

Estelline School District No. 28-2

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

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

Estelline School District No. 28-2

School District Officials

June 30, 2025

Board Members

Chris Verhoek ----- Board President
Lynda Pierce ----- Vice President
Darrion Poppen ----- Member
Amber Brandsrud ----- Member
Tricia Schwartz ----- Member

Dr. Paul Von Fischer ----- Superintendent

Amy Miller ----- Business Manager

Estelline School District No. 28-2

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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
Estelline School District No. 28-2
Estelline, 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 Estelline School District No. 28-2, Hamlin County, South Dakota, as of June 30, 2025 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated February 26, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 may exist that were not identified.

Report on Compliance and Other Matters

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

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

A handwritten signature in blue ink that reads "CLO Prof LHC".

Elk Point, South Dakota
February 26, 2026

Estelline School District No. 28-2
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2025

Schedule of Prior Audit Findings:

The prior audit report contained no written audit comments.

Schedule of Current Audit Findings:

No current year audit findings reported.



Independent Auditor's Report

School Board
Estelline School District No. 28-2
Hamlin 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 Estelline School District No. 28-2, Hamlin County, South Dakota, as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise Estelline School District 's basic financial statements as listed in the table of contents.

In our opinion, the 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 Estelline School District No. 28-2, South Dakota as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2026, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CIO Prof LHC".

Elk Point, South Dakota
February 26, 2026

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

This section of Estelline School District 28-2'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, Estelline School District's Net Position in Government Activities increased by \$114,167 or 2.01%.

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 and Other Enterprise Fund which accounts for Pre-School Services 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.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

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

Figure A-1

Major Features of Estelline 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, preschool, and the drivers’ education program	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	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

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

Government-Wide Statements

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

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

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

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

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

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

The School has three kinds of funds:

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

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Estelline School District 28-2
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	\$ 3,921,212	\$ 4,163,735	\$ 30,018	\$ 24,739	\$ 3,951,230	\$ 4,188,474	6.00%
Capital Assets (Net of Depreciation)	3,107,512	3,251,486	76,433	66,368	3,183,945	3,317,854	4.21%
Total Assets	<u>7,028,724</u>	<u>7,415,221</u>	<u>106,451</u>	<u>91,107</u>	<u>7,135,175</u>	<u>7,506,328</u>	<u>5.20%</u>
Pension Related Deferred Outflows	614,881	577,433	--	--	614,881	577,433	-6.09%
Total Deferred Outflows or Resources	<u>614,881</u>	<u>577,433</u>	<u>--</u>	<u>--</u>	<u>614,881</u>	<u>577,433</u>	<u>-6.09%</u>
Long-Term Liabilities Outstanding	33,788	27,921	--	--	33,788	27,921	-17.36%
Other Liabilities	338,898	400,383	29,279	26,319	368,177	426,702	15.90%
Total Liabilities	<u>372,686</u>	<u>428,304</u>	<u>29,279</u>	<u>26,319</u>	<u>401,965</u>	<u>454,623</u>	<u>13.10%</u>
Taxes Levied for Future Period	1,223,738	1,368,576	--	--	1,223,738	1,368,576	11.84%
Pension Related Deferred Inflows	354,722	389,148	--	--	354,722	389,148	9.71%
Total Deferred Inflows of Resources	<u>1,578,460</u>	<u>1,757,724</u>	<u>--</u>	<u>--</u>	<u>1,578,460</u>	<u>1,757,724</u>	<u>11.36%</u>
Net Investment in Capital Assets	3,073,724	3,223,565	76,433	66,368	3,150,157	3,289,933	4.44%
Restricted	1,482,630	1,621,696	--	--	1,482,630	1,621,696	9.38%
Unrestricted	1,136,105	961,365	739	(1,580)	1,136,844	959,785	-15.57%
Total Net Position	<u>5,692,459</u>	<u>5,806,626</u>	<u>77,172</u>	<u>64,788</u>	<u>5,769,631</u>	<u>5,871,414</u>	<u>1.76%</u>
Beginning Net Position	<u>5,845,129</u>	<u>5,692,459</u>	<u>110,874</u>	<u>77,172</u>	<u>5,956,003</u>	<u>5,769,631</u>	<u>-3.13%</u>
Increase (Decrease) in Net Position	<u>\$ (152,670)</u>	<u>\$ 114,167</u>	<u>\$ (33,702)</u>	<u>\$ (12,384)</u>	<u>\$ (186,372)</u>	<u>\$ 101,783</u>	<u>154.61%</u>
Percentage of Increase (Decrease) in Net Position	<u>-2.61%</u>	<u>2.01%</u>	<u>-30.40%</u>	<u>-16.05%</u>	<u>-3.13%</u>	<u>1.76%</u>	

The School's combined net position of approximately \$5.8 million is approximately \$101,783 or 1.76% more than on June 30, 2024. The increase in the School's financial position was primarily in its governmental activities due in part to additional revenue from state sources and other general revenues.

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 intangible lease liabilities, early retirement payable, and compensated absences payable have been reported in this manner on the Statement of Net Position. The difference between the School's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

Changes in Net Position

The Estelline School District’s total revenues (excluding transfers) in FY25 were \$4,777,961. More than 62% of the School’s revenue comes from property and other taxes, with approximately 23% coming from state aid. (See Table A-2).

Table A-2
Estelline School District 28-2
Sources of Revenues
Fiscal Year 2024-2025

Taxes	\$ 2,967,028	62.09%
State Sources	1,096,307	22.95%
Operating Grants & Contributions	364,401	7.63%
Charges For Services	123,415	2.58%
Other General Revenues	183,429	3.84%
Unrestricted Investment Earnings	43,381	0.91%
Total Revenue	\$ 4,777,961	100.00%

Total expenditures of all programs and services increased by approximately 0.75%. The Estelline School District expenses totaled \$4,676,178 (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 services, food services, and driver’s education. (See Table A-3).

Table A-3
Estelline School District 28-2
Statement of Expenditures
Fiscal Year 2024-2025

Instruction	\$ 2,370,075	50.68%
Support Services	1,888,494	40.39%
Food Service	211,746	4.53%
Cocurricular Activities	200,904	4.30%
Drivers Education	3,803	0.08%
Community Services	979	0.02%
Interest - on Long-Term Debt	177	0.00%
Total Expenditures	\$ 4,676,178	100.00%

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental and Business-Type Activities

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

Table A-4

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	
Revenues							
Program Revenues							
Charge for Services	\$ 44,703	\$ 32,844	\$ 98,702	\$ 90,571	\$ 143,405	\$ 123,415	-13.94%
Operating Grants/ Contributions	213,253	268,807	81,783	95,594	295,036	364,401	23.51%
General Revenues							
Taxes	2,896,596	2,967,028	--	--	2,896,596	2,967,028	2.43%
Revenue State Sources	996,100	1,096,307	--	--	996,100	1,096,307	10.06%
Other							
Other general revenues	77,598	183,429	--	--	77,598	183,429	136.38%
Unrestricted Investment Earnings	46,246	43,381	--	--	46,246	43,381	-6.20%
	<u>4,274,496</u>	<u>4,591,796</u>	<u>180,485</u>	<u>186,165</u>	<u>4,454,981</u>	<u>4,777,961</u>	<u>7.25%</u>
Expenses							
Instruction	2,587,851	2,370,075	--	--	2,587,851	2,370,075	-8.42%
Support Services	1,612,569	1,888,494	--	--	1,612,569	1,888,494	17.11%
Community Services	712	979			712	979	37.50%
Interest on long-term debt	288	177	--	--	288	177	-38.54%
Co-curricular Activities	218,746	200,904	--	--	218,746	200,904	-8.16%
Food Service	--	--	219,455	211,746	219,455	211,746	-3.51%
Other Enterprise	--	--	1,732	3,803	1,732	3,803	119.57%
	<u>4,420,166</u>	<u>4,460,629</u>	<u>221,187</u>	<u>215,549</u>	<u>4,641,353</u>	<u>4,676,178</u>	<u>0.75%</u>
Excess (Deficiency)							
Before Transfers	(145,670)	131,167	(40,702)	(29,384)	(186,372)	101,783	-154.61%
Transfers	(7,000)	(17,000)	7,000	17,000	--	--	0.00%
Increase (Decrease) in Net Position	(152,670)	114,167	(33,702)	(12,384)	(186,372)	101,783	-154.61%
Beginning Net Position	<u>5,845,129</u>	<u>5,692,459</u>	<u>110,874</u>	<u>77,172</u>	<u>5,956,003</u>	<u>5,769,631</u>	<u>-3.13%</u>
Ending Net Position	<u>\$ 5,692,459</u>	<u>\$ 5,806,626</u>	<u>\$ 77,172</u>	<u>\$ 64,788</u>	<u>\$ 5,769,631</u>	<u>\$ 5,871,414</u>	<u>1.76%</u>

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental Activities

Revenues for the School's governmental activities increased approximately 7.4% while expenses for governmental activities increased by approximately .9%. The major revenue increases occurred in taxes, revenue from state sources, and other general revenues.

Business-Type Activities

Expenditures of the School's business-type activities (Food Service operations and Other Enterprise) decreased by 2.5% while revenues increased by 3.15%.

Financial Analysis of the School's Funds

The General Fund decreased \$164,434 due to excess expenditures over revenues. The Capital Outlay Fund increased by \$169,742 due to increased ad valorem taxes and restricted grants-in-aid. The Special Education Fund increased by \$47,404 due to increased taxes.

General Fund Budgetary Highlights

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

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

There were budget changes for the year due to needing additional funding for general operating expenses in the General Fund.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

Capital Asset Administration

By the end of FY25, the School had invested \$3,317,854 (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) This amount represents a net increase (including additions and deductions) of \$133,909.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2024	2025	2024	2025		
Land	\$ 62,998	\$ 62,998	\$ --	\$ --	\$ --	0.00%
Buildings & Improvements	2,664,265	2,509,028	--	--	(155,237)	-5.83%
Machinery & Equipment	393,937	675,818	76,433	66,368	271,816	57.79%
Intangible Lease Assets	7,283	3,642	--	--	(3,641)	-49.99%
Library Books	(20,971)	--	--	--	20,971	-100.00%
Total Capital Assets	\$ 3,107,512	\$ 3,251,486	\$ 76,433	\$ 66,368	\$ 133,909	4.21%

Major capital outlay purchases in FY25 included a video display board, a generator, a bus, and playground equipment.

Long-Term Debt

At year-end, the School had \$27,921 in general long-term obligations. This balance includes Intangible lease liabilities, early retirement payable, and accrued compensated absences. See individual balances as shown on Table A-6 below:

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total % Change
	2024	2025		
Intangible Lease Liabilities	\$ 7,611	\$ 3,862	\$ (3,749)	-49.26%
Early Retirement Payable	2,907	--	(2,907)	-100.00%
Accrued Compensated Absences - Governmental Funds	23,270	24,059	789	3.39%
Total Outstanding Debt	\$ 33,788	\$ 27,921	\$ (5,867)	-17.36%

The School is liable for the repayment of lease liabilities, early retirement payable, and accrued sick leave payable to the various employees who have ten consecutive years or more of employment at the School District.

Estelline School District No. 28-2
Management Discussion and Analysis (MD&A)
June 30, 2025

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 Estelline School's Business Office, PO Box 306, Estelline, SD 57234.

Estelline School District No. 28-2
Statement of Net Position – Government-Wide
June 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 2,520,636	\$ 19,041	\$ 2,539,677
Investments-certificates of deposit	54,110	--	54,110
Accounts receivable	209,943	--	209,943
Taxes receivable	1,375,997	--	1,375,997
Inventories	--	5,698	5,698
Net pension asset	3,049	--	3,049
Capital assets:			
Land and construction in progress	62,998	--	62,998
Other capital assets, net of depreciation	3,188,488	66,368	3,254,856
Total Assets	7,415,221	91,107	7,506,328
Deferred Outflows of Resources:			
Pension-related deferred outflows	577,433	--	577,433
Total Deferred Outflows of Resources	577,433	--	577,433
Liabilities:			
Unearned revenue	--	19,557	19,557
Other current liabilities	400,383	6,762	407,145
Long-term liabilities:			
Due within one year	27,921	--	27,921
Total Liabilities	428,304	26,319	454,623
Deferred Inflows of Resources:			
Taxes levied for future periods	1,368,576	--	1,368,576
Pension related deferred inflows	389,148	--	389,148
Total Deferred Inflows of Resources	1,757,724	--	1,757,724
Net Position:			
Net investment in capital assets	3,223,565	66,368	3,289,933
Restricted for:			
Capital outlay	1,233,993	--	1,233,993
Special education	196,369	--	196,369
SDRS pension purposes	191,334	--	191,334
Unrestricted	961,365	(1,580)	959,785
Total Net Position	\$ 5,806,626	\$ 64,788	\$ 5,871,414

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

Estelline School District No. 28-2
Statement of Activities – Government-Wide
June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction	\$ 2,370,075	\$ --	\$ 124,688	\$ (2,245,387)	\$ --	\$ (2,245,387)
Support services	1,888,494	6,462	144,119	(1,737,913)	--	(1,737,913)
Community services	979	--	--	(979)	--	(979)
Interest on long-term debt*	177	--	--	(177)	--	(177)
Cocurricular activities	200,904	26,382	--	(174,522)	--	(174,522)
Total Governmental Activities	4,460,629	32,844	268,807	(4,158,978)	--	(4,158,978)
Business-Type Activities:						
Food service	211,746	86,246	95,594	--	(29,906)	(29,906)
Other enterprise	3,803	4,325	--	--	522	522
Total Business Type Activities	215,549	90,571	95,594	--	(29,384)	(29,384)
Total Primary Government	\$ 4,676,178	\$ 123,415	\$ 364,401	(4,158,978)	(29,384)	(4,188,362)
		General Revenues:				
		Taxes:				
			Property taxes	2,842,097	--	2,842,097
			Gross receipts taxes	124,931	--	124,931
		Revenue from state sources:				
			State aid	1,020,692	--	1,020,692
			Other	75,615	--	75,615
			Unrestricted investment earnings	43,381	--	43,381
			Other general revenues	183,429	--	183,429
			Transfers	(17,000)	17,000	--
			Total General Revenues and Transfers	4,273,145	17,000	4,290,145
			Change in Net Position	114,167	(12,384)	101,783
			Net Position - Beginning of Year	5,692,459	77,172	5,769,631
			Net Position - End of Year	\$ 5,806,626	\$ 64,788	\$ 5,871,414

*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.

Estelline School District No. 28-2
Balance Sheet – Governmental Funds
June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,063,438	\$ 1,205,389	\$ 251,809	\$ 2,520,636
Investments-certificates of deposit	49,110	5,000	--	54,110
Taxes receivable - current	824,242	202,056	342,278	1,368,576
Taxes receivable - delinquent	4,705	1,014	1,702	7,421
Accounts receivable	1,749	--	--	1,749
Due from other governments	150,117	57,800	277	208,194
Total Assets	<u>\$ 2,093,361</u>	<u>\$ 1,471,259</u>	<u>\$ 596,066</u>	<u>\$ 4,160,686</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,815	\$ 35,210	\$ 19,722	\$ 63,747
Contracts payable	238,469	--	27,053	265,522
Payroll deductions and withholding and employer matching payable	60,470	--	10,644	71,114
Total Liabilities	<u>307,754</u>	<u>35,210</u>	<u>57,419</u>	<u>400,383</u>
Deferred Inflows of Resources:				
Taxes levied for future period	824,242	202,056	342,278	1,368,576
Delinquent taxes not available	4,705	1,014	1,702	7,421
Total Deferred Inflows of Resources	<u>828,947</u>	<u>203,070</u>	<u>343,980</u>	<u>1,375,997</u>
Fund Balances:				
Restricted:				
For capital outlay	--	1,232,979	--	1,232,979
For special education	--	--	194,667	194,667
Assigned	48,524	--	--	48,524
Unassigned	908,136	--	--	908,136
Total Fund Balances	<u>956,660</u>	<u>1,232,979</u>	<u>194,667</u>	<u>2,384,306</u>
Total Liabilities and Fund Balances	<u>\$ 2,093,361</u>	<u>\$ 1,471,259</u>	<u>\$ 596,066</u>	<u>\$ 4,160,686</u>

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

Estelline School District No. 28-2
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2025

Total Fund Balances - Governmental Funds \$ 2,384,306

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 3,251,486

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

Intangible Lease Liabilities	(3,862)	
Accrued Leave	<u>(24,059)</u>	(27,921)

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

Delinquent Property Taxes Receivable 7,421

Proportionate Share of Net Pension Asset 3,049

Pension related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (389,148)

Pension related deferred outflows are components of non current assets and therefore are not reported in the funds. 577,433

Net Position - Governmental Activities \$ 5,806,626

Estelline School District No. 28-2

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

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,685,598	\$ 419,471	\$ 706,028	\$ 2,811,097
Prior years' ad valorem taxes	24,654	3,326	5,599	33,579
Utility taxes	124,931	--	--	124,931
Penalties and interest on taxes	6,556	1,261	2,113	9,930
Earnings on Investments and Deposits	43,381	--	--	43,381
Cocurricular Activities:				
Admissions	24,330	--	--	24,330
Rentals	630	--	--	630
Other student activity	1,422	--	--	1,422
Other Revenue from Local Sources:				
Rentals	--	53,000	--	53,000
Contributions and donations	2,780	56,168	--	58,948
Services provided other school districts	2,187	--	4,275	6,462
Refund of prior years' expenditures	--	10,193	--	10,193
Charges for services	3,737	--	3,381	7,118
Other	19,891	800	1,596	22,287
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	15,722	--	--	15,722
Revenue in lieu of taxes	112	63	105	280
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,020,692	--	--	1,020,692
Restricted grants-in-aid	214	--	73,901	74,115
Other state revenue	1,500	--	--	1,500
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	--	26	--	26
Restricted grants-in-aid received from federal government through an intermediate source	--	144,075	44	144,119
Restricted grants-in-aid received from federal government through the state	124,051	--	611	124,662
Total Revenues	<u>\$ 3,102,388</u>	<u>\$ 688,383</u>	<u>\$ 797,653</u>	<u>\$ 4,588,424</u>

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

Estelline School District No. 28-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2025 (Continued)

<u>Expenditures</u>	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Instructional Services:				
Regular Programs:				
Elementary	\$ 629,746	\$ 7,647	\$ --	\$ 637,393
Middle/junior high	309,359	4,681	--	314,040
High school	615,193	12,060	--	627,253
Preschool	39,428	--	--	39,428
Special Programs:				
Programs for special education	--	--	512,742	512,742
Educationally deprived	75,873	--	--	75,873
Support Services:				
Students:				
Health	73,864	--	18,817	92,681
Psychological	1,383	2,141	28,873	32,397
Speech pathology	--	--	52,284	52,284
Student therapy services	--	--	28,458	28,458
Instructional Staff:				
Improvement of instruction	44,453	--	1,398	45,851
Educational media	80,660	1,866	--	82,526
General Administration:				
Board of education	46,430	--	1,731	48,161
Executive administration	94,433	1,195	--	95,628
School Administration:				
Office of the principal	247,815	--	--	247,815
Other	129	--	--	129
Business:				
Fiscal services	113,531	--	--	113,531
Operation and maintenance of plant	494,859	12,899	--	507,758
Student transportation	191,282	--	--	191,282
Special Education:				
Administrative costs	--	4,035	10,413	14,448
Transportation costs	--	--	93,913	93,913
Other special education costs	--	--	1,620	1,620

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

Estelline School District No. 28-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2025 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Total Governmental Funds</u>
Central:				
Staff	979	--	--	979
Nonprogrammed Charges:				
Early retirement payments	2,907	--	--	2,907
Debt Services:	--	3,926	--	3,926
Cocurricular Activities:				
Male activities	32,172	7,453	--	39,625
Female activities	41,084	--	--	41,084
Transportation	10,109	--	--	10,109
Combined activities	71,857	1,930	--	73,787
Capital Outlay	--	506,965	--	506,965
Total Expenditures	<u>3,217,546</u>	<u>566,798</u>	<u>750,249</u>	<u>4,534,593</u>
Excess of Revenue Over (Under) Expenditures	(115,158)	121,585	47,404	53,831
Other Financing Sources (Uses):				
Transfer in	--	46,257	--	46,257
Transfer out	(63,257)	--	--	(63,257)
Sale of surplus property	--	1,900	--	1,900
Compensation for loss of general capital assets	13,981	--	--	13,981
Total Other Financing Sources (Uses)	<u>(49,276)</u>	<u>48,157</u>	<u>--</u>	<u>(1,119)</u>
Net Change in Fund Balances	(164,434)	169,742	47,404	52,712
Fund Balance, Beginning of Year	<u>1,121,094</u>	<u>1,063,237</u>	<u>147,263</u>	<u>2,331,594</u>
Fund Balance, End of Year	<u>\$ 956,660</u>	<u>\$ 1,232,979</u>	<u>\$ 194,667</u>	<u>\$ 2,384,306</u>

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

Estelline School District No. 28-2
 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 \$ 52,712

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. 506,965

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. (362,991)

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 Liability	3,749	3,749
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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." (12,509)

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses. 2,118

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (75,877)

Change in net position of governmental activities	\$ 114,167	
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The accompanying Notes to Financial Statements are an integral part of this financial statement.

Estelline School District No. 28-2
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	\$ 13,553	\$ 5,488	\$ 19,041
Inventory - supplies	1,229	--	1,229
Inventory - stores for resale	1,192	--	1,192
Inventory of donated food	3,277	--	3,277
Total Current Assets	<u>19,251</u>	<u>5,488</u>	<u>24,739</u>
Noncurrent Assets:			
Machinery and equipment - local funds	177,941	--	177,941
Less accumulated depreciation	(111,573)	--	(111,573)
Total Noncurrent Assets	<u>66,368</u>	<u>--</u>	<u>66,368</u>
Total Assets	<u>\$ 85,619</u>	<u>\$ 5,488</u>	<u>\$ 91,107</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ --	\$ 143	\$ 143
Contracts payable	158	2,813	2,971
Accrued payroll expenses	3,433	215	3,648
Unearned revenue	19,557	--	19,557
Total Current Liabilities	<u>23,148</u>	<u>3,171</u>	<u>26,319</u>
Net Position:			
Net investment in capital assets	66,368	--	66,368
Unrestricted net position	(3,897)	2,317	(1,580)
Total Net Position	<u>\$ 62,471</u>	<u>\$ 2,317</u>	<u>\$ 64,788</u>

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

Estelline School District No. 28-2
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
Operating Revenue:			
Tuition and Fees:			
Regular day school tuition	\$ --	\$ 4,325	\$ 4,325
Food Sales:			
Student	79,609	--	79,609
Adult	4,539	--	4,539
Other charges for goods and services	2,098	--	2,098
Total Operating Revenue	<u>86,246</u>	<u>4,325</u>	<u>90,571</u>
Operating Expenses:			
Food Service:			
Salaries	56,009	3,375	59,384
Employee benefits	28,229	258	28,487
Purchased services	5,091	--	5,091
Supplies	5,362	170	5,532
Cost of sales - purchased	88,025	--	88,025
Cost of sales - donated	18,965	--	18,965
Depreciation	10,065	--	10,065
Total Operating Expenses	<u>211,746</u>	<u>3,803</u>	<u>215,549</u>
Operating Income(Loss)	(125,500)	522	(124,978)
Nonoperating Revenues:			
State grants	404	--	404
Federal grants	74,966	--	74,966
Donated food	20,224	--	20,224
Total Nonoperating Revenue	<u>95,594</u>	<u>--</u>	<u>95,594</u>
Income (Loss) Before Contributions and Transfers	<u>(29,906)</u>	<u>522</u>	<u>(29,384)</u>
Transfer in	<u>17,000</u>	<u>--</u>	<u>17,000</u>
Change in Net Position	(12,906)	522	(12,384)
Net Position - Beginning of Year	75,377	1,795	77,172
Net Position - End of Year	<u>\$ 62,471</u>	<u>\$ 2,317</u>	<u>\$ 64,788</u>

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

Estelline School District No. 28-2
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 78,930	\$ 4,325	\$ 83,255
Cash payments to suppliers	(96,069)	(27)	(96,096)
Cash payments to employees	(83,053)	(605)	(83,658)
Net Cash Provided (Used) by Operating Activities	<u>(100,192)</u>	<u>3,693</u>	<u>(96,499)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	17,000	--	17,000
Cash reimbursements - state	404	--	404
Cash reimbursements - federal	74,966	--	74,966
Net Cash Provided by Noncapital Financing Activities	<u>92,370</u>	<u>--</u>	<u>92,370</u>
Net Change in Cash and Cash Equivalents	(7,822)	3,693	(4,129)
Cash and Cash Equivalents, Beginning of Year	21,375	1,795	23,170
Cash and Cash Equivalents, End of Year	<u>\$ 13,553</u>	<u>\$ 5,488</u>	<u>\$ 19,041</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (125,500)	\$ 522	\$ (124,978)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	10,065	--	10,065
Value of commodities used	18,965	--	18,965
Change in Assets and Liabilities:			
Inventory	2,409	--	2,409
Deferred revenue	(7,316)	--	(7,316)
Contracts payable	158	2,813	2,971
Accrued payroll expenses	1,027	215	1,242
Accounts payable	--	143	143
Net cash provided (used) by operating activities:	<u>\$ (100,192)</u>	<u>\$ 3,693</u>	<u>\$ (96,499)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 20,224</u>	<u>\$ --</u>	<u>\$ 20,224</u>

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

Estelline School District No. 28-2
Statement of Net Position – Fiduciary Funds
June 30, 2025

	Private -Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 6,954	\$ 54,680
Investments-certificates of deposit	5,498	--
	\$ 12,452	\$ 54,680
Total Assets	\$ 12,452	\$ 54,680
Net Position:		
Scholarships	\$ 12,452	\$ --
Individuals, organizations, and other governments	--	54,680
	\$ 12,452	\$ 54,680
Total Net Position	\$ 12,452	\$ 54,680

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

Estelline School District No. 28-2
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 365	\$ --
Collections for student activities	--	93,177
Total Additions	365	93,177
Deductions:		
Payments for student activities	--	81,052
Total Deductions	--	81,052
Change in Net Position	365	12,125
Net Position - Beginning	12,087	42,555
Net Position - Ending	\$ 12,452	\$ 54,680

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Estelline School District No. 28-2, 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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:

- a. 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.)
- b. 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.
- c. 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 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 – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund:

Rural Museum Trust Fund – A fund generated from donations for the purpose of the care and upkeep of the rural school museum.

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the Estelline School District 28-2 is 60 days. The revenues which are accrued at June 30, 2025 are due from other governments for grants.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

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. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

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 at the acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund’s operations, construction period interest is also not capitalized in accordance with USGAAP.

The total June 30, 2025 balance of capital assets for governmental activities includes approximately less than 2% for which the costs were determined by estimates of the original costs. The total June 30, 2025 balance of capital assets for business-type are all valued at the original cost.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All Land	--	--
Buildings	\$ 50,000	Straight-line	50 years
Improvements	15,000	Straight-line	15-25 years
Equipment (governmental)	5,000	Straight-line	5-20 years
Equipment (proprietary funds)	5,000	Straight-line	5-20 years
Leases/SBITAs	50,000	Straight-line	5-20 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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

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 lease liabilities, early retirement benefits payable, and compensated absences.

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

h. Leases:

The School District is a lessee for a noncancellable lease. The School District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

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

- The School District uses the interest rate charge by the lessor at 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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

i. Subscription-Based 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 it did, the School District 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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

j. 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.

k. Deferred Outflows/Inflows of Resources:

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

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

l. Proprietary Funds Revenue and Expense Classifications:

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

m. Cash and Cash Equivalents:

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

n. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

o. Application of Net Position:

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

p. Fund Balance Classification Policies and Procedures:

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

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

The 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 District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

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

q. 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.

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:

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

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

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

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

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

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 General Fund except for the Debt Service Fund which retains its earnings. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Investment earnings were not material to the individual funds.

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.

4. Inventory:

Inventory for resale is stated 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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

4. Inventory: (Continued)

In the government-wide and proprietary 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 governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. No material inventories were on hand as of June 30, 2025 in the governmental funds.

5. Property Tax:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property 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 revenue 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. Due from Other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include \$208,194 due from various county, school, state and federal governments.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

7. 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	Increases	Decreases	6/30/2025
*Restated beginning balance	Balance			Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 62,998	\$ --	\$ --	\$ 62,998
Total capital assets not being depreciated/amortized	62,998	--	--	62,998
Capital assets being depreciated/amortized:				
Buildings & Improvements *	6,216,068	16,478	--	6,232,546
Machinery & Equipment *	1,661,964	469,516	19,345	2,112,135
Intangible Assets	18,206	--	--	18,206
Library Books	146,710	20,971	20,840	146,841
Total capital assets being depreciated/amortized	8,042,948	506,965	40,185	8,509,728
Less accumulated depreciation/amortization for:				
Buildings & Improvements *	3,551,803	171,715	--	3,723,518
Machinery & Equipment *	1,268,027	187,635	19,345	1,436,317
Intangible Assets	10,923	3,641	--	14,564
Library Books	167,681	--	20,840	146,841
Total accumulated depreciation/amortization	4,998,434	362,991	40,185	5,321,240
Total capital assets being depreciated/amortized, net	3,044,514	143,974	--	3,188,488
Net Capital Assets	\$ 3,107,512	\$ 143,974	\$ --	\$ 3,251,486

*Restated beginning balances due to the reclassification of capital assets. These restatements have no effect on net capital assets.

Depreciation/amortization expense was charged to functions as follows:

Instruction	\$ 163,346
Support services	163,346
Co-curricular activities	36,299
Total Depreciation/Amortization Expense	\$ 362,991

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

7. Changes in Capital Assets: (Continued)

	<u>Balance 6/30/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2025</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ 177,941	\$ --	\$ --	\$ 177,941
Less accumulated depreciation for:				
Less: Accumulated Depreciation	<u>101,508</u>	<u>10,065</u>	<u>--</u>	<u>111,573</u>
Total capital assets being depreciated, net	<u>\$ 76,433</u>	<u>\$ (10,065)</u>	<u>\$ --</u>	<u>\$ 66,368</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Food service	<u>\$ 10,065</u>

8. Long-Term Liabilities:

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

	<u>6/30/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2025</u>	<u>Due Within One Year</u>
Other Liabilities:					
Compensated Absences	\$ 23,270	\$ 24,059	\$ 23,270	\$ 24,059	\$ 24,059
Early Retirement Payable	2,907	--	2,907	--	--
Intangible Lease	7,611	--	3,749	3,862	3,862
Total Long-Term Liabilities	<u>\$ 33,788</u>	<u>\$ 24,059</u>	<u>\$ 29,926</u>	<u>\$ 27,921</u>	<u>\$ 27,921</u>

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

Compensated Absences –	
Payable from the fund to which payroll expenditures are charged	\$ 24,059

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

8. Long-Term Liabilities: (Continued)

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

Estelline School District No 28-2 Copier Lease	During July 2021, the School District entered into an agreement for a copier lease with Century Business Leasing in the amount of \$18,206. There is an interest rate of 3% assessed on this amount. Final payment is June 2026. The Capital Outlay Fund makes payment on this debt.	\$ 3,862
--	--	----------

The annual requirements to amortize the lease/liabilities outstanding at June 30, 2025, are as follows:

Year Ending June 30,	Intangible Lease	
	Principal	Interest
2026	\$ 3,862	\$ 177

9. Interfund Transfers:

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

Transfer from the General Fund to the Capital Outlay Fund per SDCL 13-13-10.1 for use of Wind Energy Revenues.	\$ 46,257
Transfer from the General Fund to the Food Service Fund to cover operating expenses.	\$ 17,000

10. 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	\$ 1,233,993
Special Education	Law	196,369
SDRS Pension Purposes	Law	191,334
Total		<u>\$ 1,621,696</u>

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

11. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, and 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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

11. Pension Plan: (Continued)

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

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

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

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

c. Contributions:

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

<u>Year</u>	<u>Amount</u>
2025	\$ 130,052
2024	126,767
2023	111,814

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

11. Pension Plan: (Continued)

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

At June 30, 2024, SDRS is 100.0% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2024, and reported by the School District as of June 30, 2025, are as follows:

Proportionate share of pension liability	\$ 11,234,793
Less proportionate share of net pension restricted for pension benefits	11,237,842
Proportionate share of net pension (asset)	\$ (3,049)

At June 30, 2025, the School District reported an (asset) of (\$3,049) 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 0.07530900%, which is an increase of 0.0030590% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense of \$75,877. 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	\$ 282,292	\$ --
Changes in assumption	50,260	383,115
Net difference between projected and actual earnings on pension plan investments	114,829	--
Changes in proportion and difference between district contributions and proportionate share of contributions	--	6,033
District contributions subsequent to the measurement date	130,052	--
Total	\$ 577,433	\$ 389,148

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

11. Pension Plan: (Continued)

\$130,052 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 (asset) 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	\$ (109,086)
2027	145,039
2028	13,506
2029	8,777
Total	<u>\$ 58,236</u>

e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, 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.

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

11. 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, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2024 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

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%	

f. Discount Rate:

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

11. Pension Plan: (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 1,549,077	\$ (3,049)	\$ (1,273,171)

h. Pension Plan Fiduciary Net Position:

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

12. Joint Venture Information:

The School District participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing educational support services for all children and to offer, on a cooperative fee assessment basis, services that the districts would not be able to provide as effectively or as economically acting alone to the member School Districts. The members of the Co-op are as follows with each member district having a determined allocation:

Arlington School District No. 38-1	3.57%	Florence School District No. 14-1	4.00%
Britton-Hecla School District No. 45-4	5.82%	Hamlin School District No. 28-3	10.12%
Castlewood School District No. 28-1	3.91%	Henry School District No. 14-2	2.21%
Clark School District No. 12-2	5.54%	Iroquois School District No. 02-3	2.53%
DeSmet School District No. 38-2	4.01%	Lake Preston School District No. 38-3	2.06%
Deubrook School District No. 5-6	4.77%	Oldham-Ramona-Rutland School District No. 39-5	3.68%
Deuel School District No. 19-4	6.20%	Rosholt School District No. 54-4	2.60%
Elkton School District No. 5-3	5.23%	Webster Area School District No. 18-5	6.43%
Enemy Swim Day School	1.82%	Sioux Valley School District No. 5-5	8.64%
Estelline School District No. 28-2	3.15%	Summit School District No. 54-6	2.05%
Waubay School District No. 18-3	1.94%	Willow Lake School District No. 12-3	3.83%
Waverly School District No. 14-5	3.08%	Wilmot School District No. 54-7	2.81%

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

12. Joint Venture Information: (Continued)

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

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

	<u>June 30, 2025</u>
Total Assets	\$ 2,357,020
Total Deferred Outflows of Resources	\$ 927,751
Total Liabilities	\$ 717,557
Total Deferred Inflows of Resources	\$ 613,896
Total Net Position	\$ 1,953,318

13. Risk Management:

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

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool operating as a common risk management and insurance program for South Dakota local government entities through the Associated School Boards of South Dakota. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it received from the members.

The coverage includes the option of four different plans with a deductible from \$1,000 to \$3,000.

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

Liability Insurance:

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

Estelline School District No. 28-2
Notes to the Financial Statements
June 30, 2025

13. Risk Management: (Continued)

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has an Assigned Fund Balance in the General Fund in the amount of \$48,524 for the payment of future unemployment benefits.

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

14. Early Retirement Benefits:

The District maintains an early retirement plan for certified teachers and administrators. The plan is available to employees who choose early retirement after the age of 55 and have at least fifteen years of continuous service with the District. Under the plan, the District will pay \$300 per years of employment until they turn 62 years of age. Such amounts are payable each year until employee turns 62 years of age. The District uses the expected future benefit payment amounts as the method for disclosure. During fiscal year 2025, one employee participated in the early retirement plan. The amount paid for such benefits during the year was \$2,907.

15. Subsequent Events:

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

Required Supplementary Information

Estelline School District No. 28-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,760,313	\$ 1,760,313	\$ 1,685,598	\$ (74,715)
Prior years' ad valorem taxes	12,000	12,000	24,654	12,654
Utility taxes	105,000	105,000	124,931	19,931
Penalties and interest on taxes	3,200	3,200	6,556	3,356
Earnings on Investments and Deposits	50,000	50,000	43,381	(6,619)
Cocurricular Activities:				
Admissions	23,500	23,500	24,330	830
Rentals	--	--	630	630
Other student activity income	800	800	1,422	622
Other Revenue from Local Sources:				
Contributions and donations	--	--	2,780	2,780
Services provided other school districts	--	--	2,187	2,187
Charges for services	7,000	7,000	3,737	(3,263)
Other	2,000	19,263	19,891	628
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	12,000	12,000	15,722	3,722
Revenue in lieu of taxes	--	--	112	112
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,011,418	1,011,418	1,020,692	9,274
Restricted grants-in-aid	--	214	214	--
Other state revenues	500	1,500	1,500	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through intermediate	100	100	--	(100)
Restricted grants-in-aid received directly from federal government	13,217	18,037	--	(18,037)
Restricted grants-in-aid received from federal government through the state	82,322	106,381	124,051	17,670
Total Revenues	\$ 3,083,370	\$ 3,130,726	\$ 3,102,388	\$ (28,338)

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

Estelline School District No. 28-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 724,455	\$ 735,559	\$ 629,746	\$ 105,813
Middle/junior high	372,710	377,762	309,359	68,403
High school	709,404	723,984	615,193	108,791
Preschool	33,922	39,922	39,428	494
Special Programs:				
Educationally deprived	75,228	76,288	75,873	415
Support Services:				
Students:				
Guidance	74,990	74,990	73,864	1,126
Health	2,700	2,720	1,383	1,337
Instructional Staff:				
Improvement of instruction	53,462	54,355	44,453	9,902
Educational media	114,895	114,895	80,660	34,235
General Administration:				
Board of education	44,665	50,406	46,430	3,976
Executive administration	101,624	101,624	94,433	7,191
School Administration:				
Office of the principal	257,326	257,326	247,815	9,511
Other	500	500	129	371
Business:				
Fiscal services	124,725	124,725	113,531	11,194
Operation and maintenance of plant	429,087	490,748	494,859	(4,111)
Student transportation	179,264	198,745	191,282	7,463
Central:				
Staff	600	979	979	--
Nonprogrammed Charges:				
Early retirement payments	2,907	2,907	2,907	--
Cocurricular Activities:				
Male activities	37,287	37,287	32,172	5,115
Female activities	40,568	43,934	41,084	2,850
Transportation	13,865	13,865	10,109	3,756
Combined activities	79,803	81,303	71,857	9,446
Contingency	75,000	--	--	--
Total Expenditures	<u>3,548,987</u>	<u>3,604,824</u>	<u>3,217,546</u>	<u>387,278</u>
Excess of Revenues Over Expenditures	<u>(465,617)</u>	<u>(474,098)</u>	<u>(115,158)</u>	<u>358,940</u>
Other Financing Sources:				
Operating transfers in	158,700	158,700	--	(158,700)
Operating transfers out	(157,610)	(157,610)	(63,257)	94,353
Compensation for loss of general capital assets	--	8,481	13,981	5,500
Total Other Financing Sources:	<u>1,090</u>	<u>9,571</u>	<u>(49,276)</u>	<u>(58,847)</u>
Net Change in Fund Balances	(464,527)	(464,527)	(164,434)	300,093
Fund Balance, Beginning of Year	<u>1,121,094</u>	<u>1,121,094</u>	<u>1,121,094</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 656,567</u>	<u>\$ 656,567</u>	<u>\$ 956,660</u>	<u>\$ 300,093</u>

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

Estelline School District No. 28-2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 436,000	\$ 436,404	\$ 419,471	\$ (16,933)
Prior years' ad valorem taxes	1,500	1,500	3,326	1,826
Penalties and interest on taxes	750	884	1,261	377
Other Revenue from Local Sources:				
Rentals	--	53,000	53,000	--
Contributions and Donations	--	55,168	56,168	1,000
Services provided other school districts	--	800	--	(800)
Refund of prior years' expenditures	--	10,193	10,193	--
Other	--	--	800	800
Revenue from Intermediate Sources:				
Revenue in lieu of taxes	--	63	63	--
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	--	26	26	--
Restricted grants-in-aid received from federal government through intermediate source	--	141,221	144,075	2,854
Total Revenues	<u>438,250</u>	<u>699,259</u>	<u>688,383</u>	<u>(10,876)</u>
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	5,000	7,700	7,647	53
Middle/junior high	5,000	5,000	4,681	319
High school	15,000	15,000	12,060	2,940
Support Services:				
Students:				
Health	--	2,141	2,141	--
Instructional Staff:				
Educational media	1,000	2,866	1,997	869
General Administration:				
Executive administration	1,600	1,600	--	1,600
Office of the principal	2,500	2,500	1,195	1,305
Business:				
Facilities acquisition and construction	--	169,500	169,500	--
Operation and maintenance of plant	211,350	292,251	300,383	(8,132)
Student transportation	65,000	65,000	49,850	15,150
Special Education:				
Administrative costs	--	4,035	4,035	--
Debt Services:	4,000	4,000	3,926	74
Cocurricular Activities:				
Male activities	3,000	5,023	7,453	(2,430)
Female activities	5,000	5,000	--	5,000
Combined Activities	7,100	7,100	1,930	5,170
Total Expenditures	<u>325,550</u>	<u>588,716</u>	<u>566,798</u>	<u>21,918</u>
Excess of Revenue Over (Under) Expenditures	<u>112,700</u>	<u>110,543</u>	<u>121,585</u>	<u>11,042</u>
Other Financing Sources (Uses):				
Transfers in	46,000	46,257	46,257	--
Transfers out	(158,700)	(158,700)	--	158,700
Sale of Surplus Property	--	1,900	1,900	--
Total Other Financing Sources (Uses)	<u>(112,700)</u>	<u>(110,543)</u>	<u>48,157</u>	<u>158,700</u>
Net Change in Fund Balances	--	--	169,742	169,742
Fund Balance, Beginning of Year	<u>1,063,237</u>	<u>1,063,237</u>	<u>1,063,237</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 1,063,237</u>	<u>\$ 1,063,237</u>	<u>\$ 1,232,979</u>	<u>\$ 169,742</u>

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

Estelline School District No. 28-2
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 580,361	\$ 647,221	\$ 706,028	\$ 58,807
Prior years' ad valorem taxes	2,000	2,000	5,599	3,599
Penalties and interest on taxes	1,500	1,500	2,113	613
Other Revenue from Local Sources:				
Services provided other school districts	6,750	6,750	4,275	(2,475)
Charges for services	3,200	3,200	3,381	181
Other	2,000	2,000	1,596	(404)
Revenue from Intermediate Sources:				
County Sources				
Revenue in lieu of taxes	--	--	105	105
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	186,987	186,987	73,901	(113,086)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through an intermediate source	--	--	44	44
Restricted grants-in-aid received from federal government through the state	--	--	611	611
Total Revenues	<u>782,798</u>	<u>849,658</u>	<u>797,653</u>	<u>(52,005)</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	632,348	656,865	512,742	144,123
Support Services:				
Students:				
Health	20,000	20,000	18,817	1,183
Psychological	34,715	34,715	28,873	5,842
Speech pathology	50,000	63,300	52,284	11,016
Student therapy services	32,200	35,532	28,458	7,074
Instructional Staff:				
Improvement of instruction	1,500	2,513	1,398	1,115
School Administration:				
Board of education	1,280	1,828	1,731	97
Special Education:				
Administrative costs	--	10,414	10,413	1
Transportation costs	86,400	100,136	93,913	6,223
Other special education costs	3,600	3,600	1,620	1,980
Total Expenditures	<u>862,043</u>	<u>928,903</u>	<u>750,249</u>	<u>178,654</u>
Excess of Revenues Over (Under) Expenditures	<u>(79,245)</u>	<u>(79,245)</u>	<u>47,404</u>	<u>126,649</u>
Other Financing Sources (Uses):				
Transfer in	79,245	79,245	--	(79,245)
Total Other Financing Sources (Uses)	<u>79,245</u>	<u>79,245</u>	<u>--</u>	<u>(79,245)</u>
Net Change in Fund Balance	--	--	47,404	47,404
Fund Balance, Beginning of Year	<u>147,263</u>	<u>147,263</u>	<u>147,263</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 147,263</u>	<u>\$ 147,263</u>	<u>\$ 194,667</u>	<u>\$ 47,404</u>

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

Estelline School District No. 28-2
Notes to the Required Supplementary Information
June 30, 2025

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 trust and agency funds.
- f. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in Item (h).
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
- i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
- j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- 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. Basis of Presentation:

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 Fund 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/Pupil Transportation function of government, along with all other current Pupil Transportation related expenses.

Estelline School District No. 28-2

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

<u>Fiscal Year</u>	<u>District's Proportion of the Net Pension Liability/Asset</u>	<u>District's Proportionate Share of the Net Pension Liability/(Asset)</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2025	0.0753090%	\$ (3,048)	\$ 2,112,774	0.14%	100.00%
2024	0.0722500%	\$ (7,052)	\$ 1,863,577	0.38%	100.10%
2023	0.0718530%	\$ (6,791)	\$ 1,715,774	0.40%	100.10%
2022	0.0704180%	\$ (539,281)	\$ 1,598,003	33.75%	105.52%
2021	0.0745868%	\$ (3,239)	\$ 1,636,956	0.20%	100.04%
2020	0.0757232%	\$ (8,025)	\$ 1,610,028	0.50%	100.09%
2019	0.0803660%	\$ (1,874)	\$ 1,670,741	0.11%	100.02%
2018	0.0783413%	\$ (7,110)	\$ 1,591,728	0.45%	100.10%
2017	0.0727935%	\$ 245,889	\$ 1,384,164	17.76%	96.89%
2016	0.0674612%	\$ (286,122)	\$ 1,231,655	23.23%	104.10%

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

Estelline School District No. 28-2
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	\$ 130,052	\$ 130,052	\$ --	\$ 2,167,536	6.00%
2024	\$ 126,767	\$ 126,767	\$ --	\$ 2,112,774	6.00%
2023	\$ 111,814	\$ 111,814	\$ --	\$ 1,863,577	6.00%
2022	\$ 103,035	\$ 103,035	\$ --	\$ 1,715,774	6.01%
2021	\$ 95,880	\$ 95,880	\$ --	\$ 1,598,003	6.00%
2020	\$ 106,403	\$ 106,403	\$ --	\$ 1,636,956	6.50%
2019	\$ 96,602	\$ 96,602	\$ --	\$ 1,610,028	6.00%
2018	\$ 100,244	\$ 100,244	\$ --	\$ 1,670,741	6.00%
2017	\$ 95,504	\$ 95,504	\$ --	\$ 1,591,728	6.00%
2016	\$ 83,050	\$ 83,050	\$ --	\$ 1,384,164	6.00%

Estelline School District No. 28-2

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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