Chester Area School District No. 39-1

Independent Auditor's Report
and Financial Statements

For the Year Ended
June 30, 2025

Chester Area School District No. 39-1
School District Officials
June 30, 2025

Board Members

Darin Seeley ------------------------ Board President
Keith Alverson ------------------------Vice President
Jesse Baumberger--------------------------- Member
Leon Gerry ----------------------------------- Member
Brett Bauman -------------------------------- Member
Brittany Schaefer --------------------------- Member
John Nelson ---------------------------------- Member

Bob Sittig ----------------------------Superintendent

Ty Hoglund------------------------Business Manager

Chester Area School District No. 39-1
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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
Chester Area School District No. 39-1
Lake 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 Chester Area School District No. 39-1, 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 March 31, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Current Audit Findings as Item 2025-001 that we consider to be a material weakness.

School District's Response to Findings

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

Purpose of this Report

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

Elk Point, South Dakota
March 31, 2026

Schedule of Prior Audit Findings:

The prior audit report contained no written comments.

Schedule of Current Audit Findings:

Finding Number 2025-001 – Compliance Finding

There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance for the General Fund.

<u>Criteria</u>: There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance for the General Fund.

<u>Condition, Cause and Effect</u>: SDCL 13-11-2 requires that the School Board adopt a levy sufficient to meet the budget for the year for each governmental fund. The District had more expenditures than budgeted and didn't supplement for the additional costs. As a result, the expenditures are in excess of budget for the General Fund.

<u>Recommendation</u>: We recommend that District Officials be aware of and adhere to the budgetary requirements and supplement the budget when necessary in the future.

<u>Management's Response</u>: Management agrees with the finding.

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Independent Auditor's Report

School Board
Chester Area School District No. 39-1
Lake County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Chester Area School District No. 39-1, 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, 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 Chester Area School District No. 39-1 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 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 audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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.

CLO Pof LLC

Elk Point, South Dakota
March 31, 2026

This section of Chester Area School District No. 39-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were $96,249 more than the $7,334,114 governmental and business-type program expenditures.

- The School's net position increased by 0.94% during the year, which was primarily due to increased unrestricted investment earnings and revenue from state sources.

- In FY25, the District began construction work in progress for lighting improvements.

Overview of the Financial Statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

- Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The proprietary funds operated by the School which are the Food Service Operation, Preschool, and Driver's Education.

- Fiduciary fund statements provide information about the financial relationships – like scholarship plans for graduating students – in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

Figure A-1

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

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

Government-Wide Statements

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

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

- Increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

- Governmental Activities – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.

- Business-type Activities - The school charges a fee to students to help cover the costs of providing hot lunch and breakfast services to all students. The Food Service Fund, Preschool and Driver's education are the business-type activities of the School.

Fund Financial Statements

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

- State Law requires some of the funds.

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

The School has three kinds of funds:

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

- Proprietary Funds – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund and the Other Enterprise Fund (two types of proprietary funds) are the only proprietary funds maintained by the School.

- Fiduciary Funds – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Chester School District 39-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	**2025**	**2024**	**2025**	**2024**	**2025**	**2024-2025**
Current and Other Assets	$ 8,085,259	$ 8,626,902	$ 192,678	$ 184,899	$ 8,277,937	$ 8,811,801	6.45%
Capital Assets (Net of Depreciation)	4,114,439	3,943,867	80,977	73,846	4,195,416	4,017,713	-4.24%
Total Assets	12,199,698	12,570,769	273,655	258,745	12,473,353	12,829,514	2.86%
OPEB Related Deferred Outflows	151,913	126,897	--	--	151,913	126,897	-16.47%
Pension Related Deferred Outflows	1,151,781	1,059,172	--	--	1,151,781	1,059,172	-8.04%
Total Deferred Outflows or Resources	1,303,694	1,186,069	--	--	1,303,694	1,186,069	-9.02%
Long-Term Liabilities Outstanding	320,920	282,809	--	--	320,920	282,809	-11.88%
Other Liabilities	693,635	866,985	56,509	64,374	750,144	931,359	24.16%
Total Liabilities	1,014,555	1,149,794	56,509	64,374	1,071,064	1,214,168	13.36%
Taxes Levied for Future Period	1,544,823	1,540,740	--	--	1,544,823	1,540,740	-0.26%
OPEB Related Deferred Inflows	250,386	193,299	--	--	250,386	193,299	-22.80%
Pension Related Deferred Inflows	655,706	701,309	--	--	655,706	701,309	6.95%
Total Deferred Inflows of Resources	2,450,915	2,435,348	--	--	2,450,915	2,435,348	-0.64%
Net Investment in Capital Assets	4,024,619	3,883,349	80,977	73,846	4,105,596	3,957,195	-3.61%
Restricted	5,529,661	5,944,430	--	--	5,529,661	5,944,430	7.50%
Unrestricted	483,642	343,917	136,169	120,525	619,811	464,442	-25.07%
Total Net Position	10,037,922	10,171,696	217,146	194,371	10,255,068	10,366,067	1.08%
Beginning Net Position	9,641,256	10,037,922	225,744	217,146	9,867,000	10,255,068	3.93%
Increase (Decrease) in Net Position	$ 396,666	$ 133,774	$ (8,598)	$ (22,775)	$ 388,068	$ 110,999	71.40%
Percentage of Increase (Decrease) in Net Position	4.11%	1.33%	-3.81%	-10.49%	3.93%	1.08%	

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

The School's combined net position of $10,351,317 is approximately $96,249 or 0.94% larger than on June 30, 2024. The increase in the School's financial position was primarily in its governmental activities due in part to unrestricted investment earnings, taxes, and revenue from state sources.

Changes in Net Position

The Chester Area School District's total revenues (excluding transfers and extraordinary items) in FY25 were $7,425,516. More than 53% of the School's revenue comes from property and other taxes, with approximately 32% coming from state aid. (See Table A-2).

Table A-2
Chester School District 39-1
Sources of Revenues
Fiscal Year 2025

Taxes	$ 3,953,041	53.23%
State Sources	2,373,894	31.97%
Operating Grants & Contributions	329,529	4.44%
Charges For Services	433,327	5.84%
Other General Revenues	98,965	1.33%
Unrestricted Investment Earnings	236,760	3.19%
Total Revenue	$ 7,425,516	100.00%

The Chester Area School District expenses totaled $7,314,517 (See Table A-4). The School's expenses cover a range of services, encompassing instruction, support services, interest on long term debt, co-curricular activities, community service, food services, and OST/preschool. (See Table A-3).

Table A-3
Chester School District 39-1
Statement of Expenditures
Fiscal Year 2025

Instruction	$ 3,716,553	50.82%
Support Services	2,962,398	40.50%
Cocurricular Activities	307,355	4.20%
Food Service	237,327	3.24%
OST/Preschool	59,657	0.82%
Interest on Long-Term Debt	2,501	0.03%
Nonprogrammed Charges	28,726	0.39%
Total Expenditures	$ 7,314,517	100.00%

Governmental and Business-Type Activities

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

Table A-4
Chester School District No. 41-4
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage
	2024	2025	2024	2025	2024	2025	Change
Revenues							
Program Revenues							
Charge for Services	$ 339,568	$ 286,997	$ 149,901	$ 146,330	$ 489,469	$ 433,327	-11.47%
Operating Grants/ Contributions	267,747	246,555	83,095	82,974	350,842	329,529	-6.07%
General Revenues							
Taxes	3,785,366	3,953,041	--	--	3,785,366	3,953,041	4.43%
Revenue State Sources	2,108,985	2,373,894	--	--	2,108,985	2,373,894	12.56%
Other							
Other general revenues	112,977	89,060	6,191	9,905	119,168	98,965	-16.95%
Unrestricted Investment Earnings	197,209	236,760	--	--	197,209	236,760	20.06%
	6,811,852	7,186,307	239,187	239,209	7,051,039	7,425,516	5.31%
Expenses							
Instruction	3,531,738	3,716,553	--	--	3,531,738	3,716,553	5.23%
Support Services	2,538,966	2,962,398	--	--	2,538,966	2,962,398	16.68%
Community Services	16,280	--	--	--	16,280	--	-100.00%
Non-programmed Charges	--	28,726	--	--	--	28,726	100.00%
Interest on long-term debt	4,463	2,501	--	--	4,463	2,501	-43.96%
Co-curricular Activities	288,739	307,355	--	--	288,739	307,355	6.45%
Food Service	--	--	227,028	237,327	227,028	237,327	4.54%
Other Enterprise	--	--	55,757	59,657	55,757	59,657	6.99%
	6,380,186	7,017,533	282,785	296,984	6,662,971	7,314,517	9.78%
Excess (Deficiency) Before Transfers	431,666	168,774	(43,598)	(57,775)	388,068	110,999	-71.40%
Transfers	(35,000)	(35,000)	35,000	35,000	--	--	0.00%
Increase (Decrease) in Net Position	396,666	133,774	(8,598)	(22,775)	388,068	110,999	-71.40%
Beginning Net Position	9,641,256	10,037,922	225,744	217,146	9,867,000	10,255,068	3.93%
Ending Net Position	$10,037,922	$10,171,696	$ 217,146	$ 194,371	$10,255,068	$10,366,067	1.08%

Governmental Activities

Revenues for the governmental activities increased by 5.50% due to an increase in unrestricted investment earning, taxes, and revenues from state sources. Expenses increased by approximately 9.99%.

Business-Type Activities

Revenues for the business-type activities increased by approximately 2.04% due to an increase in charges for services. Expenses increased by approximately 11.95%.

Financial Analysis of the School's Funds

The District's General Fund and Special Education fund balances decreased from FY24, while the Capital Outlay and Bond Redemption fund balances increased.

Budgetary Highlights

Over the course of the year there were no budget supplements.

Capital Asset Administration

By the end of 2025, the School had invested $4,017,713 (net of depreciation) across a broad range of capital assets, including, land, construction in progress, buildings, improvements, various machinery and equipment, intangible lease assets, and library books. (See Table A-5). This amount represents a net decrease (including additions and deductions) of $177,703 or approximately 4.24%.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar	Total %
	2024	2025	2024	2025	Change	Change
Land	$ 306,162	$ 306,162	$ --	$ --	$ --	0.00%
Construction in progress	--	18,575	--	--	18,575	100.00%
Buildings & Improvements	3,418,795	3,318,135	--	--	(100,660)	-2.94%
Machinery & Equipment	300,717	242,419	80,977	73,846	(65,429)	-17.14%
Intangible Lease Assets	87,491	58,328	--	--	(29,163)	-33.33%
Library Books	1,274	248	--	--	(1,026)	-80.53%
Total Capital Assets	$ 4,114,439	$ 3,943,867	$ 80,977	$ 73,846	$ (177,703)	-4.24%

Long-Term Debt

At year-end, the School had $282,809 in other post-employment benefits and a copier lease payable. This is a decrease of 11.88% as shown on Table A-6 below which is due primarily to the payment of the copier lease.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar	Total %
	2024	2025	Change	Change
Other Post Employment Benefits	$ 231,100	$ 222,291	$ (8,809)	-3.81%
Copier Lease	89,820	60,518	(29,302)	-32.62%
Total Outstanding Debt	$ 320,920	$ 282,809	$ (38,111)	-11.88%

Economic Factors and Next Year's Budgets and Rates

The School's current economic position has shown little change. The School did experience a slight increase in net position from the prior year primarily due to an increase in charges for services and managing costs.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional information, contact the Chester Area School Business Office, 102 2nd Avenue, PO Box 159, Chester, SD 57016.

Chester Area School District No. 39-1

Statement of Net Position – Government-Wide

June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 6,808,793	$ 166,287	$ 6,975,080
Accounts receivable	246,820	981	247,801
Taxes receivable	1,565,741	--	1,565,741
Inventories		15,014	15,014
Other assets	--	2,617	2,617
Net pension asset	5,548	--	5,548
Capital assets:			
Land and construction in progress	324,737	--	324,737
Other capital assets, net of depreciation	3,619,130	73,846	3,692,976
Total Assets	12,570,769	258,745	12,829,514
Deferred Outflows of Resources:			
OPEB-related deferred outflows	126,897		126,897
Pension-related deferred outflows	1,059,172	--	1,059,172
Total Deferred Outflows of Resources	1,186,069	--	1,186,069
Liabilities:			
Unearned revenue	--	10,940	10,940
Other current liabilities	866,985	53,434	920,419
Long-term liabilities:			
Due within one year	29,935	--	29,935
Due in more than one year	252,874	--	252,874
Total Liabilities	1,149,794	64,374	1,214,168
Deferred Inflows of Resources:			
Taxes levied for future periods	1,540,740	--	1,540,740
Pension related deferred inflows	701,309	--	701,309
OPEB-related deferred inflows	193,299	--	193,299
Total Deferred Inflows of Resources	2,435,348	--	2,435,348
Net Position:			
Net investment in capital assets	3,883,349	73,846	3,957,195
Restricted for:			
Capital outlay	3,824,139	--	3,824,139
Special education	1,199,070	--	1,199,070
Debt service	557,810	--	557,810
SDRS pension purposes	363,411	--	363,411
Unrestricted	343,917	120,525	464,442
Total Net Position	$ 10,171,696	$ 194,371	$ 10,366,067

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

Chester Area School District No. 39-1

Statement of Activities – Government-Wide

June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position – Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position – Primary Government: Business-Type Activities	Total
Governmental Activities:						
Instruction	$ 3,716,553	$ --	$ 197,510	$ (3,519,043)	$ --	$ (3,519,043)
Support services	2,962,398	249,534	49,045	(2,663,819)	--	(2,663,819)
Nonprogrammed charges	28,726	--	--	(28,726)	--	(28,726)
Interest on long-term debt*	2,501	--	--	(2,501)	--	(2,501)
Cocurricular activities	307,355	37,463	--	(269,892)	--	(269,892)
Total Governmental Activities	7,017,533	286,997	246,555	(6,483,981)	--	(6,483,981)
Business-Type Activities:						
Food service	237,327	104,095	82,974	--	(50,258)	(50,258)
Other enterprise	59,657	42,235	--	--	(17,422)	(17,422)
Total Business Type Activities	296,984	146,330	82,974	--	(67,680)	(67,680)
Total Primary Government	$ 7,314,517	$ 433,327	$ 329,529	(6,483,981)	(67,680)	(6,551,661)
General Revenues:						
Taxes:						
Property taxes				3,706,221	--	3,706,221
Gross receipts taxes				246,820	--	246,820
Revenue from State sources:						
State aid				2,371,295	--	2,371,295
Other				2,599	--	2,599
Unrestricted investment earnings				236,760	--	236,760
Other general revenues				89,060	9,905	98,965
Transfers				(35,000)	35,000	--
Total General Revenues and Transfers				6,617,755	44,905	6,662,660
Change in Net Position				133,774	(22,775)	110,999
Net Position - Beginning of Year				10,037,922	217,146	10,255,068
Net Position - End of Year				$ 10,171,696	$ 194,371	$ 10,366,067

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

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

Chester Area School District No. 39-1

Balance Sheet – Governmental Funds
June 30, 2025

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Assets:					
Cash and cash equivalents	$ 953,213	$ 3,957,649	$ 1,340,131	$ 557,800	$ 6,808,793
Taxes receivable - current	680,981	523,796	335,963	--	1,540,740
Taxes receivable - delinquent	13,717	7,044	4,230	10	25,001
Due from other governments	246,820	--	--	--	246,820
Total Assets	$ 1,894,731	$ 4,488,489	$ 1,680,324	$ 557,810	$ 8,621,354
Liabilities, Deferred Outflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	$ 17,705	$ 140,554	$ 5,707	$ --	$ 163,966
Contracts payable	416,493	--	89,816	--	506,309
Payroll deductions and withholding and employer matching payable	146,942	--	49,768	--	196,710
Total Liabilities	581,140	140,554	145,291	--	866,985
Deferred Inflows of Resources:					
Taxes levied for future period	680,981	523,796	335,963	--	1,540,740
Delinquent taxes not available	13,717	7,044	4,230	10	25,001
Total Deferred Inflows of Resources	694,698	530,840	340,193	10	1,565,741
Fund Balances:					
Restricted:					
For capital outlay	--	3,817,095	--	--	3,817,095
For special education	--	--	1,194,840	--	1,194,840
For debt service	--	--	--	557,800	557,800
For student activities	20,316	--	--	--	20,316
Assigned - subsequent year's budget	134,791	--	--	--	134,791
Unassigned	463,786	--	--	--	463,786
Total Fund Balances	618,893	3,817,095	1,194,840	557,800	6,188,628
Total Liabilities, Deferred Outflows of Resources and Fund Balances	$ 1,894,731	$ 4,488,489	$ 1,680,324	$ 557,810	$ 8,621,354

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

Chester Area School District No. 39-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2025

Total Fund Balances - Governmental Funds		$ 6,188,628
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		3,943,867
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Lease payables	(60,518)	
Other Postemployment Benefits Payable	(222,291)	(282,809)
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.		25,001
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		5,548
Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds.		(894,608)
Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds.		1,186,069
Net Position - Governmental Activities		$ 10,171,696

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

Chester Area School District No. 39-1

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

June 30, 2025

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	$ 1,579,167	$ 1,245,607	$ 784,741	$ --	$ 3,609,515
Prior years' ad valorem taxes	41,365	24,448	19,361	--	85,174
Utility taxes	246,820	--	--	--	246,820
Penalties and interest on taxes	6,790	1,043	33	--	7,866
Earnings on Investments and Deposits	39,391	120,153	51,508	25,708	236,760
Tuition and Fees:					
Regular day school transportation fees	74,500	--	--	--	74,500
Cocurricular Activities:					
Admissions	26,575	--	--	--	26,575
Other student activity income	10,888	--	--	--	10,888
Other Revenue from Local Sources:					
Contributions and donations	8,611	--	--	--	8,611
Services provided other school districts	--	--	175,034	--	175,034
Charges for services	2,639	--	25,205	--	27,844
Other	29,255	14,552	--	--	43,807
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	8,798	--	--	--	8,798
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	2,371,295	--	--	--	2,371,295
Restricted grants-in-aid	2,599	--	--	--	2,599
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	6,712	--	--	--	6,712
Restricted grants-in-aid received directly from federal government	49,045	--	--	--	49,045
Restricted grants-in-aid received from federal government through the state	73,937	--	116,861	--	190,798
Total Revenues	$ 4,578,387	$ 1,405,803	$ 1,172,743	$ 25,708	$ 7,182,641

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

Chester Area School District No. 39-1

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

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Expenditures					
Instructional Services:					
Regular Programs:					
Elementary	$ 1,048,917	$ 9,699	$ --	$ --	$ 1,058,616
Middle/junior high	447,575	7,979	--	--	455,554
High school	1,292,085	132,044	--	--	1,424,129
Special Programs:					
Programs for special education	--	--	649,103	--	649,103
Educationally deprived	76,757	--	--	--	76,757
Support Services:					
Students:					
Guidance	160,077	--	--	--	160,077
Health	18,354	2,467	59,471	--	80,292
Psychological	--	--	17,011	--	17,011
Speech pathology	--	--	127,782	--	127,782
Student therapy services	--	--	346,735	--	346,735
Instructional Staff:					
Improvement of instruction	7,013	--	1,827	--	8,840
Educational media	132,082	22,002	--	--	154,084
General Administration:					
Board of education	153,491	813	--	--	154,304
Executive administration	113,513	--	--	--	113,513
School Administration:					
Office of the principal	307,656	--	--	--	307,656
Other	309	--	--	--	309
Business:					
Fiscal services	258,048	13,664	--	--	271,712
Operation and maintenance of plant	439,574	188,011	--	--	627,585
Student transportation	219,817	600	--	--	220,417
Food services	9,857	144	--	--	10,001
Special Education:					
Administrative costs	--	--	39,971	--	39,971
Transportation costs	--	--	7,026	--	7,026

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

Chester Area School District No. 39-1
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2025 (Continued)

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Nonprogrammed Charges:					
Early retirement payments	28,726	--	--	--	28,726
Debt Services	--	31,803	--	--	31,803
Cocurricular Activities:					
Male activities	47,939	1,404	--	--	49,343
Female activities	59,284	2,361	--	--	61,645
Combined activities	143,648	15,229	--	--	158,877
Capital Outlay	--	129,491	--	--	129,491
Total Expenditures	4,964,722	557,711	1,248,926	--	6,771,359
Excess of Revenue Over (Under) Expenditures	(386,335)	848,092	(76,183)	25,708	411,282
Other Financing Sources (Uses):					
Transfer in	250,000	--	--	--	250,000
Transfer out	(35,000)	(250,000)	--	--	(285,000)
Total Other Financing Sources (Uses)	215,000	(250,000)	--	--	(35,000)
Net Change in Fund Balances	(171,335)	598,092	(76,183)	25,708	376,282
Fund Balance, Beginning of Year	790,228	3,219,003	1,271,023	532,092	5,812,346
Fund Balance, End of Year	$ 618,893	$ 3,817,095	$ 1,194,840	$ 557,800	$ 6,188,628

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

Chester Area School District No. 39-1
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		$ 376,282
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.		129,491
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.		(300,063)
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.		
Intangible Lease	29,302	29,302
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."		3,666
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		(145,784)
Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.		40,880
Change in net position of governmental activities		$ 133,774

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

Chester Area School District No. 39-1

Statement of Net Position – Proprietary Funds

June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	$ 91,670	$ 74,617	$ 166,287
Accounts receivable, net	41	940	981
Prepaid Expenses	2,122	495	2,617
Inventory of Supplies	312	--	312
Inventory - stores for resale	5,257	--	5,257
Inventory of donated food	9,445	--	9,445
Total Current Assets	108,847	76,052	184,899
Noncurrent Assets:			
Improvements other than building	65,591	--	65,591
Machinery and equipment - local funds	182,489	--	182,489
Less accumulated depreciation	(174,234)	--	(174,234)
Total Noncurrent Assets	73,846	--	73,846
Total Assets	$ 182,693	$ 76,052	$ 258,745
Liabilities:			
Current Liabilities:			
Accounts Payable	$ 5,286	$ --	$ 5,286
Contracts payable	14,391	8,106	22,497
Accrued payroll expenses	5,307	20,344	25,651
Unearned revenue	10,940	--	10,940
Total Current Liabilities	35,924	28,450	64,374
Net Position:			
Net investment in capital assets	73,846	--	73,846
Unrestricted net position	72,923	47,602	120,525
Total Net Position	$ 146,769	$ 47,602	$ 194,371

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

Chester Area School District No. 39-1

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

June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Charges for Services			
Student meals	$ 104,095	$ --	$ 104,095
Other charges for goods and services	--	42,235	42,235
Total Operating Revenue	104,095	42,235	146,330
Operating Expenses:			
Salaries	87,503	48,505	136,008
Employee benefits	44,997	11,079	56,076
Purchased services	5,266	--	5,266
Supplies	1,060	73	1,133
Cost of sales - purchased	79,334	--	79,334
Cost of sales - donated	11,980	--	11,980
Other	56	--	56
Depreciation	7,131	--	7,131
Total Operating Expenses	237,327	59,657	296,984
Operating Loss	(133,232)	(17,422)	(150,654)
Nonoperating Revenues:			
State grants	411	--	411
Federal grants	70,583	--	70,583
Donated food	11,980	--	11,980
Interest Income	9,905	--	9,905
Total Nonoperating Revenue	92,879	--	92,879
(Loss) Before Transfers	(40,353)	(17,422)	(57,775)
Transfer	--	35,000	35,000
Change in Net Position	(40,353)	17,578	(22,775)
Net Position - Beginning of Year	187,122	30,024	217,146
Net Position - End of Year	$ 146,769	$ 47,602	$ 194,371

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

Chester Area School District No. 39-1
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	$ 92,948	$ 42,235	$ 135,183
Cash payments to suppliers	(82,682)	(73)	(82,755)
Cash payments to employees	(126,651)	(51,707)	(178,358)
Net Cash (Used) by Operating Activities	(116,385)	(9,545)	(125,930)
Cash Flows from Noncapital Financing Activities:			
Transfers In	--	35,000	35,000
Cash reimbursements - state	411	--	411
Cash reimbursements - federal	70,583	--	70,583
Net Cash Provided by Noncapital Financing Activities	70,994	35,000	105,994
Cash Flows from Investing Activities:			
Investment Earnings	9,905	--	9,905
Net Cash Provided by Investing Activities	9,905	--	9,905
Net Change in Cash and Cash Equivalents	(35,486)	25,455	(10,031)
Cash and Cash Equivalents, Beginning of Year	127,156	49,162	176,318
Cash and Cash Equivalents, End of Year	$ 91,670	$ 74,617	$ 166,287
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	$ (133,232)	$ (17,422)	$ (150,654)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	7,131	--	7,131
Value of commodities used	11,980	--	11,980
Change in Assets and Liabilities:			
Inventory	(2,252)	--	(2,252)
Deferred revenue	(11,147)	--	(11,147)
Contracts payable	4,570	(1,161)	3,409
Accrued payroll expenses	1,279	9,038	10,317
Accounts payable	5,286	--	5,286
Net cash (used) by operating activities:	$ (116,385)	$ (9,545)	$ (125,930)
Noncash Investing, Capital and Financing Activities			
Value of commodities received	$ 11,980	$ --	$ 11,980

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

Chester Area School District No. 39-1
Statement of Net Position – Fiduciary Funds
June 30, 2025

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	$ 11,350	$ 58,065
Total Assets	$ 11,350	$ 58,065
Net Position:		
Restricted for:		
Scholarships	$ 11,350	$ --
Flex Accounts	--	11,291
Individuals, organizations, and other governments	--	46,774
Total Net Position	11,350	58,065
Total Liabilities and Net Position	$ 11,350	$ 58,065

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

Chester Area School District No. 39-1

Statement of Changes in Net Position – Fiduciary Funds

June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	$ 7,750	$ --
Flex revenues	--	47,786
Collections for student activities	--	165,665
Total Additions	7,750	213,451
Deductions:		
Trust deductions for scholarships awarded	7,250	--
Flex withdrawals	--	47,689
Payments for student activities	--	190,496
Total Deductions	7,250	238,185
Change in Net Position	500	(24,734)
Net Position - Beginning	10,850	82,799
Net Position - Ending	$ 11,350	$ 58,065

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

1. Summary of Significant Accounting Policies:

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

a. Financial Reporting Entity:

The reporting entity of Chester Area School District No. 39-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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. 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.

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

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

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

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

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

1. Summary of Significant Accounting Policies: (Continued)

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

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.

Other Enterprise Funds – A fund used to record financial transactions related to preschool programming and driver's education. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

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

1. Summary of Significant Accounting Policies: (Continued)

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 School District maintains custodial funds to hold assets as an agent in a trustee capacity for various classes, clubs, and so on.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Chester Area School District No. 39-1, the length of that cycle is 60 days. Revenues accrued at June 30, 2025 are amounts due from grants and miscellaneous reimbursements.

1. Summary of Significant Accounting Policies: (Continued)

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

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

All proprietary 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. <u>Interfund Eliminations and Reclassifications</u>:

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. <u>Deposits and Investments</u>:

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.

f. <u>Capital Assets</u>:

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.

1. Summary of Significant Accounting Policies: (Continued)

Government-Wide Financial Statements:

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

The total June 30, 2025 balance of capital assets for governmental activities includes approximately 3% for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals. The total June 30, 2025 balance of capital assets for business-type activities are valued at original costs.

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

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, 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	NA	NA
Buildings	$ 5,000	Straight-line	50-75 years
Improvements	$ 5,000	Straight-line	5-50 years
Equipment - governmental activities	$ 5,000	Straight-line	5-30 years
Equipment - proprietary funds	$ 5,000	Straight-line	5-20 years
Intangible assets (Leases & SBITAs)	$ 50,000	Straight-line	5-30 years

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

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.

1. Summary of Significant Accounting Policies: (Continued)

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 leases and OPEB.

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. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

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

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

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

1. Summary of Significant Accounting Policies: (Continued)

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."

Fund Financial Statements:

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

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.

1. Summary of Significant Accounting Policies: (Continued)

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 nonspendable fund balance is comprised of amounts reported in non-spendable form such as prepaid items.

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

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

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

1. Summary of Significant Accounting Policies: (Continued)

o. 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.

p. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes 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 $50,000 or more.

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

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

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

- 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.

1. Summary of Significant Accounting Policies: (Continued)

q. 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 $50,000 or more.

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

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

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

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

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

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

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:

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

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

Investments – In general, SDCL 4-5-6 permits school 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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

At June 30, 2025, the School District's investment in the SDFIT pool was unrated. The cost value was $1,113,981 and the fair value was $1,113,981. This investment has been reported at cost.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, School Districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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

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

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. 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. No allowance for estimated uncollectible accounts has been established, as the School District believes all receivables are ultimately collectable.

4. Inventory:

Inventory held for consumption is stated at cost.

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

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

In the government 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 purchased. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. Property Tax:

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

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the “availability period.”

6. Changes in Capital Assets:

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

	6/30/2024 Balance	Increases	Decreases	6/30/2025 Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	$ 306,162	$ --	$ --	$ 306,162
Construction in progress	--	18,575	--	18,575
Total capital assets not being depreciated/amortized	306,162	18,575	--	324,737
Capital assets being depreciated/amortized:				
Buildings	3,600,810	--	--	3,600,810
Improvements	2,680,239	110,916	--	2,791,155
Machinery & equipment	1,295,817	--	--	1,295,817
Right to use asset	145,817	--	--	145,817
Library books	195,352	--	248	195,104
Total capital assets being depreciated/amortized	7,918,035	110,916	248	8,028,703
Less accumulated depreciation/amortization for:				
Buildings	1,524,751	59,985	--	1,584,736
Improvements	1,337,503	151,591	--	1,489,094
Machinery & equipment	995,100	58,298	--	1,053,398
Right to use amortization	58,326	29,163	--	87,489
Library books	194,078	1,026	248	194,856
Total accumulated depreciation/amortization	4,109,758	300,063	248	4,409,573
Total capital assets being depreciated/amortized, net	3,808,277	(189,147)	--	3,619,130
Net Capital Assets	$ 4,114,439	$ (170,572)	$ --	$ 3,943,867

Depreciation/amortization expense was charged to functions as follows:

Instruction	$ 52,395
Support services	181,015
Amortization	29,163
Co-curricular activities	37,490
Total Depreciation/Amortization Expense	$ 300,063

6. Changes in Capital Assets: (Continued)

	6/30/2024 Balance	Increases	Decreases	6/30/2025 Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Improvements	$ 65,591	$ --	$ --	$ 65,591
Machinery & Equipment	182,489	--	--	182,489
Total capital assets being depreciated	248,080	--	--	248,080
Less accumulated depreciation for:				
Improvements	24,597	1,640	--	26,237
Machinery & Equipment	142,506	5,491	--	147,997
Total accumulation depreciation	167,103	7,131	--	174,234
Total capital assets being depreciated, net	$ 80,977	$ (7,131)	$ --	$ 73,846

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	$ 7,131

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

Project name	Project Authorization	Expended through 6/30/2025	Committed
Lighting Improvements Phase 2	$ 90,611	$ 18,575	$ 72,036

7. Long-Term Liabilities:

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

Primary Government	6/30/2024	Increase	Decrease	6/30/2025	Due Within One Year
Governmental Activities:					
Other Liabilities:					
OPEB	$ 231,100	$ 21,878	$ 30,687	$ 222,291	$ --
Copier Lease	89,820	--	29,302	60,518	29,935
Total Long-Term Liabilities	$ 320,920	$ 21,878	$ 59,989	$ 282,809	$ 29,935

Other post-employment benefits for governmental activities typically have been liquidated from the General Fund.

7. Long-Term Liabilities: (Continued)

Other liabilities payable at June 30, 2025 is comprised of the following:

OPEB –		
Obligations to individuals who are retired or will retire from the School District and will receive post-employment benefits. Payments are made from the General Fund.	$	222,291
Copier Lease		
New copier lease due in annual installments of $30,938 including interest; final maturity in June 2027; Payments are made from the Capital Outlay Fund.	$	60,518

The annual debt service requirements to maturity for all debt outstanding, except for other postemployment benefits, as of June 30, 2025, are as follows:

Year Ending	Copier Lease	
June 30,	Principal	Interest
2026	$ 29,935	$ 1,003
2027	30,583	356
Totals	$ 60,518	$ 1,359

8. Restricted Net Position:

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

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	$ 3,824,139
Special Education	Law	1,199,070
Debt Service	Debt Covenant	557,810
SDRS Pension Purposes	Law	363,411
Total		$ 5,944,430

9. Interfund Transfers:

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

Transfer from Capital Outlay to General Fund to cover expenses as per SDCL.	$	250,000
Transfer from General Fund to Other Enterprise Fund to cover expenses.	$	35,000

10. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit pension plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. 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.

Benefits Provided:

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

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

10. Pension Plan: (Continued)

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.

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

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

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

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

<u>Contributions</u>:

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. 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:

Year	Amount
2025	$ 236,747
2024	230,766
2023	208,037

10. Pension Plan: (Continued)

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

At June 30, 2024, SDRS is 100.0% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of 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	$ 20,448,461
Less proportionate share of net pension restricted for pension benefits	20,454,009
Proportionate share of net pension (asset)	$ (5,548)

At June 30, 2025, the School District reported an (asset) of ($5,548) 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 0.1370700%, which is an increase of 0.0026460% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized a pension expense of $145,785. 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	$ 513,800	$ --
Changes in assumption	91,479	697,308
Net difference between projected and actual earnings on pension plan investments	209,000	--
Changes in proportion and difference between district contributions and proportionate share of contributions	8,146	4,001
District contributions subsequent to the measurement date	236,747	--
Total	$ 1,059,172	$ 701,309

10. Pension Plan: (Continued)

$236,747 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	$ (190,863)
2027	269,030
2028	26,597
2029	16,352
Total	$ 121,116

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

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, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2023.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

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).

10. Pension Plan: (Continued)

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 liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability (asset)	$ 2,819,478	$ (5,548)	$ (2,317,300)

Pension Plan Fiduciary Net Position:

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

11. Postemployment Medical Plan:

Plan Description: Chester Area School District has a pooled defined benefit medical plan administered by Wellmark. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any School District to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the District. The health plan does not issue separately stated stand-alone financial statements.

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

Employees covered by benefit terms: At June 30, 2025, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	5
Active employees	68
	73

11. Postemployment Medical Plan: (Continued)

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2024 Actuarial Valuation Report. See Note 10 – Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	$ 231,100
Service Cost	13,444
Interest	8,434
Effect on assumptions, changes or inputs	(3,493)
Benefit payments	(27,194)
End of Year Balances	$ 222,291

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

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate of 3.54%.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 234,984	$ 222,291	$ 210,228

At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 123,355	$ (5,062)
Changes of assumptions	3,542	(188,237)

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

Year Ended June 30,	
2026	$ (35,564)
2027	(35,364)
2028	2,734
2029	2,256
2030	(839)
Thereafter	375
Total	$ (66,402)

12. Joint Ventures:

The School District participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing administrative services to the member School Districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Baltic School District No. 49-1	8%
Chester Area School District No. 39-1	6%
Colman-Egan School District No. 50-5	4%
Dell Rapids School District No. 49-3	17%
Flandreau School District No. 50-3	21%
Garretson School District No. 49-4	7%
Howard School District No. 48-3	6%
Madison Central School District No. 39-2	16%
Tri-Valley School District No. 49-6	15%

The co-op's governing board is composed of one representative from each member School District, who is also a school board member. 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.

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

	June 30, 2025
Total Assets	$ 127,641
Total Liabilities	$ 65,767
Total Net Position	$ 61,874

13. Risk Management:

The School District is exposed to various risks of loss related to tort; 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:

13. Risk Management: (Continued)

<u>Employee Health Insurance</u>

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 $750 to $2,500, and a $3,000 HSA plan.

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.

<u>Liability Insurance</u>

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.

During the year ended June 30, 2025, no claims for these matters were paid. At June 30, 2025, no claims had been filed for these matters and none are anticipated.

<u>Worker's Compensation</u>

The School District purchase liability insurance for worker’s compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

<u>Unemployment Benefits</u>

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

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

14. Violations of Finance-Related Legal and Contractual Provisions:

The School District is prohibited by statutes from spending in excess of appropriated amounts. The General Fund for the 2025 fiscal year was budgeted to spend $4,884,947, but the School District spent $79,775 more than the budgeted amount. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

Required Supplementary Information

Chester Area School District No. 39-1

Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$ 1,561,962	$ 1,561,962	$ 1,579,167	$ 17,205
Prior years' ad valorem taxes	7,000	7,000	41,365	34,365
Utility taxes	255,000	255,000	246,820	(8,180)
Penalties and interest on taxes	4,000	4,000	6,790	2,790
Tuitions and Fees:				
Regular Day School Tuition	50,000	50,000	74,500	24,500
Earnings on Investments and Deposits	35,000	35,000	39,391	4,391
Cocurricular Activities:				
Admissions	25,200	25,200	26,575	1,375
Other student activity income	11,300	11,300	10,888	(412)
Other Revenue from Local Sources:				
Contributions and donations	10,000	10,000	8,611	(1,389)
Charges for services	4,000	4,000	2,639	(1,361)
Other	18,000	18,000	29,255	11,255
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,000	15,000	8,798	(6,202)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	2,259,499	2,259,499	2,371,295	111,796
Restricted grants-in-aid	2,700	2,700	2,599	(101)
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	7,400	7,400	6,712	(688)
Restricted grants-in-aid received directly from federal government	49,000	49,000	49,045	45
Restricted grants-in-aid received from federal government through the state	78,822	78,822	73,937	(4,885)
Total Revenues	$ 4,393,883	$ 4,393,883	$ 4,578,387	$ 184,504

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

Chester Area School District No. 39-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	$ 1,021,525	$ 1,021,525	$ 1,048,917	$ (27,392)
Middle/junior high	448,325	448,325	447,575	750
High school	1,268,050	1,268,050	1,292,085	(24,035)
Special Programs:				
Educationally deprived	64,163	64,163	76,757	(12,594)
Support Services:				
Students:				
Guidance	157,725	157,725	160,077	(2,352)
Health	25,143	25,143	18,354	6,789
Instructional Staff:				
Improvement of instruction	3,800	3,800	7,013	(3,213)
Educational media	139,925	139,925	132,082	7,843
General Administration:				
Board of education	146,150	146,150	153,491	(7,341)
Executive administration	123,530	123,530	113,513	10,017
School Administration:				
Office of the principal	300,688	300,688	307,656	(6,968)
Other	550	550	309	241
Business:				
Fiscal services	251,940	251,940	258,048	(6,108)
Operation and maintenance of plant	403,190	403,190	439,574	(36,384)
Student transportation	225,270	225,270	219,817	5,453
Food service	10,300	10,300	9,857	443
Other	500	500	--	500
Nonprogrammed Charges:				
Early retirement payments	28,726	28,726	28,726	--
Cocurricular Activities:				
Male activities	51,942	51,942	47,939	4,003
Female activities	54,455	54,455	59,284	(4,829)
Combined activities	129,050	129,050	143,648	(14,598)
Contingencies	30,000	30,000	--	30,000
Total Expenditures	4,884,947	4,884,947	4,964,722	(79,775)
Excess of Revenues Over Expenditures	(491,064)	(491,064)	(386,335)	104,729
Other Financing Sources:				
Operating transfers in	379,453	379,453	250,000	(129,453)
Operating transfers out	(89,992)	(89,992)	(35,000)	54,992
Other	201,603	201,603	--	(201,603)
Total Other Financing Sources:	491,064	491,064	215,000	(276,064)
Net Change in Fund Balances	--	--	(171,335)	(171,335)
Fund Balance, Beginning of Year	790,228	790,228	790,228	--
Fund Balance, End of Year	$ 790,228	$ 790,228	$ 618,893	$ (171,335)

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

Chester Area School District No. 39-1

Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis

June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$ 1,300,000	$ 1,300,000	$ 1,245,607	$ (54,393)
Prior years' ad valorem taxes	5,000	5,000	24,448	19,448
Penalties and interest on taxes	2,000	2,000	1,043	(957)
Earnings on Investments & Deposits	70,000	70,000	120,153	50,153
Other Revenue from Local Sources:				
Other	10,000	10,000	14,552	4,552
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate source	500	500	--	(500)
Total Revenues	1,387,500	1,387,500	1,405,803	18,303
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	75,200	75,200	21,994	53,206
Middle/junior high	14,000	14,000	7,979	6,021
High school	202,500	202,500	132,044	70,456
Support Services:				
Students:				
Health	--	--	2,467	(2,467)
Instructional Staff:				
Educational media	21,500	21,500	22,002	(502)
General Administration:				
Board of education	--	--	813	(813)
Business:				
Fiscal services	17,000	17,000	13,664	3,336
Facilities acquisition and construction	374,877	374,877	--	374,877
Operation and maintenance of plant	195,000	195,000	305,207	(110,207)
Student transportation	65,000	65,000	600	64,400
Food services	70,000	70,000	144	69,856
Debt Services	35,000	35,000	31,803	3,197
Cocurricular Activities:				
Male activities	8,000	8,000	1,404	6,596
Female activities	8,000	8,000	2,361	5,639
Combined activities	10,000	10,000	15,229	(5,229)
Total Expenditures	1,096,077	1,096,077	557,711	538,366
Excess of Revenue Over (Under) Expenditures	291,423	291,423	848,092	556,669
Other Financing Sources (Uses):				
Transfers out	--	--	(250,000)	(250,000)
Total Other Financing Sources (Uses)	--	--	(250,000)	(250,000)
Net Change in Fund Balances	291,423	291,423	598,092	306,669
Fund Balance, Beginning of Year	3,219,003	3,219,003	3,219,003	--
Fund Balance, End of Year	$ 3,510,426	$ 3,510,426	$ 3,817,095	$ 306,669

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

Chester Area School District No. 39-1

Budgetary Comparison Schedule – Special Education Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$ 782,594	$ 782,594	$ 784,741	$ 2,147
Prior years' ad valorem taxes	3,000	3,000	19,361	16,361
Penalties and interest on taxes	1,500	1,500	33	(1,467)
Earnings on Investments & Deposits	--	--	51,508	51,508
Other Revenue from Local Sources:				
Services Provided Other School Districts	256,000	256,000	175,034	(80,966)
Charges for services	13,000	13,000	25,205	12,205
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	200	200	--	(200)
Restricted grants-in-aid received from federal government through the state	116,861	116,861	116,861	--
Total Revenues	1,173,155	1,173,155	1,172,743	(412)
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	823,175	823,175	649,103	174,072
Support Services:				
Students:				
Health	57,428	57,428	59,471	(2,043)
Psychological	18,500	18,500	17,011	1,489
Speech pathology	110,738	110,738	127,782	(17,044)
Student therapy services	337,182	337,182	346,735	(9,553)
Instructional Staff:				
Improvement of Instruction	1,750	1,750	1,827	(77)
Special Education:				
Administrative costs	23,650	23,650	39,971	(16,321)
Transportation costs	--	--	7,026	(7,026)
Total Expenditures	1,372,423	1,372,423	1,248,926	123,497
Net Change in Fund Balance	(199,268)	(199,268)	(76,183)	123,085
Fund Balance, Beginning of Year	1,271,023	1,271,023	1,271,023	--
Fund Balance, End of Year	$ 1,071,755	$ 1,071,755	$ 1,194,840	$ 123,085

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

1. Budgets and Budgetary Accounting:

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

a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.

b. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.

c. The proposed budget is published for public review no later than July 15 each year.

d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.

e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.

f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in 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.

h. If it is determined, during the year, that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when moneys are available to increase legal spending authority.

i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

j. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services- Business/Student Transportation function of government, along with all other current Pupil Transportation related expenditures.

Chester Area School District No. 39-1
Schedule of Changes in Total OPEB Liability
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Beginning of year balances	$ 231,100	$ 204,861	$ 215,479	$ 164,237	$ 136,097	$ 380,778	$ 346,444	$ 332,507
Service cost	13,444	15,512	18,012	17,088	14,743	33,782	34,118	37,472
Interest	8,434	7,622	4,898	3,975	5,257	15,896	13,586	10,455
Effect on assumptions, changes, or inputs	(3,493)	13,292	(19,991)	33,214	9,432	(286,693)	(11,245)	(27,680)
Benefit payments	(27,194)	(10,187)	(13,537)	(3,035)	(1,292)	(7,666)	(2,125)	(6,310)
End of year balances	$ 222,291	$ 231,100	$ 204,861	$ 215,479	$ 164,237	$ 136,097	$ 380,778	$ 346,444

Chester Area School District No. 39-1

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

Fiscal Year	District's Proportion of the Net Pension Liability/Asset	District's Proportionate Share of the Net Pension Liability/(Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2025	0.137070%	$ (5,549)	$ 3,845,487	0.14%	100.00%
2024	0.134424%	$ (13,120)	$ 3,467,268	0.38%	100.10%
2023	0.137345%	$ (12,980)	$ 3,279,589	0.40%	100.10%
2022	0.144429%	$ (1,106,079)	$ 3,277,593	33.75%	105.52%
2021	0.141573%	$ (6,149)	$ 3,107,113	0.20%	100.04%
2020	0.143262%	$ (15,182)	$ 3,024,615	0.50%	100.09%
2019	0.140811%	$ (3,284)	$ 2,927,450	0.11%	100.02%
2018	0.145317%	$ (13,188)	$ 2,952,548	0.45%	100.10%
2017	0.146639%	$ 495,332	$ 2,788,327	17.76%	96.89%
2016	0.149270%	$ (633,098)	$ 2,738,271	23.12%	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.

Chester Area School District No. 39-1
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	$ 236,747	$ 236,747	$ --	$ 3,945,780	6.00%
2024	$ 230,766	$ 230,766	$ --	$ 3,845,487	6.00%
2023	$ 208,037	$ 208,037	$ --	$ 3,467,268	6.00%
2022	$ 196,775	$ 196,775	$ --	$ 3,279,589	6.00%
2021	$ 196,656	$ 196,656	$ --	$ 3,277,593	6.00%
2020	$ 186,427	$ 186,427	$ --	$ 3,107,113	6.00%
2019	$ 181,477	$ 181,477	$ --	$ 3,024,615	6.00%
2018	$ 175,648	$ 175,648	$ --	$ 2,927,450	6.00%
2017	$ 177,153	$ 177,153	$ --	$ 2,952,548	6.00%
2016	$ 167,300	$ 167,300	$ --	$ 2,788,327	6.00%

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.