

Castlewood School District No 28-1	6.12%
Florence School District No. 14-1	5.44%
Great Plains Lutheran School	7.76%
Henry School District No. 14-2	3.63%
Summit School District No. 54-6	3.00%
Watertown School District No. 14-4	69.07%
Waverly School District No. 14-5	4.98%

The Northeast Technical High School's governing board is composed of three Watertown School Board Members and one school board member from each of the remaining member school districts. This governing board is advised by an executive committee that is composed of the Northeast Technical High School's director, the superintendent of the Watertown School District, and one other superintendent of a member school district that is appointed by the governing board.

The School District retains no equity in net position of the NTHS but does have a responsibility to fund deficits of the NTHS in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northeast Technical High School.

At June 30, 2025, this joint venture's statement of net position is as follows:

Total Assets and Deferred Outflows	\$ 2,600,444
Total Liabilities and Deferred Inflows	\$ 295,744
Total Net Position	\$ 2,304,700

13. Subsequent Events:

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

Required Supplementary Information

Castlewood School District No. 28-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 657,900	\$ 657,900	\$ 694,817	\$ 36,917
Prior years' ad valorem taxes	1,500	1,500	2,339	839
Utility taxes	70,000	70,000	87,808	17,808
Penalties and interest on taxes	1,750	1,750	1,646	(104)
Earnings on Investments and Deposits	5,000	9,405	15,678	6,273
Cocurricular Activities:				
Admissions	26,000	26,000	30,413	4,413
Rentals	100	100	250	150
Other student activity income	42,750	42,750	47,026	4,276
Other Revenue from Local Sources:				
Rentals	5,000	5,000	6,990	1,990
Contributions and donations	500	6,387	8,287	1,900
Services provided other school districts	21,350	21,350	21,245	(105)
Charges for services	2,000	2,000	2,916	916
Other	5,000	5,000	13,339	8,339
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	10,000	10,000	16,550	6,550
Revenue in lieu of taxes	100	100	189	89
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,008,271	2,008,271	2,170,166	161,895
Restricted grants-in-aid	--	--	900	900
Other state revenues	500	500	--	(500)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	69,823	69,823	70,635	812
Total Revenues	\$ 2,927,544	\$ 2,937,836	\$ 3,191,194	\$ 253,358

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

Castlewood School District No. 28-1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular programs:				
Elementary	\$ 786,270	\$ 786,270	\$ 718,883	\$ 67,387
Middle/junior high	301,625	301,625	284,172	17,453
High school	489,300	489,300	474,930	14,370
Special programs:				
Educationally deprived	109,230	109,230	107,595	1,635
Support Services:				
Students:				
Attendance and social work	750	750	--	750
Guidance	76,535	76,535	74,347	2,188
Health	52,865	52,865	49,504	3,361
Instructional Staff:				
Improvement of instruction	9,875	9,875	3,588	6,287
Educational media	132,510	132,510	122,166	10,344
General Administration:				
Board of education	41,910	42,140	36,768	5,372
Executive administration	179,820	179,820	168,391	11,429
School Administration:				
Office of the principal	238,959	238,959	214,228	24,731
Other	300	300	205	95
Business:				
Fiscal services	139,035	139,035	133,543	5,492
Operation and maintenance of plant	343,745	343,745	335,532	8,213
Student transportation	169,245	169,245	137,526	31,719
Central:				
Staff	800	800	429	371
Nonprogrammed Charges:				
Insurance costs	500	500	--	500
Cocurricular Activities:				
Male activities	83,665	104,100	95,998	8,102
Female activities	90,145	102,171	89,008	13,163
Transportation	38,140	38,140	36,335	1,805
Combined activities	87,410	92,124	77,239	14,885
Total Expenditures	<u>3,372,634</u>	<u>3,410,039</u>	<u>3,160,387</u>	<u>249,652</u>
Excess of Revenues Over Expenditures	<u>(445,090)</u>	<u>(472,203)</u>	<u>30,807</u>	<u>503,010</u>
Other Financing Sources:				
Operating transfers in	200,000	200,000	--	(200,000)
Operating transfers out	<u>(82,345)</u>	<u>(82,345)</u>	<u>(50,000)</u>	<u>32,345</u>
Total Other Financing Sources:	<u>117,655</u>	<u>117,655</u>	<u>(50,000)</u>	<u>(167,655)</u>
Net Change in Fund Balances	(327,435)	(354,548)	(19,193)	335,355
Fund Balance, Beginning of Year	<u>659,707</u>	<u>659,707</u>	<u>659,707</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 332,272</u>	<u>\$ 305,159</u>	<u>\$ 640,514</u>	<u>\$ 335,355</u>

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

Castlewood School District No. 28-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 686,000	\$ 686,000	\$ 710,518	\$ 24,518
Prior years' ad valorem taxes	750	750	1,613	863
Penalties and interest on taxes	750	750	1,728	978
Earnings on Investments & Deposits	2,000	4,349	15,329	10,980
Other Revenue from Local Sources:				
Contributions and donations	6,000	7,625	7,325	(300)
Revenue from Intermediate Sources:				
County Sources				
County Apportionment				
Revenue in lieu of taxes	150	150	330	180
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly federal government	--	62,199	62,199	--
Total Revenues	<u>695,650</u>	<u>761,823</u>	<u>799,042</u>	<u>37,219</u>
Expenditures				
Instructional Services:				
Regular programs:				
Elementary	27,925	38,987	25,913	13,074
Middle/junior high	8,225	13,299	10,057	3,242
High school	75,100	85,530	75,373	10,157
Support Services:				
Students:				
Health	--	2,244	2,244	--
Instructional Staff:				
Educational media	22,700	48,905	41,064	7,841
General Administration:				
Executive Administration	--	1,098	1,098	--
School Administration:				
Office of the principal	--	1,098	1,098	--
Business:				
Fiscal services	9,000	9,000	8,851	149
Facilities acquisition and construction	5,000	5,000	3,369	1,631
Operation and maintenance of plant	45,300	83,404	80,006	3,398
Debt Services	124,200	124,200	124,043	157
Cocurricular Activities:				
Male activities	18,200	19,825	12,344	7,481
Female activities	6,200	6,200	5,741	459
Combined Activities	300	300	300	--
Total Expenditures	<u>342,150</u>	<u>439,090</u>	<u>391,501</u>	<u>47,589</u>
Excess of Revenue Over (Under)				
Expenditures	<u>353,500</u>	<u>322,733</u>	<u>407,541</u>	<u>84,808</u>
Other Financing Sources (Uses):				
Transfers out	(200,000)	(200,000)	--	200,000
Sale of surplus property	200	200	--	(200)
Total Other Financing Sources (Uses)	<u>(199,800)</u>	<u>(199,800)</u>	<u>--</u>	<u>199,800</u>
Net Change in Fund Balances	153,700	122,933	407,541	284,608
Fund Balance, Beginning of Year	<u>571,241</u>	<u>571,241</u>	<u>571,241</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 724,941</u>	<u>\$ 694,174</u>	<u>\$ 978,782</u>	<u>\$ 284,608</u>

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

Castlewood School District No. 28-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 404,928	\$ 404,928	\$ 488,886	\$ 83,958
Prior years' ad valorem taxes	500	500	1,143	643
Penalties and interest on taxes	500	500	1,180	680
Earnings on Investments & Deposits	2,000	2,000	4,153	2,153
Other Revenue from Local Sources:				
Charges for services	1,700	1,700	3,099	1,399
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	150	150	225	75
Revenue from State Sources:				
Grants-in-Aid				
Restricted grants-in-aid	344,201	344,201	118,897	(225,304)
Total Revenues	<u>753,979</u>	<u>753,979</u>	<u>617,583</u>	<u>(136,396)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	619,435	643,065	594,873	48,192
Support Services:				
Students:				
Psychological	25,375	25,375	20,312	5,063
Speech pathology	34,000	34,000	27,061	6,939
Student therapy services	22,200	22,200	17,539	4,661
Instructional Staff:				
Improvement of instruction	1,532	1,532	--	1,532
General Administration:				
Board of education	876	876	840	36
Special Education:				
Administrative costs	11,025	11,025	6,409	4,616
Transportation costs	39,536	39,536	27,513	12,023
Total Expenditures	<u>753,979</u>	<u>777,609</u>	<u>694,547</u>	<u>83,062</u>
Net Change in Fund Balance	--	(23,630)	(76,964)	(53,334)
Fund Balance, Beginning of Year	<u>215,912</u>	<u>215,912</u>	<u>215,912</u>	--
Fund Balance, End of Year	<u>\$ 215,912</u>	<u>\$ 192,282</u>	<u>\$ 138,948</u>	<u>\$ (53,334)</u>

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

Castlewood School District No. 28-1
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.

Castlewood School District No. 28-1

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	0.0797810%	\$ (3,231)	\$ 2,235,168	0.14%	100.00%
2024	0.0722120%	\$ (7,048)	\$ 1,859,919	0.38%	100.10%
2023	0.0698430%	\$ (6,601)	\$ 1,645,070	0.40%	100.10%
2022	0.0733500%	\$ (561,735)	\$ 1,664,550	33.75%	105.52%
2021	0.0730930%	\$ (3,174)	\$ 1,604,168	0.20%	100.04%
2020	0.0740630%	\$ (7,849)	\$ 1,574,729	0.50%	100.09%
2019	0.0720323%	\$ (1,680)	\$ 1,497,379	0.11%	100.02%
2018	0.0713048%	\$ (6,471)	\$ 1,429,847	0.45%	100.10%
2017	0.0700864%	\$ 236,745	\$ 1,332,692	17.76%	96.89%
2016	0.0719581%	\$ (305,195)	\$ 1,313,737	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.

Castlewood School District No. 28-1
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	\$ 132,584	\$ 132,584	\$ --	\$ 2,204,975	6.01%
2024	\$ 134,296	\$ 134,296	\$ --	\$ 2,235,168	6.01%
2023	\$ 111,756	\$ 111,756	\$ --	\$ 1,859,919	6.01%
2022	\$ 98,704	\$ 98,704	\$ --	\$ 1,645,070	6.00%
2021	\$ 99,873	\$ 99,873	\$ --	\$ 1,664,550	6.00%
2020	\$ 96,250	\$ 96,250	\$ --	\$ 1,604,168	6.00%
2019	\$ 94,484	\$ 94,484	\$ --	\$ 1,574,729	6.00%
2018	\$ 89,843	\$ 89,843	\$ --	\$ 1,497,379	6.00%
2017	\$ 86,993	\$ 86,993	\$ --	\$ 1,429,847	6.08%
2016	\$ 79,962	\$ 79,962	\$ --	\$ 1,332,692	6.00%

Castlewood School District No. 28-1

Notes to 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 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.

Actuarial Method Changes

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