HAAKON SCHOOL DISTRICT NO. 27-1

Financial Statements

June 30, 2026

CASEY • PETERSON

Haakon School District No. 27-1
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June 30, 2026

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Haakon School District No. 27-1
School District Officials
June 30, 2026

BOARD MEMBERS

Scott Brech - President
Anita Peterson - Vice President
Trevor Fitch
Jeff Gabriel
Tanya Peterson
Tucker Smith
Jari Spry

SUPERINTENDENT

Jeffery Rieckman

BUSINESS MANAGER

Britni Ross

CASEY • PETERSON
CPAs & FINANCIAL ADVISORS

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
Haakon School District No. 27-1
Philip, South Dakota

We have audited, in accordance with the 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 Haakon School District No. 27-1 (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 22, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Management's Response as item 2026-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Haakon School District No. 27-1's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District'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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
September 22, 2026

Haakon School District No. 27-1
Schedule of Findings and Management's Response (Unaudited)
June 30, 2026

Material Weakness
Internal Control over Financial Reporting
Segregation of Duties

2026-001 *Condition*: The District has a limited number of finance staff, causing a concentration of responsibilities within the following processes/cycles: payroll, reconciliation of accounts, posting of general journal entries, recognition of revenues, and preparation of the financial statements. Material adjustments were proposed as a result of the concentration.

Criteria: A strong system of internal controls over accounting functions allows for the segregation of responsibilities among various personnel, including oversight of functions assigned.

Cause: The District has a limited number of finance staff to perform the finance function. This issue is common in a District of this size.

Effect: There is a possibility of fraud or errors occurring and not being detected or corrected. Material audit adjustments were required related to year-end reporting for long-term debt, property and equipment, property taxes receivable, and deferred property tax inflows.

Auditor's Recommendation: Reconciliations of accounts and journal entries prepared by the Business Manager should be reviewed by the Superintendent or a School Board member with sufficient accounting expertise. Management and those charged with governance should evaluate the finance processes and cycles and determine whether the risks related to a concentration of responsibilities are outweighed by the costs of hiring additional staff.

Management's Response: In addition to the review of the financial statements, disclosure checklist, and proposed journal entries, the District will provide the Balance Sheet and Income Statement from the District's software, as well as supporting schedules for the notes to the financial statements. Due to the size of the District, it is not cost-effective to hire additional Business Office staff, but the District will improve oversight procedures by the Superintendent performing documented reviews of the bank reconciliations and journal entries. The District staff responsible for these actions would be the District's Business Manager and these changes will be ongoing.

CASEY • PETERSON
CPAs & FINANCIAL ADVISORS

Independent Auditor's Report

School Board
Haakon School District No. 27-1
Haakon County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Haakon School District No. 27-1 (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 District, as of June 30, 2026, 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* (GAS), 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAS 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 GAS, 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 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 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, budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Supplementary Information 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, which 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 September 22, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Haakon School District No. 27-1's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
September 22, 2026

Haakon School District No. 27-1
Management's Discussion and Analysis (Unaudited)
June 30, 2026

The purpose of management's discussion and analysis (MD&A) is to help School District residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the District's knowledge of the School District's finances.

If you have questions about this report or require further information, contact the District at Haakon School District Business Office, PO Box 730, 330 Scottie Ave, Philip, SD 57567.

FINANCIAL HIGHLIGHTS

- During the 25-26 FY, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were $125,857 more than the $4,949,451 governmental and business-type program expenses.
- The total cost of the District's programs decreased by approximately 8% which is primarily due to fewer building improvement projects conducted in the current year.
- The General Fund reported a $57,984 current year deficit primarily due to revenue from federal sources decreasing.
- The Capital Outlay Fund reported a $177,307 current year surplus primarily due to a decrease in building improvement projects.
- The Special Education Fund reported a $122,335 current year deficit primarily due to high residential costs for severe students in need.
- See the Notes to the Required Supplementary Information for evaluation of significant differences between budgeted and actual activity. No differences are expected to have a significant effect on future services or liquidity.

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 District:

- The first two - the Statement of Net Position and the Statement of Activities - are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
    - *Governmental activities* comprise the District's most basic functions, such as instruction, support services, and cocurricular activities. Governmental activities are primarily financed by taxes paid by District residents and businesses and grants from the State of South Dakota and the federal government.
    - *Business-type activities* are District services primarily financed in whole or in part with charges to customers - food service.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
    - The governmental funds' statements tell how general government services were financed in the short-term, as well as what remains for future spending.

- Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses. The only proprietary fund operated by the District is the Food Service Fund.
- Fiduciary fund statements provide information about the financial relationships - like scholarships for graduating students - in which the District 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 information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's government covered and the types of information contained. The remainder of the overview section of the Management's Discussion and Analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Haakon School District's Government-wide and Fund Financial Statements

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

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

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District'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 District are reported in two categories:

Governmental Activities - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, Board of Education, fiscal services, etc.), interest expense on long-term debt, and extracurricular activities (sports, debate, music, etc.). Property taxes, state grants, federal grants, and interest earnings finance most of these activities.

Business-type Activities - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the District.

Fund Financial Statements

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

- State Law requires some of the funds, such as the Capital Outlay Fund and the Special Education Fund.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The District has three kinds of funds:

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

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

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

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS

All of the District's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

Assets - Resources the District controls, from short-term assets like cash to long-term assets such as buildings.

Liabilities - Amounts the District owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.

Deferred Outflows of Resources and *Deferred Inflows of Resources* - Flows that occurred during the year or in prior years that will not be reported as expenses and revenues until the future year to which they are related.

Revenues and Expenses - Inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The government funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a District building.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased as follows:

Table A-1
HAAKON SCHOOL DISTRICT 27-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage
	2026	2025	2026	2025	2026	2025	Change
Current and Other Assets	$ 5,644,158	$ 5,613,743	$ 19,456	$ 57,473	$ 5,663,614	$ 5,671,216	-0.13%
Capital Assets (Net of Depreciation)	11,458,396	11,780,075	86,242	101,166	11,544,638	11,881,241	-2.83%
Total Assets	17,102,554	17,393,818	105,698	158,639	17,208,252	17,552,457	-1.96%
Pension-related Deferred Outflows	656,067	559,299	21,635	19,253	677,702	578,552	17.14%
Long-term Liabilities Outstanding	5,748,682	6,109,763	2,030	2,350	5,750,712	6,112,113	-5.91%
Other Liabilities	375,195	364,120	9,632	14,165	384,827	378,285	1.73%
Total Liabilities	6,123,877	6,473,883	11,662	16,515	6,135,539	6,490,398	-5.47%
Property Taxes Levied for Future Periods	1,165,914	1,158,848	-	-	1,165,914	1,158,848	0.61%
Pension-related Deferred Inflows	337,111	358,990	11,117	12,357	348,228	371,347	-6.23%
Total Deferred Inflows of Resources	1,503,025	1,517,838	11,117	12,357	1,514,142	1,530,195	-1.05%
Net Investment in Capital Assets	5,844,790	5,768,441	86,242	101,166	5,931,032	5,869,607	1.05%
Restricted	3,364,753	3,177,920	10,726	6,994	3,375,479	3,184,914	5.98%
Unrestricted	922,176	1,015,035	7,586	40,860	929,762	1,055,895	-11.95%
Total Net Position	10,131,719	9,961,396	104,554	149,020	10,236,273	10,110,416	1.24%
Net Position - Beginning, as Previously Stated	9,961,396	10,061,896	149,020	197,127	10,110,416	10,259,023	
Prior Period Adjustment	-	(26,042)	-	(1,709)	-	(27,751)	
Net Position - Beginning, Restated	9,961,396	10,035,854	149,020	195,418	10,110,416	10,231,272	
Increase (Decrease) in Net Position	$ 170,323	$ (74,458)	$ (44,466)	$ (46,398)	$ 125,857	$ (120,856)	
Percentage Change in Net Position	1.71%	-0.74%	-29.84%	-23.54%	1.24%	-1.18%	

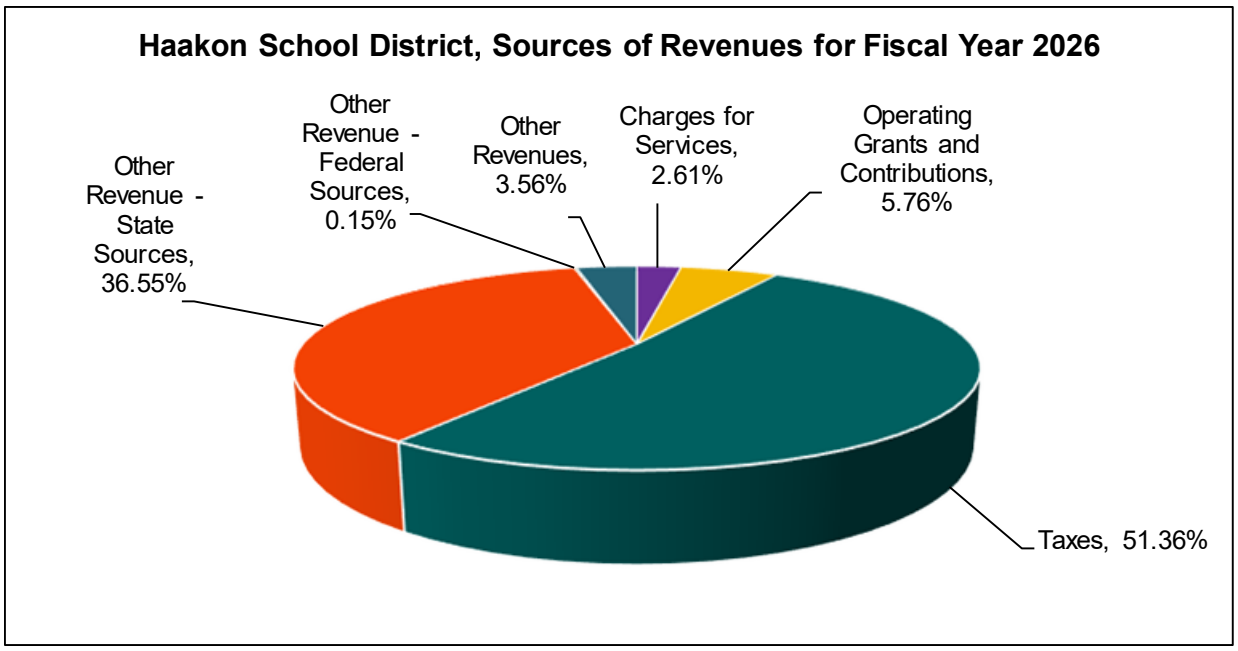
Current and other assets remained consistent in total. Other liabilities increased in the current year due to an increase in accounts payable due to the timing of payments. Long-term liabilities decreased due to payments made on long-term debt during FY 25-26.

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 District, consisting of Series 2016 Bonds and compensated absences payable, have been reported in this manner on the Statement of Net Position. The difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Changes in Net Position

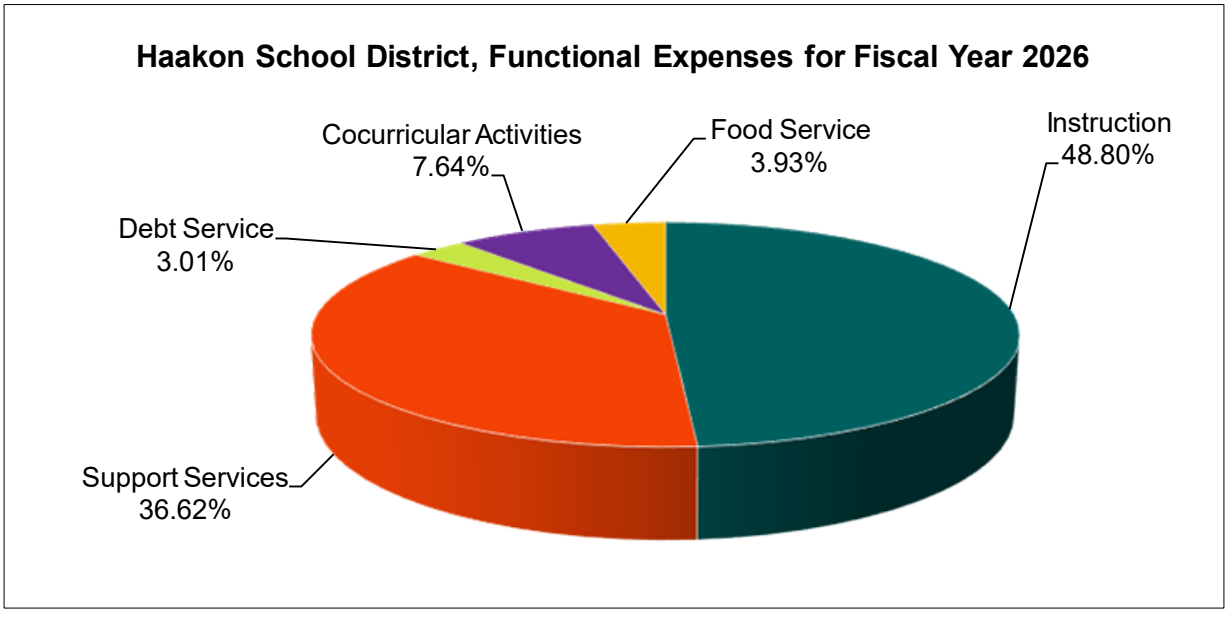
The District's revenues totaled $5,074,102 (see Table A-2). Approximately half of the District's revenue comes from property and other taxes, while approximately 37% comes from state aid. (See Figure A-2).

Figure A-2



The total cost of all programs and services was $4,949,451 (See Table A-2). The District's expenses cover a range of services encompassing instruction, support services, cocurricular activities, and food services (see Figure A-3).

Figure A-3



See independent auditor's report.

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the District.

Table A-2
HAAKON SCHOOL DISTRICT 27-1
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage
	2026	2025	2026	2025	2026	2025	Change
Revenues							
Program Revenues							
Charges for Services	$ 32,454	$ 33,795	$ 99,969	$ 96,638	$ 132,423	$ 130,433	1.53%
Operating Grants and Contributions	242,114	380,363	50,172	50,913	292,286	431,276	-32.23%
General Revenues							
Taxes	2,606,881	2,659,607	-	-	2,606,881	2,659,607	-1.98%
Revenue State Sources	1,855,037	1,842,815	-	-	1,855,037	1,842,815	0.66%
Revenue Federal Sources	7,549	9,238	-	4,544	7,549	13,782	-45.23%
Other General Revenue	58,499	50,470	-	-	58,499	50,470	15.91%
Unrestricted Investment Earnings	122,633	148,514	-	-	122,633	148,514	-17.43%
Total Revenues	4,925,167	5,124,802	150,141	152,095	5,075,308	5,276,897	-3.82%
Expenses							
Instruction	2,414,430	2,519,671	-	-	2,414,430	2,519,671	-4.18%
Support Services	1,813,166	2,113,814	-	-	1,813,166	2,113,814	-14.22%
Debt Service	149,182	156,948	-	-	149,182	156,948	-4.95%
Cocurricular Activities	378,066	368,662	-	-	378,066	368,662	2.55%
Nonprogrammed Charges	-	29,700	-	-	-	29,700	-100.00%
Food Service	-	-	194,607	208,958	194,607	208,958	-6.87%
Total Expenses	4,754,844	5,188,795	194,607	208,958	4,949,451	5,397,753	-8.31%
Excess (Deficiency) Before Transfers	170,323	(63,993)	(44,466)	(56,863)	125,857	(120,856)	204.14%
Transfers	-	(10,465)	-	10,465	-	-	100.00%
Increase (Decrease) in Net Position	170,323	(74,458)	(44,466)	(46,398)	125,857	(120,856)	204.14%
Net Position - Beginning, as Previously Stated	9,961,396	10,061,896	149,020	197,127	10,110,416	10,259,023	-1.45%
Prior Period Adjustment	-	(26,042)	-	(1,709)	-	(27,751)	
Net Position - Beginning, Restated	9,961,396	10,035,854	149,020	195,418	10,110,416	10,231,272	
Net Position - Ending	$ 10,131,719	$ 9,961,396	$ 104,554	$ 149,020	$ 10,236,273	$ 10,110,416	1.24%

GOVERNMENTAL ACTIVITIES

The governmental activities showed a decrease in revenues and a decrease in expenses. These changes are primarily due to a decrease in grants and investment earnings and a decrease in Instruction and Support Services expenses.

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service Operation) decreased by approximately 1% to $150,141 and expenses decreased by approximately 7% to $194,607, as shown in Table A-2. Factors contributing to these results included:

- There was a decrease in the number of students attending the district during the year. This resulted in a decrease in the overall number of meals served by the food service operations. This was offset by an increase in meal prices for full-price meals.
- There was a decrease in federal grant revenue and donated food revenue. This resulted in a decrease in revenue.
- The primary reason for the decrease in expenses was due to fewer kitchen staff and less food purchased.

The District's budget was not amended in the current year.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

By the end of 2026, the District had invested $11,544,638 (net of depreciation) in a broad range of capital assets, including land, buildings, various machinery and equipment. See Table A-3. This amount represents a net decrease (including additions and deductions) of $336,602, or 2.86%, over last year, resulting from the disposal of various assets and current year depreciation.

Table A-3
HAAKON SCHOOL DISTRICT 27-1
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2026	2025	2026	2025	2025-2026	2025-2026
Land	$ 26,020	$ 26,020	$ -	$ -	$ -	0.00%
Buildings	9,310,865	9,546,108	-	-	(235,243)	-2.46%
Improvements Other than Buildings	935,508	930,352	-	-	5,156	0.55%
Machinery and Equipment	1,186,003	1,277,594	86,242	101,166	(106,515)	-8.34%
Total Capital Assets (Net)	$ 11,458,396	$ 11,780,074	$ 86,242	$ 101,166	$ (336,602)	-2.86%

Capital asset purchases during the year ended June 30, 2026, included concrete parking lot improvements, cleaning equipment, gym equipment, locker room reflooring, smartboards, computers, and books.

At year-end, the District had $5,750,712 in bonds and other long-term obligations. This is a decrease of approximately 6% as shown on Table A-4 below.

Table A-4
HAAKON SCHOOL DISTRICT 27-1
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2026	2025	2026	2025	2025-2026	2025-2026
Series 2016 Bond	$ 5,530,000	$ 5,920,000	$ -	$ -	$ (390,000)	-6.59%
Series 2016 Bond Premium	83,606	91,634	-	-	(8,028)	-8.76%
Compensated Absences	135,076	98,129	2,030	2,350	36,627	37.33%
Total Outstanding Debt and Obligations	$ 5,748,682	$ 6,109,763	$ 2,030	$ 2,350	$ (361,401)	-5.92%

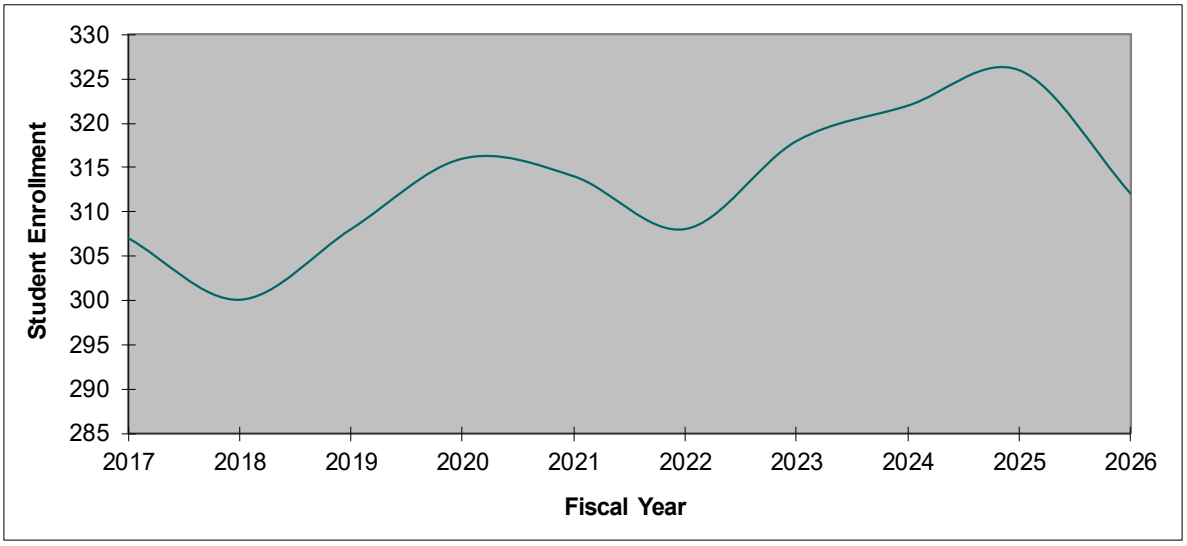
The District is liable for the accrued vacation and sick leave payable to the Superintendent, Business Manager, and all 12-month hourly employees.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District's current economic position has shown little change. Local revenues have ultimately remained steady. The property valuation increased in the current year; however, the District did not levy as much in the current year. No significant increases in revenue in this area are expected.

One of the primary sources of revenue for the District is based on a target teacher salary allocation received from the State of South Dakota. The state aid formula was modified beginning in FY17. The state aid formula aims for a target teacher salary and establishes needs based on that number along with enrollment. The average daily membership (ADM) has decreased this year from 326 to 312. The impact of this new formula on the stability of the District's revenues is not fully known. This is expected to reduce funding available to the District in future years. The Capital Outlay levy has been modified to limit future growth in collections, which may impair the District's ability to fund future capital projects.

The District's enrollment for the last ten years has been as follows:



See independent auditor's report.

BASIC FINANCIAL STATEMENTS

Haakon School District No. 27-1
Statement of Net Position
June 30, 2026

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 3,660,557	$ 14,636	$ 3,675,193
Certificates of Deposit	706,744	-	706,744
Taxes Receivable	990,968	-	990,968
Accounts Receivable	-	7	7
Due from Other Governments	279,583	-	279,583
Inventories	-	4,605	4,605
	5,637,852	19,248	5,657,100
Capital Assets:			
Land	26,020	-	26,020
Buildings	14,404,942	-	14,404,942
Improvements	1,155,875	-	1,155,875
Equipment	2,066,027	220,193	2,286,220
Less: Accumulated Depreciation	(6,194,468)	(133,951)	(6,328,419)
Total Capital Assets, Net of Depreciation	11,458,396	86,242	11,544,638
Restricted Assets:			
Net Pension Asset	6,306	208	6,514
TOTAL ASSETS	17,102,554	105,698	17,208,252
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	656,067	21,635	677,702
LIABILITIES			
Accrued Expenses	375,195	666	375,861
Unearned Revenue	-	8,966	8,966
Long-term Liabilities:			
Due Within One Year	400,000	-	400,000
Due in More than One Year	5,348,682	2,030	5,350,712
TOTAL LIABILITIES	6,123,877	11,662	6,135,539

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Net Position (Continued)
June 30, 2026

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	1,165,914	-	1,165,914
Pension-related Deferred Inflows	337,111	11,117	348,228
TOTAL DEFERRED INFLOWS OF RESOURCES	1,503,025	11,117	1,514,142
NET POSITION			
Net Investment in Capital Assets	5,844,790	86,242	5,931,032
Restricted for:			
Debt Repayment	273,637	-	273,637
Capital Outlay	2,465,993	-	2,465,993
Special Education	299,861	-	299,861
Proportionate Share of Net Pension Asset	325,262	10,726	335,988
Unrestricted	922,176	7,586	929,762
TOTAL NET POSITION	$ 10,131,719	$ 104,554	$ 10,236,273

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
GOVERNMENTAL ACTIVITIES							
Instruction	$ 2,414,430	$ -	$ 234,933	$ -	$ (2,179,497)	$ -	$ (2,179,497)
Support Services	1,813,166	5,632	7,181	-	(1,800,353)	-	(1,800,353)
Cocurricular Activities	378,066	26,822	-	-	(351,244)	-	(351,244)
Interest on Long-term Debt *	149,182	-	-	-	(149,182)	-	(149,182)
Total Governmental Activities	4,754,844	32,454	242,114	-	(4,480,276)	-	(4,480,276)
BUSINESS-TYPE ACTIVITIES							
Food Service	194,607	99,969	50,172	-	-	(44,466)	(44,466)
Total Primary Government	$ 4,949,451	$ 132,423	$ 292,286	$ -	-	(44,466)	(4,524,742)
		GENERAL REVENUES					
		Taxes:					
		Property Taxes			2,492,040	-	2,492,040
		Gross Receipts Taxes			114,841	-	114,841
		Revenue from State Sources:					
		State Aid			1,855,037	-	1,855,037
		Revenue from Federal Sources			7,549	-	7,549
		Revenue from Intermediate Sources			25,499	-	25,499
		Unrestricted Investment Earnings			122,633	-	122,633
		Other General Revenues			33,000	-	33,000
		Total General Revenues			4,650,599	-	4,650,599
		CHANGE IN NET POSITION			170,323	(44,466)	125,857
		NET POSITION - BEGINNING			9,961,396	149,020	10,110,416
		NET POSITION - ENDING			$ 10,131,719	$ 104,554	$ 10,236,273

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

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Balance Sheet - Governmental Funds
June 30, 2026

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 1,197,088	$ 1,777,478	$ 359,394	$ 326,597	$ 3,660,557
Certificates of Deposit	-	706,744	-	-	706,744
Taxes Receivable, Current	377,674	70,164	321,216	216,540	985,594
Taxes Receivable, Delinquent	3,022	696	808	848	5,374
Due from Other Governments	191,660	-	87,923	-	279,583
TOTAL ASSETS	$ 1,769,444	$ 2,555,082	$ 769,341	$ 543,985	$ 5,637,852
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 34,147	$ 893	$ 43,015	$ -	$ 78,055
Contracts Payable	204,328	-	19,794	-	224,122
Payroll Deductions and Employer Matching Payable	41,547	-	5,863	-	47,410
Total Liabilities	280,022	893	68,672	-	349,587
Deferred Inflows of Resources:					
Property Taxes Levied for Future Periods	408,914	87,500	400,000	269,500	1,165,914
Delinquent Taxes not Available	3,022	696	808	848	5,374
Total Deferred Inflows of Resources	411,936	88,196	400,808	270,348	1,171,288
Fund Balances:					
Restricted:					
For Retirement of Debt	-	-	-	273,637	273,637
For Capital Outlay	-	2,465,993	-	-	2,465,993
For Special Education	-	-	299,861	-	299,861
Unassigned	1,077,486	-	-	-	1,077,486
Total Fund Balances	1,077,486	2,465,993	299,861	273,637	4,116,977
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,769,444	$ 2,555,082	$ 769,341	$ 543,985	$ 5,637,852

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2026

Total Fund Balances - Governmental Funds	$	4,116,977
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.		11,458,396
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of:		
General Obligation Debt		(5,613,606)
Compensated Absences		(135,076)
Interest Payable		(25,608)
Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year-end consisted of:		
Property Taxes Receivable		5,374
Net pension asset reported in governmental activities is not an available financial resource and, therefore, are not reported in the governmental funds.		6,306
Pension-related deferred outflows are components of pension liability (asset) and changes are not reported in the governmental funds.		656,067
Pension-related deferred inflows are components of pension liability (asset) and changes are not reported in the governmental funds.		(337,111)
Net Position - Governmental Activities	$	10,131,719

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds
For the Year Ended June 30, 2026

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 939,018	$ 328,476	$ 667,581	$ 554,639	$ 2,489,714
Gross Receipts Taxes	114,841	-	-	-	114,841
Penalties and Interest on Taxes	1,853	761	940	951	4,505
Cocurricular Activities	26,822	-	-	-	26,822
Earnings on Deposits	34,743	72,811	9,442	5,637	122,633
Other Local Revenue	36,143	250	2,239	-	38,632
Total Revenue from Local Sources	1,153,420	402,298	680,202	561,227	2,797,147
Revenue from Intermediate Sources:					
County Sources	25,499	-	-	-	25,499
Revenue from State Sources:					
Unrestricted Grants-in-aid	1,855,037	-	-	-	1,855,037
Revenue from Federal Sources:					
Unrestricted Grants-in-aid	7,549	-	-	-	7,549
Restricted Grants-in-aid	154,191	-	87,923	-	242,114
Total Revenue from Federal Sources	161,740	-	87,923	-	249,663
Total Revenues	3,195,696	402,298	768,125	561,227	4,927,346

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds
For the Year Ended June 30, 2026

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
EXPENDITURES					
Instructional Services:					
Regular Programs	1,505,452	34,808	-	-	1,540,260
Special Programs	108,479	-	466,028	-	574,507
Total Instructional Services	1,613,931	34,808	466,028	-	2,114,767
Support Services:					
Pupils	75,029	-	121,654	-	196,683
Instructional Staff	64,768	73	-	-	64,841
General Administration	215,661	-	-	-	215,661
School Administration	254,262	-	-	-	254,262
Business	716,831	45,560	-	-	762,391
Central	5,888	-	-	-	5,888
Special Education	-	-	302,778	-	302,778
Total Support Services	1,332,439	45,633	424,432	-	1,802,504
Cocurricular Activities:					
Male Activities	71,018	-	-	-	71,018
Female Activities	55,504	-	-	-	55,504
Transportation	45,519	-	-	-	45,519
Combined Activities	135,269	10,778	-	-	146,047
Total Cocurricular Activities	307,310	10,778	-	-	318,088
Debt Service	-	-	-	548,510	548,510
Capital Outlay	-	133,772	-	-	133,772
Total Expenditures	3,253,680	224,991	890,460	548,510	4,917,641
NET CHANGE IN FUND BALANCES	(57,984)	177,307	(122,335)	12,717	9,705
FUND BALANCE - BEGINNING	1,135,470	2,288,686	422,196	260,920	4,107,272
FUND BALANCE - ENDING	$ 1,077,486	$ 2,465,993	$ 299,861	$ 273,637	$ 4,116,977

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2026

Net Change in Fund Balances - Total Governmental Funds	$	9,705
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		(321,676)
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."		(2,182)
Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		122,095
Governmental funds do not reflect the change in compensated absences, but the Statement of Activities reflects the change in these accruals through expenses.		(36,947)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term debt liabilities in the Statement of Net Position.		390,000
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		1,300
Amortization of premium on long-term debt is not an expense of the governmental funds but is included as a component of interest expense in the Statement of Activities.		8,028
Change in Net Position of Governmental Activities	$	170,323

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Net Position - Proprietary Fund
June 30, 2026

	Food Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 14,636
Accounts Receivable	7
Inventory	4,605
Total Current Assets	19,248
Noncurrent Assets:	
Net Pension Asset	208
Machinery and Equipment - Local Funds	220,193
Less Accumulated Depreciation	(133,951)
Total Noncurrent Assets	86,450
TOTAL ASSETS	105,698
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related Deferred Outflows	21,635
LIABILITIES	
Current Liabilities:	
Accounts Payable	131
Payroll Deductions and Employer Matching Payable	535
Unearned Revenue	8,966
Total Current Liabilities	9,632
Noncurrent Liabilities:	
Accrued Leave Payable	2,030
TOTAL LIABILITIES	11,662
DEFERRED INFLOWS OF RESOURCES	
Pension-related Deferred Inflows	11,117
NET POSITION	
Net Investment in Capital Assets	86,242
Proportionate Share of Net Pension Asset	10,726
Unrestricted	7,586
TOTAL NET POSITION	$ 104,554

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2026

	Food Service Fund
OPERATING REVENUE	
Sales to Pupils	$ 80,964
Sales to Adults	3,004
Sales a la Carte	11,470
Other Sales	4,531
Total Operating Revenue	99,969
OPERATING EXPENSES	
Salaries	62,112
Employee Benefits	18,040
Purchased Services	8,058
Cost of Sales - Purchased Food	83,029
Cost of Sales - Donated Food	8,083
Miscellaneous	361
Depreciation	13,718
Total Operating Expenses	193,401
OPERATING LOSS	(93,432)
NONCAPITAL SUBSIDIES	
State Sources:	
Cash Reimbursements	540
Federal Sources:	
Cash Reimbursements	43,237
Donated Food	6,395
Total Noncapital Subsidies	50,172
OPERATING LOSS AND NONCAPITAL SUBSIDIES	(43,260)
OTHER NONOPERATING EXPENSE	
Loss on Disposal of Capital Assets	(1,206)
CHANGE IN NET POSITION	(44,466)
NET ASSETS - BEGINNING	149,020
NET POSITION - ENDING	$ 104,554

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2026

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 101,026
Payments to Suppliers	(91,534)
Payments to Employees	(88,332)
Net Cash Used by Operating Activities	(78,840)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies	42,904
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,936)
CASH AND CASH EQUIVALENTS - BEGINNING	50,572
CASH AND CASH EQUIVALENTS - ENDING	$ 14,636
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (93,432)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	13,718
Cost of Sales - Donated Food	8,083
Change in Assets and Liabilities:	
Inventory	(217)
Accounts Receivable	1,593
Unearned Revenue	(536)
Accounts Payable	131
Pension Activity	(3,732)
Accrued Leave Payable	(320)
Contracts Payable	(3,380)
Payroll Deductions and Employer Matching Payable	(748)
NET CASH USED BY OPERATING ACTIVITIES	$ (78,840)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of Commodities Received	$ 6,395

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Net Position - Fiduciary Funds
June 30, 2026

	Custodial Funds	Private-Purpose Trust Funds
ASSETS		
Cash and Cash Equivalents	$ 226,614	$ -
Certificates of Deposit	7,865	143,511
Investments in Assets Held by Others	-	114,076
TOTAL ASSETS	$ 234,479	$ 257,587
NET POSITION		
Restricted for:		
Individuals, Organizations, and Other Governments	$ 234,479	$ 257,587

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Statement of Changes in Net Position - Fiduciary Funds
June 30, 2026

	Custodial Funds	Private-Purpose Trust Funds
ADDITIONS		
Private Donations	$ 322,280	$ -
Interest Earnings	-	23,105
Total Additions	322,280	23,105
DEDUCTIONS		
Payments for Student Activities	293,673	-
Payments for Scholarships	-	9,010
Total Deductions	293,673	9,010
CHANGE IN NET POSITION	28,607	14,095
NET POSITION - BEGINNING	205,872	243,492
NET POSITION - ENDING	$ 234,479	$ 257,587

The accompanying notes are an integral part of this statement.

Haakon School District No. 27-1
Notes to the Financial Statements
June 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of Haakon County School District No. 27-1 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); 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 District's financial statements to be misleading or incomplete.

The District is a public education agency operating under the applicable laws and regulations of the State of South Dakota. It is governed by a seven-member Board of Education (the Board) elected by registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has accountability for fiscal matters. There are no component units included within the reporting entity.

The District participates in a cooperative service unit with several other school districts. See detailed Note 11 entitled "Joint Venture" 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 District.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

The statements distinguish between the governmental and business-type activities of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or 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 District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or a particular 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

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 District or if it meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 year to year or because of public interest in the fund's operations.

The funds of the District are described below within their respective fund types:

Governmental Funds:

General Fund - The General Fund was established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of the District, excluding 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. The District's special revenue funds are as follows:

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures that 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 and 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 primarily by property taxes and state and federal grants. This is a major fund.

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

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

NOTE 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 or 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).

The District's only enterprise fund is as follows:

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.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-purpose Trust Funds - Private-purpose trust funds are used to account for all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains several Scholarship Funds. The purpose of these funds is to provide scholarships to qualifying students.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fund types.

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 will 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 District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

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. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

All proprietary funds 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. CASH AND CASH EQUIVALENTS

For the purpose of preparing the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

E. INVENTORY

Inventory is valued at the lower of cost or net realizable value. The cost valuation method is first-in, first-out for enterprise fund inventories.

Donated commodities are valued at the estimated market value based on the USDA price list at the date of receipt.

In the government-wide financial statements and in the enterprise fund, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the governmental funds, the cost of inventory purchased is recorded as an expenditure at the time inventory items are consumed. As of June 30, 2026, there was no inventory reported in governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. RESTRICTED ASSETS

The District has reported restricted assets in the Statement of Net Position. The amounts reported as restricted for net pension asset represent the District's proportionate share of the net pension asset of the South Dakota Retirement System.

G. CAPITAL ASSETS

Capital assets include land, buildings, improvements, 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 of 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.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 financial statements.

Government-wide Financial Statements:

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

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
Land	$ 1,000	----------
Buildings	5,000	50 yrs
Improvements	5,000	20 yrs
Equipment (government-wide)	5,000	5-15 yrs
Equipment (proprietary funds)	1,000	5-15 yrs
Intangible lease assets	30,000	5-15 yrs
Intangible subscription assets	30,000	5-15 yrs

Depreciation/amortization expense is calculated using the straight-line and composite methods. All depreciation/amortization of exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position. Land is an inexhaustible capital asset and is not depreciated or amortized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. LONG-TERM LIABILITIES

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

Government-wide Financial Statements:

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of compensated absences and bonds payable.

Compensated Absences - Accrued leave payable is accounted for using the methods described below related to long-term liabilities. Vacation leave is earned by 12-month employees at varying rates depending on years of service. Sick leave is earned by the employees based on their contracts. Upon termination, employees are entitled to receive compensation for their accrued vacation. Employees who are retiring at 55 years of age or older and have worked for the District for 15 consecutive years or more will be reimbursed $50 for each accumulated unused sick leave day up to 50 days for certified staff and $6.25 per hour up to 400 hours for classified employees. Accrued leave payable balances, which require an accrual in the financial statements, are reported in Note 5 as compensated absences. Compensated absences for governmental activities typically have been liquidated from the fund from which the employee is paid.

Fund Financial Statements:

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

I. LEASES

Lessee

The District may be a lessee for a noncancellable lease of property. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $30,000 or more. As of June 30, 2026, the District was not a lessee of a noncancellable lease.

At the commencement of a lease, the 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 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 District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Lessor

The District may be a lessor for a noncancellable lease of property, though as of June 30, 2026, the District was not a lessor of a noncancellable lease.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

J. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District may enter into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. The District recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements. The District recognizes subscription liabilities with arrangements over a year in length and with an initial, individual value of $30,000 or more. As of June 30, 2026, the District has not recorded any SBITAs.

At the commencement of a subscription, the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key estimates and judgments related to subscriptions include how the 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 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 District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the non-cancellable 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 District is reasonably certain to exercise.

The 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.

Subscriptions are reported with other capital assets and subscription liabilities are reported with long-term debt on the Statement of Net Position.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The only deferred outflow of resources reported is a deferred amount arising from the District's pension plan for qualified retirees as discussed in Note 8.

The District's governmental funds report a separate section for deferred inflows of resources. This section reflects a decrease in net position that applies to a future period or periods. Under the modified accrual basis of accounting, governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the District's fiscal year). The District reports the following as deferred inflows of resources in the governmental funds: property taxes levied but not collected within the available period and property taxes that are intended to finance the next fiscal year. In the government-wide financial statements, the District reports deferred inflows of resources for property taxes levied for a future period. The District reports deferred inflows of resources related to the District's pension plan for qualified retirees in the government-wide and proprietary fund statements of net position.

L. NET POSITION AND FUND BALANCE

Government-wide Financial Statements

Equity on the Statement of Net Position includes the following three components:

Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization (if applicable) and reduced by the outstanding balances of capital outlay certificates or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on its 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.

Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes where both restricted and unrestricted net position are available.

Fund Financial Statements

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

Nonspendable - Includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Includes fund balance amounts in which constraints are placed on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the Board and do not lapse at year-end.

Assigned - Includes fund balance amounts that are constrained by the District's intent to be used for specific purposes but are not considered restricted or committed. The Board and management have the authority to assign fund balances.

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 District uses restricted amounts first when both restricted and unrestricted fund balances are 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 then unassigned amounts of unrestricted fund balance when expenditures are made.

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

Proprietary net position is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted net position.

M. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

In the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position, 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.

N. PROGRAM REVENUES

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

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.

Program-specific Operating Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program-specific Capital Grants and Contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

O. UNEARNED REVENUE

The proprietary fund reports meal tickets that have been purchased but not yet redeemed as unearned revenue.

P. PENSIONS

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

Q. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), for the year ended June 30, 2026. GASB 103 is intended to improve key components of the financial reporting model to provide information that is more useful for decision-making and assessing government accountability.

The adoption of GASB 103 resulted in a revised MD&A structure, reclassification of certain items in the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund, and changes in presentation and disclosure in the budgetary comparison schedules and related Notes to the Required Supplementary Information. The implementation did not have a material effect on the beginning net position or fund balance of the District.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. The General, Capital Outlay, Special Education, and Debt Redemption funds participate in the internal cash pool. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits - The 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 that 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 district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices. As of June 30, 2026, the following investments were held with the South Dakota Community Foundation for scholarships (Note 9):

Investment	Credit	Level	Total	Amount Due in Less Than One Year
Interest in Assets Held by Others	N/A	NAV	$ 114,076	$ -

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interest in assets held by others includes assets the District transferred to the South Dakota Community Foundation. These assets are invested in various asset classes. The SDCF allocates an amount each year that can be distributed for scholarships.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

Custodial Credit Risk - Investments - The risk that, in the event of the counterparty to a transaction, the District will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk - The District places no limit on the amount that may be deposited with any one financial institution. The District's deposits are with one financial institution; the District's deposits were not exposed to credit risk, as all deposits were fully collateralized by pledged securities.

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

Assignment of Investment Income - The District's policy is to report investments at cost plus interest and credit all income from investments and deposits to the fund making the investment.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments included in the fund financial statements consisted of $216,381 due from the South Dakota Department of Education and $63,202 due from Haakon and Jackson Counties, at June 30, 2026.

NOTE 4 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2026 is as follows:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 26,020	$ -	$ -	$ 26,020
Capital Assets Being Depreciated:				
Buildings	14,404,942	-	-	14,404,942
Improvements	1,116,941	38,934	-	1,155,875
Equipment	2,026,817	94,839	(55,629)	2,066,027
Total Capital Assets Being Depreciated	17,548,700	133,773	(55,629)	17,626,844
Less Accumulated Depreciation for:				
Buildings	4,858,834	235,243	-	5,094,077
Improvements	186,589	33,778	-	220,367
Equipment	749,222	186,431	(55,629)	880,024
Total Accumulated Depreciation	5,794,645	455,452	(55,629)	6,194,468
Total Capital Assets Being Depreciated, Net	11,754,055	(321,679)	-	11,432,376
Net Capital Assets	$ 11,780,075	$ (321,679)	$ -	$ 11,458,396
Business-type Activities:				
Equipment	$ 222,454	$ -	$ (2,261)	$ 220,193
Less Accumulated Depreciation	121,288	13,718	(1,055)	133,951
Net Capital Assets	$ 101,166	$ (13,718)	$ (1,206)	$ 86,242

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 299,663
Support Services	91,231
Cocurricular Activities	64,558
	$ 455,452

Depreciation expense for the business-type activities was charged to the Food Service Fund.

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2026:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026	Amounts Due Within 1 Year
Governmental Activities:					
General Obligation Debt:					
Series 2016 Bond Premium	$ 91,634	$ -	$ 8,028	$ 83,606	$ -
Series 2016 Bond	5,920,000	-	390,000	5,530,000	400,000
Other Liabilities:					
Compensated Absences	98,129	36,947	-	135,076	-
Total Governmental Activities	6,109,763	36,947	398,028	5,748,682	400,000
Business-type Activities:					
Other Liabilities:					
Compensated Absences	2,350	-	320	2,030	-
Total Long-term Liabilities	$ 6,112,113	$ 36,947	$ 398,348	$ 5,750,712	$ 400,000

Series 2016 Bonds, interest varying between 1-3%, due in semi-annual installments until maturity on 12/01/2037	$ 5,530,000
Series 2016 Bond Premiums, amortized over 20 years	83,606
	$ 5,613,606

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2026, excluding compensated absences, are as follows:

Year Ending June 30,	General Obligation Debt Principal	Interest	Totals
2027	$ 400,000	$ 149,650	$ 549,650
2028	410,000	141,550	551,550
2029	415,000	133,300	548,300
2030	425,000	122,775	547,775
2031	435,000	109,875	544,875
2032-2036	2,390,000	341,550	2,731,550
2037-2038	1,055,000	31,875	1,086,875
	$ 5,530,000	$ 1,030,575	$ 6,560,575

Compensated absence payments are made from the fund to which the payroll expenditures are charged.

NOTE 6 - RESTRICTED NET POSITION

The following table shows restricted net position as shown on the Statement of Net Position:

Purpose	Restricted By	
Capital Outlay	Law	$ 2,465,993
Special Education	Law	299,861
Debt Repayment	Debt Covenants	273,637
Proportionate Share of Net Pension Asset	Law	335,988
		$ 3,375,479

NOTE 7 - PROPERTY TAX

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

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 are not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

State statute allows the General Fund tax rates to be increased by special election of the voters.

NOTE 8 - PENSION PLAN

Plan Information

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

Benefits Provided

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

NOTE 8 - PENSION PLAN (CONTINUED)

Members who were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation judicial 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% joint survivor benefit when the member dies.

Members who 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% joint and survivor benefit, or a 100% joint and survivor benefit. All Generational retirements 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater 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 than or equal to the accrued liabilities.

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

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

NOTE 8 - PENSION PLAN (CONTINUED)

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2026, 2025, and 2024 was $132,202, $136,722, and $122,887, respectively, equal to the required contributions each year.

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

At June 30, 2025, SDRS is 100.06% funded and accordingly has a net pension liability (asset). The proportionate share of the components of the net pension liability (asset) of the South Dakota Retirement System, for the District as of the measurement period ending June 30, 2025 and reported by the District as of June 30, 2026 is as follows:

Proportionate Share of Pension Liability	$ 11,689,636
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	11,696,150
Proportionate Share of Net Pension Liability (Asset)	$ (6,514)

At June 30, 2026, the District reported a liability (asset) of $(6,514) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the District's proportion was 0.0765880% which is an increase of 0.0035930% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the District recognized pension expense (reduction of pension expense) of $(125,827). At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 223,019	$ -
Changes in Assumption	-	345,766
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	317,378	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	5,103	2,462
District Contributions Subsequent to the Measurement Date	132,202	-
	$ 677,702	$ 348,228

NOTE 8 - PENSION PLAN (CONTINUED)

$132,202 reported as deferred outflow of resources related to pensions resulting from 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, 2027. 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,	
2027	$ 152,533
2028	17,465
2029	10,094
2030	17,180
2031	-
Thereafter	-
	$ 197,272

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.56%

Mortality Rates

All mortality rates are 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

NOTE 8 - 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, 2025 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, 2025 (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%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
	100.0%	

Discount Rate

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

NOTE 8 - PENSION PLAN (CONTINUED)

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability (Asset)	$ 1,596,424	$ (6,514)	$ (1,319,704)

Pension Plan Fiduciary Net Position

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

NOTE 9 - INVESTMENTS IN ASSETS HELD BY OTHERS

The District has unconditional rights to assets held by the South Dakota Community Foundation (Community Foundation). The value of investments held by the Community Foundation on the District's behalf was $114,076 as of the year ended June 30, 2026. The interest in the Community Foundation is reported at fair market value each year. Assets held by the Community Foundation are used to pay scholarships and are reported as an asset of the fiduciary funds.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2026, the District managed its risks as follows:

Employee Health Insurance

The District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits

The District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. Unemployment claims, if any, are intended to be paid from current-year appropriations, normally from the General Fund.

Claims are billed by the state quarterly. During the year ended June 30, 2026, no claims had been filed for unemployment benefits, and none deemed to be material are anticipated in the next fiscal year.

Liability Insurance

The District purchases liability insurance for risks related to torts; theft or damage to property; and errors or 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.

NOTE 10 - RISK MANAGEMENT (CONTINUED)

Worker's Compensation

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

The District pays an annual premium, to provide worker's compensation coverage for its employees under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool members. The District may also be responsible for additional assessments in the event the Pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based on each participant's percentage of contributions in relation to the total contributions to the Pool of all participants for the year in which the shortfall occurs. The Pool provides loss coverage to all participants through pool retained risk retention and insurance coverage purchased by the Pool in excess of the retained risk. The Pool pays the first $500,000 of any claim per individual. The Pool has reinsurance which covers up to $1,000,000 per individual, per incident. There was no additional assessment charged to Pool members for the year ended June 30, 2026.

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

NOTE 11 - JOINT VENTURE

The District participates in the Black Hills Special Services Cooperative (the Co-op), a cooperative service unit formed for the purpose of providing special education and other services to the member school districts.

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

Belle Fourche School District	8.33%
Custer School District	8.33%
Douglas School District	8.33%
Edgemont School District	8.33%
Haakon School District	8.33%
Hill City School District	8.33%
Hot Springs School District	8.33%
Lead/Deadwood School District	8.33%
Meade School District	8.33%
Oelrichs School District	8.33%
Rapid City School District	8.33%
Spearfish School District	8.33%

The Co-op's governing board is comprised of one representative, a School Board member, 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.

NOTE 11 - JOINT VENTURE (CONTINUED)

The 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 (unaudited) may be obtained by writing to BHSSC, PO Box 218, Sturgis, SD 57785. At June 30, 2026, this joint venture had assets of $9,077,918, liabilities and deferred inflows of $1,814,581, and net position of $7,263,337.

The District paid $13,729 for the contract for services with the Co-op during the year ended June 30, 2026.

NOTE 12 - CONCENTRATIONS

The District is dependent upon property taxes, program revenues, and operating revenues from the State of South Dakota for its primary existence.

NOTE 13 - SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

Haakon School District No. 27-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance Positive (Negative) Original to Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative) Actual to Final Budget
REVENUE					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 926,200	$ 926,200	$ -	$ 939,018	$ 12,818
Gross Receipts Taxes	114,000	114,000	-	114,841	841
Penalties and Interest on Taxes	1,300	1,300	-	1,853	553
Cocurricular Activities	28,500	28,500	-	26,822	(1,678)
Earnings on Deposits	35,000	35,000	-	34,743	(257)
Other Local Revenue	26,888	26,888	-	36,143	9,255
Total Revenue from Local Sources	1,131,888	1,131,888	-	1,153,420	21,532
Revenue from Intermediate Sources:					
County Sources	17,047	17,047	-	25,499	8,452
Revenue from State Sources:					
Unrestricted Grants-in-aid	1,844,452	1,844,452	-	1,855,037	10,585
Revenue from Federal Sources:					
Unrestricted Grants-in-aid	7,589	7,589	-	7,549	(40)
Restricted Grants-in-aid	169,889	169,889	-	154,191	(15,698)
Total Revenue from Federal Sources	177,478	177,478	-	161,740	(15,738)
TOTAL REVENUE	3,170,865	3,170,865	-	3,195,696	24,831

See independent auditor's report and notes to the supplementary information.

Haakon School District No. 27-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis (Continued)
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance Positive (Negative) Original to Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative) Actual to Final Budget
EXPENDITURES					
Instructional Services:					
Regular Programs	1,564,790	1,564,790	-	1,505,452	59,338
Special Programs	110,853	110,853	-	108,479	2,374
Total Instructional Services	1,675,643	1,675,643	-	1,613,931	61,712
Support Services:					
Pupils	75,394	75,394	-	75,029	365
Instructional Staff	55,113	55,113	-	64,768	(9,655)
General Administration	205,041	205,041	-	215,661	(10,620)
School Administration	250,309	250,309	-	254,262	(3,953)
Business	799,045	799,045	-	716,831	82,214
Central	3,800	3,800	-	5,888	(2,088)
Total Support Services	1,388,702	1,388,702	-	1,332,439	56,263
Cocurricular Activities:					
Male Activities	76,412	76,412	-	71,018	5,394
Female Activities	54,903	54,903	-	55,504	(601)
Transportation	41,835	41,835	-	45,519	(3,684)
Combined Activities	119,369	119,369	-	135,269	(15,900)
Total Cocurricular Activities	292,519	292,519	-	307,310	(14,791)
TOTAL EXPENDITURES	3,356,864	3,356,864	-	3,253,680	103,184
EXCESS OF REVENUE UNDER EXPENDITURES	(185,999)	(185,999)	-	(57,984)	128,015
OTHER FINANCING USES					
Contingency	(30,000)	(30,000)	-	-	(30,000)
Transfers Out	(16,710)	(16,710)	-	-	(16,710)
TOTAL OTHER FINANCING USES	(46,710)	(46,710)	-	-	(46,710)
NET CHANGE IN FUND BALANCES	(139,289)	(139,289)	-	(57,984)	81,305
FUND BALANCE - BEGINNING	1,135,470	1,135,470	-	1,135,470	-
FUND BALANCE - ENDING	$ 996,181	$ 996,181	$ -	$ 1,077,486	$ 81,305

See independent auditor's report and notes to the supplementary information.

Haakon School District No. 27-1
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance Positive (Negative) Original to Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative) Actual to Final Budget
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 179,750	$ 179,750	$ -	$ 328,476	$ 148,726
Penalties and Interest on Taxes	700	700	-	761	61
Earnings on Deposits	60,000	60,000	-	72,811	12,811
Other Local Revenue	-	-	-	250	250
TOTAL REVENUES	240,450	240,450	-	402,298	161,848
EXPENDITURES					
Instructional Services:					
Regular Programs	127,425	127,425	-	91,766	35,659
Support Services:					
Instructional Staff	8,500	8,500	-	12,519	(4,019)
General Administration	1,000	1,000	-	-	1,000
School Administration	2,000	2,000	-	-	2,000
Business	188,160	188,160	-	98,939	89,221
Total Support Services	199,660	199,660	-	111,458	88,202
Cocurricular Activities:					
Combined Activities	28,500	28,500	-	21,767	6,733
TOTAL EXPENDITURES	355,585	355,585	-	224,991	130,594
NET CHANGE IN FUND BALANCES	(115,135)	(115,135)	-	177,307	292,442
FUND BALANCE - BEGINNING	2,288,686	2,288,686	-	2,288,686	-
FUND BALANCE - ENDING	$ 2,173,551	$ 2,173,551	$ -	$ 2,465,993	$ 292,442

See independent auditor's report and notes to the supplementary information.

Haakon School District No. 27-1
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance Positive (Negative) Original to Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative) Actual to Final Budget
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 804,600	$ 804,600	$ -	$ 667,581	$ (137,019)
Penalties and Interest on Taxes	800	800	-	940	140
Earnings on Deposits	16,000	16,000	-	9,442	(6,558)
Other Local Revenue	700	700	-	2,239	1,539
Total Revenue from Local Sources	822,100	822,100	-	680,202	(141,898)
Revenue from Federal Sources:					
Restricted Grants-in-aid	80,000	80,000	-	87,923	7,923
TOTAL REVENUE	902,100	902,100	-	768,125	(133,975)
EXPENDITURES					
Instructional Services:					
Special Programs	841,786	841,786	-	466,028	375,758
Support Services:					
Pupils	147,381	147,381	-	121,654	25,727
Business	20,000	20,000	-	-	20,000
Special Education	17,782	17,782	-	302,778	(284,996)
Total Support Services	185,163	185,163	-	424,432	(239,269)
TOTAL EXPENDITURES	1,026,949	1,026,949	-	890,460	136,489
NET CHANGE IN FUND BALANCES	(124,849)	(124,849)	-	(122,335)	2,514
FUND BALANCE - BEGINNING	422,196	422,196	-	422,196	-
FUND BALANCE - ENDING	$ 297,347	$ 297,347	$ -	$ 299,861	$ 2,514

See independent auditor's report and notes to the supplementary information.

Haakon School District No. 27-1
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

Year*	District's Proportion of Net Pension Liability/Asset	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered Payroll (b)	District's Proportionate Share of Net Pension Liability/Asset as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of its Total Pension Liability/Asset
2026	.0765880%	$ (6,514)	$ 2,278,702	0.29%	100.06%
2025	.0729950%	$ (2,954)	$ 2,048,229	0.14%	100.03%
2024	.0763360%	$ (7,450)	$ 1,968,947	0.38%	100.07%
2023	.0782270%	$ (7,393)	$ 1,867,893	0.40%	100.10%
2022	.0793580%	$ (607,747)	$ 1,800,888	33.75%	105.52%
2021	.0811603%	$ (3,525)	$ 1,781,222	0.20%	100.04%
2020	.0844837%	$ (8,953)	$ 1,796,298	0.50%	100.09%
2019	.0855146%	$ (1,994)	$ 1,777,758	0.11%	100.02%
2018	.0906030%	$ (8,222)	$ 1,840,867	0.45%	100.08%
2017	.0793539%	$ 268,050	$ 1,508,912	-17.76%	96.89%

See independent auditor's report and notes to the supplementary information..

Haakon School District No. 27-1
Schedule of Pension Contributions
South Dakota Retirement System

Year*	District's Proportion of Net Pension Liability/Asset	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered Payroll (b)	District's Proportionate Share of Net Pension Liability/Asset as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of its Total Pension Liability/Asset
2026	.0765880%	$ (6,514)	$ 2,278,702	0.29%	100.06%
2025	.0729950%	$ (2,954)	$ 2,048,229	0.14%	100.03%
2024	.0763360%	$ (7,450)	$ 1,968,947	0.38%	100.07%
2023	.0782270%	$ (7,393)	$ 1,867,893	0.40%	100.10%
2022	.0793580%	$ (607,747)	$ 1,800,888	33.75%	105.52%
2021	.0811603%	$ (3,525)	$ 1,781,222	0.20%	100.04%
2020	.0844837%	$ (8,953)	$ 1,796,298	0.50%	100.09%
2019	.0855146%	$ (1,994)	$ 1,777,758	0.11%	100.02%
2018	.0906030%	$ (8,222)	$ 1,840,867	0.45%	100.08%
2017	.0793539%	$ 268,050	$ 1,508,912	-17.76%	96.89%

See independent auditor’s report and notes to the supplementary information..

Haakon School District No. 27-1
Notes to the Supplementary Information
June 30, 2026

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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.
2. The proposed budget is considered by the School Board at the first regular meeting held in May of each year.
3. The proposed budget is published for public review no later than July 15 of each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the School Board, the operating budget is legally binding, and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and major special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Haakon School District No. 27-1
Notes to the Supplementary Information
June 30, 2026

NOTE 3 - ACTUAL BUDGET RESULTS

	General Fund	Capital Outlay Fund	Special Education Fund
BUDGETARY REVENUES			
Differences - Final Budget to Actual:			
The budgeted amount for ad valorem taxes is the levy approved by the Board. The actual amount is half of this levy and half of the 2024 levy payable in 2025. This causes the actual amount to be over (under) the final budgeted amount.	$ -	$ 148,726	$ (137,019)
Actual amounts of interest earned exceeded budgeted amounts as the District saw higher interest rates than expected and an increase in cash balances accruing interest.	-	12,811	-
BUDGETARY EXPENDITURES			
Differences - Final Budget to Actual:			
The actual regular program expenses were under the final budget due to the District not needing as many substitute teachers as expected and using ESSER III funding in the prior year to stock up on supplies, reducing the amount of supplies purchased in the current year.	(59,338)	-	-
The actual business expenses were under the final budget due to fewer custodians, reducing salaries expense and related payroll expenses. The property insurance expense was also lower than budgeted.	(82,214)	-	-
The actual regular program expenses were under the final budget due to fewer textbooks and equipment purchased than District planned.	-	(35,659)	-
The actual business expenses were under the final budget due to fewer projects and updates needed at various locations than the District planned.	-	(89,221)	-

See independent auditor's report.

NOTE 3 - ACTUAL BUDGET RESULTS (CONTINUED)

	General Fund	Capital Outlay Fund	Special Education Fund
The actual combined activities expenses were under the final budget due to no music equipment needing to be replaced in the current year as anticipated.	-	(6,733)	-
The actual special programs expenses were lower than budgeted due to severe need students tuition and board being significantly lower due to students going to residential programs.	-	-	(375,758)
The actual pupils expenses were lower than budgeted due to a lower demand for counseling than anticipated.	-	-	(25,727)
The budget was made for anticipated needs; however, no expenses occurred for the business expenses.	-	-	(20,000)
The actual special education expenses were higher than budgeted due to several severe need students being admitted to residential programs.	-	-	284,996

NOTE 4 - PENSION PLAN

Changes from Prior Valuation

The June 30, 2025 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024 Actuarial Valuation.

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

Benefit Provision Changes

During the 2025 Legislative Session, no significant SDRS benefit changes were made.

Actuarial Method Changes

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

Actuarial Assumption Changes

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

NOTE 4 - PENSION PLAN (CONTINUED)

As of June 30, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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.