HARDING COUNTY
SCHOOL DISTRICT NO. 31-1

Financial Statements

June 30, 2026

CASEY • PETERSON

Harding County School District No. 31-1
School District Officials
June 30, 2026

BOARD MEMBERS

President - Billy Clanton
Vice President - Taz Olson
Dillon Lermeny
Tawni Cordell
Clint Doll

SUPERINTENDENT

Josh Page

BUSINESS MANAGER

Elizabeth Henderson

Harding County School District No. 31-1
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June 30, 2026

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

School Board
Harding County School District No. 31-1
Buffalo, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harding County School District No. 31-1 (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 October 8, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 did not disclose any noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Harding County School District No. 31-1'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 Response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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
October 8, 2026

Harding County School District No. 31-1
Schedule of Findings and Management's Response (Unaudited)
June 30, 2026

Material Weakness
Internal Control over Financial Reporting
Segregation of Duties

2026-001 *Condition:* There is a lack of segregation of duties related to the cash receipts and payroll disbursement cycles and property and equipment reconciliations - both governmental and business-type. We specifically noted the following:

- The Business Manager performs most of the functions related to the cash receipts cycle, including opening mail at times, posting receipts to the general ledger, preparing the deposit slip, performing reconciliations, and posting journal entries.
- The Business Manager performs most of the functions related to calculating and disbursing payroll checks, including reviewing timesheets, posting payroll expenses to the general ledger, and approving the disbursement of funds with little to no oversight.

Criteria: A strong system of internal control over accounting functions allows for the segregation of responsibilities among various personnel.

Cause: These conditions are not uncommon for small school districts. The cause of this condition is related to the limited number of staff in the Business Office and the lack of involvement of other District employees in the finance function of the District.

Effect: The possibility of fraud or error occurring and not being detected or corrected is present.

Auditor's Recommendation: The Business Manager should refrain from handling cash. The Administrative Assistant should open all mail and create a mail log of all cash receipts received. Receipts may then be forwarded to the Business Manager to prepare the deposit slip and post cash receipts to the general ledger. The deposits should be forwarded to a third employee to take the deposit to the bank. All balance sheet accounts should be reconciled and reviewed monthly. The Superintendent should review payroll reports generated from the accounting software against the bank statement as well as review the general ledger to verify expenses were properly coded. Reconciliations should be performed after each payroll cycle.

Management's Response: The Business Manager is in agreement with the recommendation and will have the Administrative Assistant open the mail and create logs of cash receipts. The Business Manager will then review the log and prepare the deposit slip, which will be taken to the bank by another employee. The Superintendent will review payroll reports and compare them to the bank statements on a monthly basis and will review the general ledger for proper coding of expenses.

Responsible Parties: Business Manager and Superintendent

Time Frame: Ongoing

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Independent Auditor's Report

School Board
Harding County School District No. 31-1
Buffalo, 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 Harding County School District No. 31-1 (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

The District's 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Management's Discussion and Analysis, the budgetary comparison information, Schedule of Changes in Total OPEB Liability and Related Ratios, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Required 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 October 8, 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, 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 the District's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
October 8, 2026

Harding County School District No. 31-1
Management's Discussion and Analysis (Unaudited)
June 30, 2026

The purpose of Management's Discussion and Analysis (MD&A) is to help Harding County School District No. 31-1's (the 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 parts of the report, accompanied by explanations from the District regarding the District's finances.

If you have questions about this report or require further information, contact the Harding County School District Business Office, 12474 Tipperary Street, Buffalo, SD 57720.

FINANCIAL HIGHLIGHTS

- During FY 25-26, the District's revenues generated from taxes and other revenues of the governmental and business-type programs were $606,882 more than the $4,866,820 governmental and business-type program expenditures.
- In FY 25-26, the total costs of the District's programs increased from the prior year by 0.23%, which was primarily due to overall costs increasing.
- The General Fund reported a $66,455 increase in fund balance in FY 25-26.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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.
- The remaining statements are fund financial statements that focus on individual parts of the District, 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 scholarship plans 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 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 Harding County 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 business, 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 Fund 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 outflows and inflows	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included, deferred outflows and inflows included	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred outflows and inflows	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 year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the 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, School Board, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.), and capital equipment purchases. Property taxes, state grants, federal grants, and interest earnings finance most of these activities.

Business-type Activities - The 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 Bond Redemption Fund).

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 have provided 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 separate statements of net position and changes in net position. 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 like property and equipment.
- *Liabilities:* Amounts the District owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt
- *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 governmental 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 projects.

ANALYSIS OF THE DISTRICT'S FINANCES

Net Position

The District's combined net position increased as follows:

Table A-1
Harding County School District No. 31-1
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage
	2026	2025	2026	2025	2026	2025	Change
Current and Other Assets	$ 10,484,864	$ 9,940,159	$ 20,584	$ 25,713	$ 10,505,448	$ 9,965,872	5.41%
Capital Assets (Net of Depreciation)	8,325,044	8,459,533	23,390	6,596	8,348,434	8,466,129	-1.39%
Total Assets	18,809,908	18,399,692	43,974	32,309	18,853,882	18,432,001	2.29%
Deferred Outflows of Resources	692,689	657,036	22,339	20,453	715,028	677,489	5.54%
Long-term Liabilities Outstanding	6,612,299	6,906,833	12,594	17,165	6,624,893	6,923,998	-4.32%
Other Liabilities	347,065	299,432	11,518	15,175	358,583	314,607	13.98%
Total Liabilities	6,959,364	7,206,265	24,112	32,340	6,983,476	7,238,605	-3.52%
Taxes Levied for Future Periods	1,446,886	1,118,321	-	-	1,446,886	1,118,321	29.38%
OPEB-related	198,603	9,841	6,268	232	204,871	10,073	1933.86%
Pension-related	275,933	152,819	8,948	3,660	284,881	156,479	82.06%
Deferred Inflows of Resources	1,921,422	1,816,181	15,216	12,790	1,936,638	1,828,971	5.89%
Net Investment in Capital Assets	2,119,721	1,973,608	23,390	6,596	2,143,111	1,980,204	8.23%
Restricted	8,522,148	8,053,973	9,080	5,612	8,531,228	8,059,585	5.85%
Unrestricted	(20,058)	6,701	(5,485)	(4,576)	(25,543)	2,125	-1302.02%
Total Net Position	10,621,811	10,034,282	26,985	7,632	10,648,796	10,041,914	6.04%
Beginning Net Position	10,034,282	9,443,647	7,632	9,346	10,041,914	9,452,993	
Increase (Decrease) in Net Position	$ 587,529	$ 590,635	$ 19,353	$ (1,714)	$ 606,882	$ 588,921	3.05%
Percentage Increase (Decrease) in Net Position	5.86%	6.25%	253.58%	-18.34%	6.04%	6.23%	

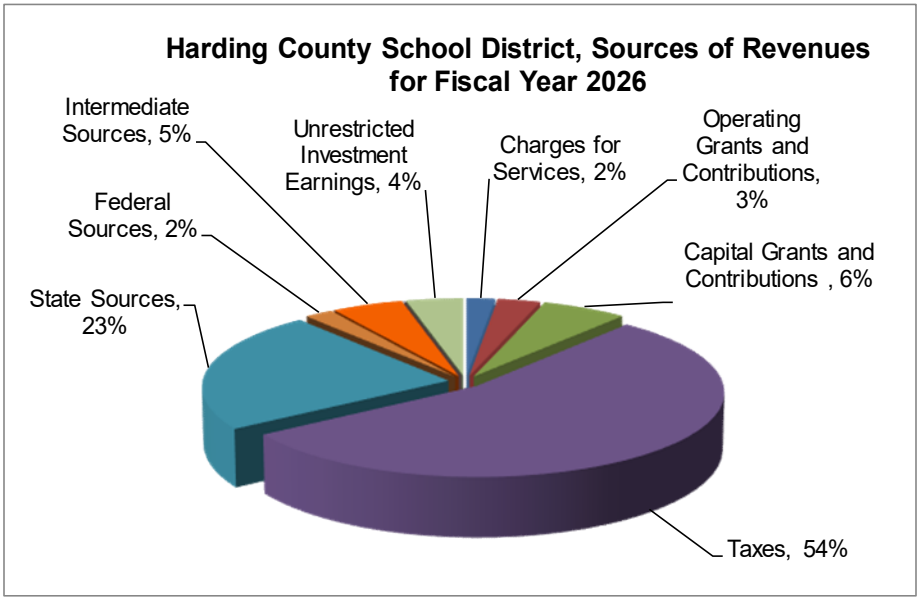
The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two 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 qualified school construction bonds, Series 2019 certificates, compensated absence liability, leases, a state energy loan, a Freightliner bus loan, and an OPEB liability, 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. Deferred outflows of resources represent future outflows of resources that will be used to pay expenses in a future budget year. Deferred inflows of resources represent future inflows of resources that will be used to fund a future budget year.

Changes in Net Position

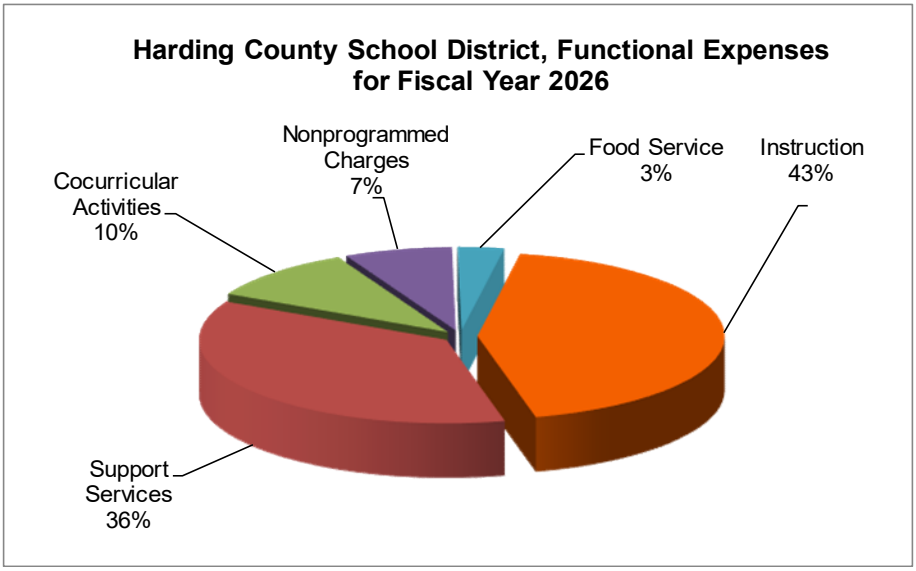
The District's revenues totaled $5,476,677 (See Table A-2). Approximately 55% of the District's revenue comes from property and other taxes, while approximately 23% comes from state sources. (See Figure A-2).

Figure A-2



The total cost of all programs and services increased from the prior year. The District's expenses cover a range of services, encompassing instruction, support services, co-curricular 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
Harding County School District No. 31-1
Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percetage Change
	2026	2025	2026	2025	2026	2025	
Revenues							
Program Revenues:							
Charges for Services	$ 20,408	$ 21,613	$ 72,776	$ 62,264	$ 93,184	$ 83,877	11.10%
Operating Grants and Contributions	103,951	150,318	48,445	43,663	152,396	193,981	-21.44%
Capital Grants and Contributions	309,325	325,679	19,131	-	328,456	325,679	0.85%
General Revenues:							
Taxes	2,990,410	3,130,149	-	-	2,990,410	3,130,149	-4.46%
Revenue State Sources	1,268,414	1,075,379	-	-	1,268,414	1,075,379	17.95%
Revenue Federal Sources	115,888	48,301	-	-	115,888	48,301	139.93%
Revenue Intermediate Sources	290,109	325,953	-	-	290,109	325,953	-11.00%
Other General Revenue	14,131	35,950	-	-	14,131	35,950	-60.69%
Unrestricted Investment Earnings	241,955	292,697	865	896	242,820	293,593	-17.29%
Total Revenues	5,354,591	5,406,039	141,217	106,823	5,495,808	5,512,862	-0.31%
Expenses							
Instruction	2,144,858	2,152,921	-	-	2,144,858	2,152,921	-0.37%
Support Services	1,781,382	1,768,188	-	-	1,781,382	1,768,188	0.75%
Cocurricular Activities	471,441	444,103	-	-	471,441	444,103	6.16%
Interest on Long-term Debt	330,881	337,111	-	-	330,881	337,111	-1.85%
Food Service	-	-	160,364	153,537	160,364	153,537	4.45%
Total Expenses	4,728,562	4,702,323	160,364	153,537	4,888,926	4,855,860	0.68%
Excess Before Transfers and Gains	626,029	703,716	(19,147)	(46,714)	606,882	657,002	-7.63%
Transfers and Gains (Losses):							
Transfers In (Out)	(38,500)	(45,000)	38,500	45,000	-	-	0.00%
Loss on Disposal	-	(68,081)	-	-	-	(68,081)	-100.00%
Total Transfers and Gains	(38,500)	(113,081)	38,500	45,000	-	(68,081)	-100.00%
Increase (Decrease) in Net Position	587,529	590,635	19,353	(1,714)	606,882	588,921	3.05%
Beginning Net Position	10,034,282	9,443,647	7,632	9,346	10,041,914	9,452,993	6.23%
Ending Net Position	$ 10,621,811	$ 10,034,282	$ 26,985	$ 7,632	$ 10,648,796	$ 10,041,914	6.04%

GOVERNMENTAL ACTIVITIES

The governmental activities showed a decrease in revenues and a slight increase in expenditures. Revenues decreased mainly due to decreases in property tax revenues and grant and contribution funding as compared to prior years. The increase in expenditures was a result of increases in wages as well as a general increase in costs.

BUSINESS-TYPE ACTIVITIES

The business-type activities showed an increase in revenues and an increase in expenditures. The increase was related to more meals served as well as an increase in meal prices.

GENERAL FUND BUDGETARY HIGHLIGHTS

The most significant change to the budget was an increase in budgeted revenues due to an increase in expected State funding. Expenditures increased slightly between the current and prior years' budgets.

CAPITAL ASSET ADMINISTRATION

The decrease in the District's building account is due to no new assets being added in the current year, while existing assets continue to be depreciated.

Table A-3
Harding County School District No. 31-1
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	$ 149,860	$ 149,860	$ -	$ -	$ -	0.00%
Construction In Progress	85,736	-	-	-	85,736	100.00%
Buildings	7,027,610	7,239,349	-	-	(211,739)	-2.92%
Improvements Other Than Buildings	286,312	289,435	-	-	(3,123)	-1.08%
Machinery and Equipment	748,674	742,529	23,390	6,596	22,939	3.09%
Right-of-use Asset	26,852	38,360	-	-	(11,508)	-30.00%
Total Capital Assets (Net)	$ 8,325,044	$ 8,459,533	$ 23,390	$ 6,596	$ (117,695)	-1.39%

Capital asset purchases during the year ended June 30, 2026 were primarily related to the purchase of equipment. Capital asset disposals during the year ended June 30, 2026 were primarily related to the disposal of old equipment.

LONG-TERM DEBT

At year-end, the District had $6,612,299 in Capital Outlay Certificates and other long-term obligations. This is a decrease of $299,105 as shown in Table A-4 below.

Table A-4
Harding County School District No. 31-1
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2026	2025	2026	2025	2025-2026	2025-2026
Capital Outlay Certificates	$ 5,975,000	$ 6,205,000	$ -	$ -	$ (230,000)	-3.71%
OPEB Liability	275,758	363,964	8,183	10,967	(90,990)	-24.27%
Leases	27,523	38,931	-	-	(11,408)	-29.30%
Other Loans	202,801	241,992	-	-	(39,191)	-16.20%
Accrued Leave Liability	131,217	56,946	4,411	6,198	72,484	114.79%
Total Outstanding Debt and Obligations	$ 6,612,299	$ 6,906,833	$ 12,594	$ 17,165	$ (299,105)	-4.32%

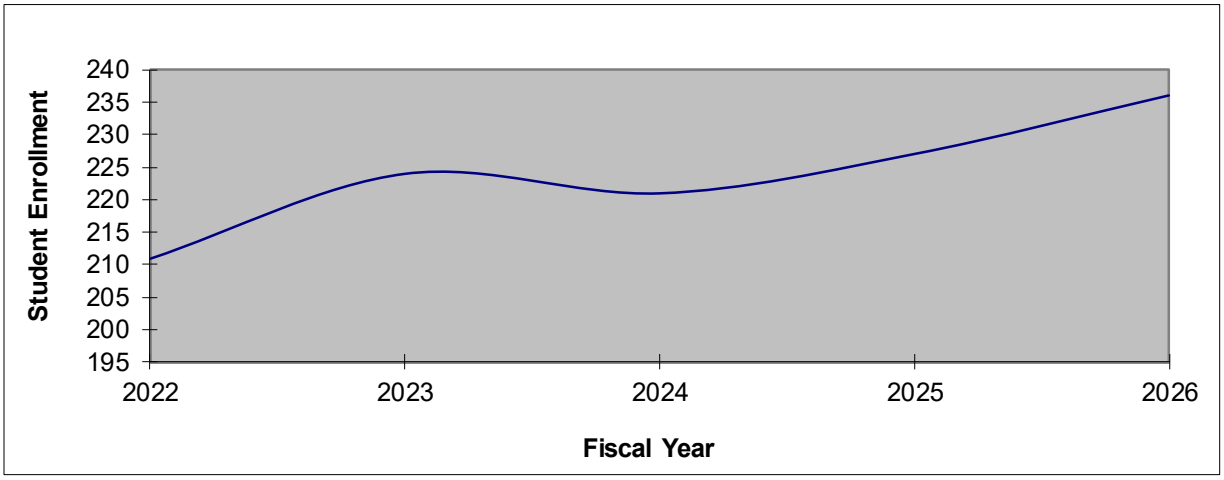
See independent auditor's report.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The District's current economic position continues to remain fairly consistent due to federal grants received by the District. Local revenues have ultimately remained steady, and mineral severance payments have been sporadic. State aid revenue increased in the current year due to the modification of the District's state aid funding formula. This revenue is expected to continue to increase.

One of the primary sources of revenue to the District is based on a per-student allocation received from the State of South Dakota. The District opted to participate in the state funding formula in a prior year, which has resulted in additional funding to the District that makes up for reductions in mineral severance payments. In addition, the District has noted increased enrollment in recent years, which may positively impact the District's financial condition.

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



BASIC FINANCIAL STATEMENTS

Harding County School District No. 31-1
Statement of Net Position
June 30, 2026

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 3,872,690	$ 544	$ 3,873,234
Taxes Receivable	1,091,198	-	1,091,198
Accounts Receivable, Net	-	3,607	3,607
Due From Other Governments	76,028	-	76,028
Inventories	-	16,265	16,265
Restricted Assets:			
Net Pension Asset	5,192	168	5,360
Cash Restricted for Retirement of Capital Outlay Certificates	5,439,756	-	5,439,756
Capital Assets:			
Land	149,860	-	149,860
Construction in Progress	85,736	-	85,736
Other Capital Assets, Net of Depreciation/Amortization	8,089,448	23,390	8,112,838
TOTAL ASSETS	18,809,908	43,974	18,853,882
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	550,769	17,860	568,629
OPEB-related Deferred Outflows	141,920	4,479	146,399
TOTAL DEFERRED OUTFLOWS OF RESOURCES	692,689	22,339	715,028
LIABILITIES			
Accounts Payable	86,017	-	86,017
Accrued Expenses	261,048	4,656	265,704
Unearned Revenue	-	6,862	6,862
Noncurrent Liabilities:			
Due Within One Year	5,357,665	4,411	5,362,076
Due in More than One Year	1,254,634	8,183	1,262,817
TOTAL LIABILITIES	6,959,364	24,112	6,983,476
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	1,446,886	-	1,446,886
OPEB-related Deferred Inflows	198,603	6,268	204,871
Pension-related Deferred Inflows	275,933	8,948	284,881
TOTAL DEFERRED INFLOWS OF RESOURCES	1,921,422	15,216	1,936,638

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Net Position (Continued)
June 30, 2026

	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net Investment in Capital Assets	2,119,721	23,390	2,143,111
Restricted for:			
Capital Outlay	2,437,058	-	2,437,058
Special Education	251,131	-	251,131
SDRS Pension Purposes	280,028	9,080	289,108
Bond Redemption	5,553,931	-	5,553,931
Unrestricted	(20,058)	(5,485)	(25,543)
TOTAL NET POSITION	$ 10,621,811	$ 26,985	$ 10,648,796

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
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	$ 2,144,858	$ -	$ 84,407	$ -	$ (2,060,451)	$ -	$ (2,060,451)
Support Services	1,781,382	-	19,544	50,000	(1,711,838)	-	(1,711,838)
Cocurricular Activities	471,441	20,408	-	-	(451,033)	-	(451,033)
Interest on Long-term Debt*	330,881	-	-	259,325	(71,556)	-	(71,556)
Total Governmental Activities	4,728,562	20,408	103,951	309,325	(4,294,878)	-	(4,294,878)
BUSINESS-TYPE ACTIVITIES							
Food Service	160,364	72,776	48,445	19,131	-	(20,012)	(20,012)
TOTAL PRIMARY GOVERNMENT	$ 4,888,926	$ 93,184	$ 152,396	$ 328,456	(4,294,878)	(20,012)	(4,314,890)
		GENERAL REVENUES AND TRANSFERS					
		Taxes:					
		Property Taxes			2,812,578	-	2,812,578
		Gross Receipts Taxes			177,832	-	177,832
		Revenue From State Sources:					
		State Aid			1,268,414	-	1,268,414
		Revenue from Federal Sources			115,888	-	115,888
		Revenue from Intermediate Sources			290,109	-	290,109
		Unrestricted Investment Earnings			241,955	865	242,820
		Other General Revenues			14,131	-	14,131
		Transfers			(38,500)	38,500	-
		Total General Revenues and Transfers			4,882,407	39,365	4,921,772
		CHANGE IN NET POSITION			587,529	19,353	606,882
		NET POSITION - BEGINNING			10,034,282	7,632	10,041,914
		NET POSITION - ENDING			$ 10,621,811	$ 26,985	$ 10,648,796

*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.

Harding County School District No. 31-1
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	$ 700,365	$ 2,633,456	$ 394,924	$ 143,945	$ 3,872,690
Taxes Receivable - Current	287,504	484,023	187,956	97,780	1,057,263
Taxes Receivable - Delinquent	15,230	11,480	4,540	2,685	33,935
Due From Other Governments	76,028	-	-	-	76,028
Restricted Assets:					
Cash Restricted for Debt Service	-	-	-	5,439,756	5,439,756
TOTAL ASSETS	$ 1,079,127	$ 3,128,959	$ 587,420	$ 5,684,166	$10,479,672
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 36,129	$ 47,168	$ 2,720	$ -	$ 86,017
Payroll Contracts Payable	159,405	-	31,778	-	191,183
Payroll Deductions and Employer Matching Payable	51,337	-	18,528	-	69,865
Total Liabilities	246,871	47,168	53,026	-	347,065
Deferred Inflows of Resources:					
Property Taxes Levied for Future Periods	421,548	644,734	250,369	130,235	1,446,886
Delinquent Property Taxes not Available	15,230	11,480	4,540	2,685	33,935
Total Deferred Inflows of Resources	436,778	656,214	254,909	132,920	1,480,821
Fund Balances:					
Restricted:					
For Capital Outlay	-	2,425,577	-	-	2,425,577
For Special Education	-	-	279,485	-	279,485
For Bond Redemption	-	-	-	5,551,246	5,551,246
Unassigned	395,478	-	-	-	395,478
Total Fund Balances	395,478	2,425,577	279,485	5,551,246	8,651,786
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,079,127	$ 3,128,959	$ 587,420	$ 5,684,166	$10,479,672

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2026

Total Fund Balances - Governmental Funds	$	8,651,786
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.		8,325,044
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 consist of:		
General Obligation Debt		(5,995,000)
Leases		(27,523)
State Energy Loan		(78,543)
Freightliner Bus Loan		(124,258)
OPEB Liability		(275,758)
Compensated Absences		(131,217)
Unamortized Discounts		20,000
Unavailable property taxes that are not available to pay for current period expenditures are reported in the governmental funds as deferred inflows.		33,935
Net pension asset reported in the governmental activities is not an available financial resource and, therefore, is not reported in the governmental funds.		5,192
OPEB-related deferred inflows and outflows are components of the total OPEB liability and are, therefore, not reported in the governmental funds.		
OPEB-related Deferred Outflows		141,920
OPEB-related Deferred Inflows		(198,603)
Pension-related deferred inflows and outflows are components of net pension asset and, therefore, are not reported in the governmental funds.		
Pension-related Deferred Outflows		550,769
Pension-related Deferred Inflows		(275,933)
Net Position - Governmental Activities	$	10,621,811

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
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	$ 843,662	$ 1,236,835	$ 493,027	$ 259,442	$ 2,832,966
Gross Receipts Taxes	177,832	-	-	-	177,832
Penalties and Interest on Taxes	2,152	1,324	530	300	4,306
Earnings on Investments and Deposits	13,061	60,574	8,653	159,667	241,955
Admission Charges for Cocurricular Activities	20,408	-	-	-	20,408
Other Local Revenue	14,131	54,000	-	-	68,131
Total Revenue from Local Sources	1,071,246	1,352,733	502,210	419,409	3,345,598
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	10,335	-	-	-	10,335
Lease of County-owned Land	15,022	39,407	15,301	7,958	77,688
Other	202,086	-	-	-	202,086
Total Revenue from Intermediate Sources	227,443	39,407	15,301	7,958	290,109
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted Grants-in-aid	1,268,414	-	-	-	1,268,414
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted Grants-in-aid	115,888	-	-	259,325	375,213
Restricted Grants-in-aid	99,951	-	-	-	99,951
Total Revenue from Federal Sources	215,839	-	-	259,325	475,164
TOTAL REVENUES	2,782,942	1,392,140	517,511	686,692	5,379,285

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
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	1,343,331	91,959	-	-	1,435,290
Special Programs	83,281	-	425,444	-	508,725
Total Instructional Services	1,426,612	91,959	425,444	-	1,944,015
Support Services:					
Pupils	66,999	-	49,059	-	116,058
Instructional Staff	119,236	1,217	-	-	120,453
General Administration	247,334	2,930	-	-	250,264
School Administration	179,580	-	-	-	179,580
Business	829,480	168,865	-	-	998,345
Central	330	-	-	-	330
Special Education	-	-	22,807	-	22,807
Total Support Services	1,442,959	173,012	71,866	-	1,687,837
Cocurricular Activities:					
Male Activities	54,173	19,587	-	-	73,760
Female Activities	80,047	2,595	-	-	82,642
Transportation	58,381	-	-	-	58,381
Combined Activities	162,575	-	-	-	162,575
Total Cocurricular Activities	355,176	22,182	-	-	377,358
Debt Service	-	314,372	-	285,699	600,071
Capital Outlay	3,240	250,717	-	-	253,957
TOTAL EXPENDITURES	3,227,987	852,242	497,310	285,699	4,863,238
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(445,045)	539,898	20,201	400,993	516,047
OTHER FINANCING SOURCES (USES)					
Operating Transfers In (Out)	511,500	(550,000)	-	-	(38,500)
NET CHANGE IN FUND BALANCES	66,455	(10,102)	20,201	400,993	477,547
FUND BALANCE - BEGINNING	329,023	2,435,679	259,284	5,150,253	8,174,239
FUND BALANCE - ENDING	$ 395,478	$ 2,425,577	$ 279,485	$ 5,551,246	$ 8,651,786

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
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	$	477,547
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 exceeded capital outlays in the current period.		(131,514)
Proceeds from the disposal of fixed assets are presented in the governmental funds while gains and losses on disposals are reflected in the Statement of Activities.		(2,975)
Governmental funds do not reflect the change in long-term debt obligations, leases, or compensated absences, but the Statement of Activities reflects the change in these accruals through expenses.		211,327
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 statements require the amounts to be "available."		(24,694)
Pension expense reported in the Statement of Activities does not require the use of current financial resources and is not reported as an expenditure in the governmental funds.		100,717
OPEB 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.		(37,879)
Unamortized discounts associated with general obligation debt are recorded as expenditures or other financing sources in the governmental funds. However, these items are amortized over the life of the debt in the governmental activities. This is the amount by which the unamortized premiums exceeded deferrals for the current period.		(5,000)
Change in Net Position of Governmental Activities	$	587,529

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Net Position - Proprietary Fund
June 30, 2026

	Food Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 544
Accounts Receivable, Net	3,607
Inventory	16,265
Total Current Assets	20,416
Noncurrent Assets:	
Net Pension Asset	168
Property and Equipment	91,256
Less: Accumulated Depreciation	(67,866)
Total Noncurrent Assets	23,558
TOTAL ASSETS	43,974
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related Deferred Outflows	17,860
OPEB-related Deferred Outflows	4,479
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,339
LIABILITIES	
Current Liabilities:	
Payroll Contracts Payable	3,183
Payroll Deductions and Employer Matching Payable	1,473
Compensated Absences Payable	4,411
Unearned Revenue	6,862
Total Current Liabilities	15,929
Noncurrent Liabilities:	
OPEB Liability	8,183
TOTAL LIABILITIES	24,112
DEFERRED INFLOWS OF RESOURCES	
OPEB-related Deferred Inflows	6,268
Pension-related Deferred Inflows	8,948
TOTAL DEFERRED INFLOWS OF RESOURCES	15,216
NET POSITION	
Net Investment in Capital Assets	23,390
Restricted for Net Pension Asset	9,080
Unrestricted	(5,485)
TOTAL NET POSITION	$ 26,985

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2026

	Food Service Fund
OPERATING REVENUE	
Food Sales:	
Student	$ 66,909
Adult	4,395
Ala Carte	210
Other Charges for Services	1,262
Total Operating Revenue	72,776
OPERATING EXPENSES	
Salaries	55,219
Employee Benefits	18,452
Supplies	3,726
Cost of Sales - Purchased Food	70,610
Cost of Sales - Donated Food	9,282
Other	738
Depreciation	2,337
Total Operating Expenses	160,364
OPERATING LOSS	(87,588)
NONCAPITAL SUBSIDIES	
State Grants	365
Federal Grants	40,298
Donated Food	7,782
Transfers In	38,500
Total Noncapital Subsidies	86,945
Operating Loss and Noncapital Subsidies	(643)
OTHER NONOPERATING REVENUE	
Investment Earnings	865
Capital Contributions	19,131
Total Other Nonoperating Revenue	19,996
Income Before Unusual or Infrequent Items	19,353
CHANGE IN NET POSITION	19,353
NET POSITION - BEGINNING	7,632
NET POSITION - ENDING	$ 26,985

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2026

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 68,693
Payments to Suppliers	(73,116)
Payments to Employees	(77,723)
Net Cash Used by Operating Activities	(82,146)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies	40,663
Transfers from the General Fund	38,500
Net Cash Provided by Noncapital Financing Activities	79,163
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	865
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,118)
CASH AND CASH EQUIVALENTS - BEGINNING	2,662
CASH AND CASH EQUIVALENTS - ENDING	$ 544
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (87,588)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,337
Cost of Sales - Donated Food	9,282
Change in Assets and Liabilities:	
Accounts Receivable	(356)
Inventory	1,958
Compensated Absences	(1,787)
Pension Activity	(3,468)
OPEB Activity	1,133
Unearned Revenue	(3,727)
Contracts Payable	83
Benefits Payable	(13)
NET CASH USED BY OPERATING ACTIVITIES	$ (82,146)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Value of Commodities Received	$ 7,782
Purchase of Capital Asset by Capital Outlay Fund	$ 19,131

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Net Position - Fiduciary Funds
June 30, 2026

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	$ 117,088
NET POSITION	
Restricted for:	
Individuals, Organizations, and Other Governments	$ 117,088

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
Statement of Changes in Net Position - Fiduciary Funds
June 30, 2026

	Custodial Funds
ADDITIONS	
Collections for Student Activities	$ 314,234
DEDUCTIONS	
Payments for Student Activities	278,725
CHANGE IN NET POSITION	35,509
NET POSITION - BEGINNING	81,579
NET POSITION - ENDING	$ 117,088

The accompanying notes are an integral part of this statement.

Harding County School District No. 31-1
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 applicable to government entities in the United States of America (GAAP).

A. REPORTING ENTITY

The reporting entity of Harding County School District No. 31-1 (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 financial reporting entity's financial statements to be misleading or incomplete.

The District participates in a cooperative service unit with several other school districts. See the note 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. These 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 positions are 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.

Fund Financial Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FUND TYPES AND MAJOR FUNDS

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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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. This is a major fund.

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

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

Bond Redemption Fund - A fund established by SDCL 13-16-13 to account for the proceeds of special property taxes restricted to use for the payment of principal and interest on general obligation debt. The District maintains one bond redemption fund for the payment of the District's Qualified School Construction Bonds. 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 a payable "solely" from the revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Fiduciary Funds

Fiduciary funds consist of the following and are never considered to be major funds.

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.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, such as taxes receivable, 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 recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due.

All proprietary 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.

E. CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term of maturity at the date of acquisition of three months or less.

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

F. INVENTORY

Inventory is valued at the lower of cost or realization value. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories. Donated commodities are valued at estimated market value based on the USDA price list at the date of receipt.

Inventory in the governmental funds and governmental activities consists of expendable supplies held for consumption. In the government-wide financial statements, governmental funds, and the enterprise fund, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the governmental fund financial statements are equally offset by non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Non-spendable fund balances related to inventory are reported net of any related liability (accounts payable).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. INTERFUND ELIMINATIONS AND RECLASSIFICATION

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in “advance to” asset accounts) are equally offset by non-spendable fund balance which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets. Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources.”

H. RESTRICTED ASSETS

The District has reported restricted assets for various funds on the Statement of Net Position. The amounts reported as cash restricted for retirement of capital outlay certificates consist of tax receipts and interest earned for the retirement of capital outlay certificates under sinking fund requirements.

I. 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.

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. Interest costs incurred during the construction of 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	5,000	5-15 yrs
Right-of-use Lease Assets	5,000	5-15 yrs

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation/amortization expense is calculated using the straight-line and composite methods. All depreciation/amortization of exhaustible capital 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 Statement of Net Position. Land is an inexhaustible capital asset and does not depreciate.

Fund Financial Statements:

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

J. LONG-TERM LIABILITIES

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

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 capital outlay certificates, lease obligations, direct borrowing arrangements, OPEB liability, and compensated absences.

Compensated Absences Payable - Compensated absences payable includes accrued vacation and sick leave benefits. Teachers are given eight days of sick leave each year and can accumulate 55 days per year. Any sick leave days beyond 55 days shall be paid back to the employee at the rate of one-half of the rate for a certified substitute, at the end of each school year. Teachers shall be allotted 4 days of personal leave per year; one day of unused personal leave may be carried over to the following year. Any unused personal leave beyond the carryover (1 day) will be transferred to sick leave and it may accumulate beyond the 55-day max mentioned above. For employees normally paid out of governmental funds, these amounts are charged as an expenditure at the time of retirement. For employees normally paid out of enterprise funds, these amounts are recorded as an expense when the obligation vests. Compensated absences have typically been liquidated from the General Fund, Special Education Fund, and Food Service Fund.

Fund Financial Statements:

In the governmental funds 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.

K. LEASES

Lessee:

The District is a lessee for a noncancellable lease of copier machines. The District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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 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.
- 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. The District recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental fund financial statements.

L. 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-of-use subscription asset (subscription asset) in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of $5,000 or more.

As of June 30, 2026, the District was not involved in such arrangements.

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The District reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide Statement of Net Position. Deferred outflows of resources reported relate to the District’s pension plan for qualified retirees discussed in Note 9 and health benefits offered to the District’s retirees discussed in Note 12. There are no deferred outflows of resources reported in the governmental funds balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 tax 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 levied within the available period 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 that are intended to finance the next fiscal year, pension-related inflows, and OPEB-related inflows. The District reports OPEB and pension-related deferred inflows of resources in the proprietary fund statements and business-type activity statements for the current year.

N. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

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 for which both restricted and unrestricted net positions are available. 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."

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:

Non-spendable - Includes amounts that cannot be spent because they are not in spendable form or because of legal or contractual restraints.

Restricted - Includes amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

Assigned - Includes amounts that are intended to be used for specific purposes that are not restricted. The Board has given management the authority to assign fund balances.

Unassigned - Includes positive fund balance within the General Fund that 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 or contracts that prohibit doing this, such as a grant agreement requiring dollar-for-dollar spending. Additionally, the District would first use assigned and then unassigned amounts of unrestricted fund balance when eligible expenditures are made. The District does not have a minimum fund balance policy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary net positions are classified the same as in the government-wide financial statements. Fiduciary net positions are reported as restricted net position.

O. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

P. 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.

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.

Q. PENSIONS

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

R. IMPLEMENTATION OF GASB STATEMENT NO. 103

As of July 1, 2025, the District adopted GASB Statement No. 103, *Financial Reporting Model Improvements.* The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. The implementation did not have a significant impact on the financial statements.

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. 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% 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, SDCL4-5-6 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.

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 District had the following investment:

Investment	Credit Rating	Maturities	Fair Value
SD FIT	Unrated	Varies	$ 5,439,756

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

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. As of June 30, 2026, the District's deposits in financial institutions were not exposed to credit risk, as all deposits were fully collateralized by pledged securities.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 the investment or collateral securities that are in the possession of an outside party. Investments in external investment pools and open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. As of June 30, 2026, the District's investments were not exposed to custodial credit risk, as they were maintained in an external investment pool.

Concentration of Credit Risk - The District places no limit on the amount that may be deposited or invested with any one financial institution or issuer. 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. All of the District's investments are in SD FIT.

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 - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from investments 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 $70,016 due from the State of South Dakota and $6,012 due from the Federal Government 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/Amortized:				
Land	$ 149,860	$ -	$ -	$ 149,860
Construction In Progress	-	85,736	-	85,736
Total Capital Assets Not Being Depreciated/Amortized:	149,860	85,736	-	235,596
Capital Assets Being Depreciated/Amortized:				
Buildings	10,489,972	-	-	10,489,972
Improvements	692,848	30,878	-	723,726
Equipment	1,774,242	137,343	29,042	1,882,543
Leased Equipment	57,540	-	-	57,540
Total Capital Assets Being Depreciated/Amortized	13,014,602	168,221	29,042	13,153,781
Less Accumulated Depreciation and Amortization:				
Buildings	3,250,623	211,739	-	3,462,362
Improvements	403,413	34,001	-	437,414
Equipment	1,031,713	128,223	26,067	1,133,869
Leased Equipment	19,180	11,508	-	30,688
Total Accumulated Depreciation and Amortization	4,704,929	385,471	26,067	5,064,333
Total Capital Assets Being Depreciated/Amortized, Net	8,309,673	(217,250)	2,975	8,089,448
Net Capital Assets	$ 8,459,533	$ (131,514)	$ 2,975	$ 8,325,044
Business-type Activities:				
Equipment	$ 72,125	$ 19,131	$ -	$ 91,256
Less: Accumulated Depreciation	65,529	2,337	-	67,866
Net Capital Assets	$ 6,596	$ 16,794	$ -	$ 23,390

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction	$ 170,354
Support Services	118,389
Cocurricular Activities	96,728
	$ 385,471

Depreciation expense of $2,337 was charged to the food service function in the business-type activities.

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:					
Capital Outlay Certificates	$ 6,230,000	$ -	$ 235,000	$ 5,995,000	$ 5,240,000
Leases	38,931	-	11,408	27,523	11,638
State Energy Loan	89,764	-	11,221	78,543	11,220
Freightliner Bus Loan	152,227	-	27,969	124,258	29,198
Unamortized Discounts	(25,000)	-	(5,000)	(20,000)	-
	6,485,922	-	280,598	6,205,324	5,292,056
Other Liabilities:					
OPEB Liability	363,965	-	88,207	275,758	-
Compensated Absences	56,946	74,271	-	131,217	65,609
Total Other Liabilities	420,911	74,271	88,207	406,975	65,609
Total Long-term Liabilities	$ 6,906,833	$ 74,271	$ 368,805	$ 6,612,299	$ 5,357,665
Business-type Activities:					
Other Liabilities:					
OPEB Liability	$ 10,967	$ -	$ 2,784	$ 8,183	$ -
Compensated Absences	6,198	-	1,787	4,411	4,411
Total Long-term Liabilities	$ 17,165	$ -	$ 4,571	$ 12,594	$ 4,411

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Governmental activities debt at June 30, 2026 was comprised of the following individual issues:

Series 2010A Capital Outlay Certificates - Qualified School Construction Bonds, bearing interest at a fixed rate of 5.70%, with the principal due in one lump sum on June 1, 2027. The Internal Revenue Service provides an interest payment credit in the amount of 5.50% of the principal balance.	$ 5,000,000
Series 2019 Capital Outlay Certificates - Limited Tax General Obligation Refunding Certificates, bearing interest at fixed rates ranging from 1.85% to 2.75%, due in annual installments until maturing on June 15, 2030.	995,000
Office Equipment Lease - Copier leases, bearing interest at a fixed rate of 5%, due in monthly installments until maturing on October 31, 2028.	27,523
State Energy Loan - Energy Efficient School Loan Program, bearing interest at a fixed rate of 0%, due in annual installments of $11,220 until maturing on July 1, 2032.	78,543
Freightliner Bus Loan, bearing interest at a fixed rate of 4.50%, due in annual installments of $34,819 until maturing on August 8, 2029.	124,258
	6,225,324
Unamortized Discounts	(20,000)
	$ 6,205,324

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

Year Ending	Capital Outlay Certificates		State Energy Loan		Freightliner Bus Loan		Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	$ 5,240,000	$ 311,265	$ 11,220	$ -	$ 29,198	$ 5,621	$ 5,280,418	$ 316,886
2028	245,000	20,145	11,220	-	30,512	4,307	286,732	24,452
2029	250,000	13,775	11,220	-	31,885	2,934	293,105	16,709
2030	260,000	7,150	11,220	-	32,663	1,499	303,883	8,649
2031	-	-	11,220	-	-	-	11,220	-
2032-2036	-	-	22,443	-	-	-	22,443	-
	$ 5,995,000	$ 352,335	$ 78,543	$ -	$ 124,258	$ 14,361	$ 6,197,801	$ 366,696

Payments of Series 2010A Capital Outlay Certificates - Qualified School Construction Bonds (QSCB) debt will be made from the Bond Redemption Fund. Payments of the Series 2019 Capital Outlay Certificates, leases, state energy loan, and Freightliner bus loan are made from the Capital Outlay Fund. Accrued leave and OPEB payments are made from the fund to which the payroll expenditures are charged, generally the General, Special Education, and Food Service funds.

Sinking fund provisions on the QSCB require annual deposits of $303,030 on or before June 1 of each year beginning June 1, 2012 through 2027. The sinking fund will continue to earn interest until maturity on June 1, 2027. Interest payments on debt are made semi-annually from the sinking fund. Earnings on deposits are applied against interest amounts paid by the District.

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

In September 2023, the District entered into a 5-year lease agreement for copier machines. The District terminated its prior copier lease during the year. Monthly lease payments are $1,007. The District recognized $11,508 of expenses under the lease for the year ended June 30, 2026. Future minimum lease payments for the lease are the following:

Year Ending June 30,	Leases		
	Principal	Interest	Total
2027	$ 11,638	$ 444	$ 12,082
2028	11,873	209	12,082
2029	4,012	17	4,029
	$ 27,523	$ 670	$ 28,193

NOTE 6 - INTERFUND TRANSACTIONS AND BALANCES

Interfund transfers during the year ended June 30, 2026 were as follows:

	Transfer To:	
Transfers From:	Food Service Fund	General Fund
Capital Outlay Fund	$ -	$ 550,000
General Fund	38,500	-
	$ 38,500	$ 550,000

The Capital Outlay Fund transferred $550,000 to the General Fund as allowed under state statutes to supplement operations. The General Fund transferred $38,500 to the Food Service Fund to supplement operations.

NOTE 7 - RESTRICTED NET POSITION

The following table shows restricted net position for the year ended June 30, 2026 as shown on the Statement of Net Position:

Purpose	Restricted By	
Capital Outlay	Law	$ 2,437,058
Special Education	Law	251,131
SDRS Pension	Law	289,108
Bond Redemption	Debt Covenants	5,553,931
		$ 8,531,228

NOTE 8 - 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.

NOTE 8 - PROPERTY TAX (CONTINUED)

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 9 - 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.

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.

NOTE 9 - PENSION PLAN (CONTINUED)

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

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

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 $114,016, $112,504, and $105,186, respectively, and was 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	$ 9,618,903
Less: Proportionate Share of Net Position Restricted for Pension Benefits	9,624,263
Proportionate Share of Net Pension Liability (Asset)	$ (5,360)

At June 30, 2026, the District reported a liability (asset) of $(5,360) 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 0.0630210%, which is a decrease of 0.0005330% from its proportion measured as of June 30, 2024.

NOTE 9 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2026, the District recognized pension expense of $104,185. 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	$ 183,512	$ -
Changes in Assumption	-	284,516
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	261,156	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	9,945	365
District Contributions Subsequent to the Measurement Date	114,016	-
	$ 568,629	$ 284,881

$114,016 reported as deferred outflows 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 (revenue) expense as follows:

Year Ended June 30,	
2027	$ 129,306
2028	16,880
2029	9,264
2030	14,282
	$ 169,732

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%

NOTE 9 - PENSION PLAN (CONTINUED)

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

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.

NOTE 9 - PENSION PLAN (CONTINUED)

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

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 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
District's Proportionate Share of the Net Pension Liability (Asset)	$ 1,313,630	$ (5,360)	$ (1,085,928)

Pension Plan Fiduciary Net Position

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

NOTE 10 - JOINT VENTURE

The District participates in the Northwest Area Schools Multi-District/Educational Cooperative (NWAS), a cooperative service unit (Co-op) formed for the purpose of providing cooperative educational services to the member school districts. Each member district had an equal membership interest in the cooperative.

The members of the Co-op are as follows:

Bison School District No. 52-1
Dupree School District No. 64-2
Faith School District No. 46-2
Harding County School District No. 31-1
McIntosh School District No. 15-1
McLaughlin School District No. 15-2
Smee School District No. 62-3
Timber Lake School District No. 20-3

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.

The District retains no equity in the net assets of the Co-op but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Northwest Area Schools Multi-District/Educational Cooperative. At June 30, 2025, the Co-op had total assets and deferred outflows of $2,068,240, total liabilities and deferred inflows of $386,980, and total net position of $1,681,260 (audited). The District made payments in the amount of $118,986 to the Co-op during the year ended June 30, 2026. Current financial statements for the Co-op were not available at the time of this report.

It was noted that as of June 30, 2026, the Co-op has dissolved and will no longer be in operation. Co-op's operations ceased and assets were transferred to the District in October 2026.

NOTE 11 - 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.

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.

Worker's Compensation

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

NOTE 11 - RISK MANAGEMENT (CONTINUED)

Unemployment Benefits

The District has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits. The District appropriates an amount each year in the General Fund as deemed necessary to provide resources for potential claims for unemployment benefits. During the year ended June 30, 2026, $0 in claims for unemployment benefits were paid, and none are anticipated in the subsequent year.

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The District offers a single-employer defined-benefit healthcare plan. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16. Benefit provisions were established and may be amended during the negotiated agreement process between the District's certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

An employee who is employed by the District and who is eligible to participate in the group health plan is covered. A covered individual who retires from the District, is at least age 55 and has contributed 3 years of service, and is currently participating in the group plan at the time of retirement is eligible for health insurance. Spousal and dependent coverage is provided as long as the required contributions are paid. Spouses may continue coverage after the retiree's coverage terminates until the spouse has reached age 65. The eligible retiree must pay monthly contributions based on 100% of the full active employee premium rate. All coverage ceases when the retiree or spouse attains age 65 or becomes eligible for Medicare, except for COBRA continuation, if elected.

Funding Policy

Retired employees must pay 100% of the premiums for their coverage.

Changes in Liability

For the year ended June 30, 2026, the beginning balance of the OPEB liability was $374,931. The total OPEB liability was determined as of the measurement date, which is June 30, 2026. The changes in the total OPEB liability for 2026 were as follows:

Total OPEB Liability - June 30, 2025	$	374,931
Changes for the Year:		
Service Cost		23,983
Interest on Total OPEB Liability		13,330
Effect on Economic/Demographic Gains or Losses		(98,018)
Effect on Assumption Changes or Inputs		(28,421)
Benefit Payments		(1,864)
Total OPEB Liability - June 30, 2026	$	283,941

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

For the year ended June 30, 2026, the District recognized OPEB Expense of $40,877. OPEB expense was determined as follows:

Service Cost	$	23,983
Interest on Total OPEB Liability		13,330
Recognition of Deferred Inflows/Outflows of Resources:		
Recognition of Economic/Demographic Gains or Losses		9,420
Recognition of Assumption Changes		(5,856)
OPEB Expense	$	40,877

At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ (94,894)	$ 97,799
Changes in Assumption	(109,977)	48,600
	$ (204,871)	$ 146,399

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

Year Ended June 30,	
2027	$ (8,637)
2028	(9,053)
2029	(9,488)
2030	(9,945)
2031	(10,424)
Thereafter	(10,925)
	$ (58,472)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Active employees and retirees are charged an equal, blended premium rate for single or family coverage. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated based on the discount rate and actuarial assumptions below and projected forward to the measurement date.

The total OPEB liability was determined using the following assumptions:

- The discount rate used was 4.71% and was based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date.
- The retiree participation rate was assumed to be 75%. The retiree election of the family coverage rate was assumed to be 25%.

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

- Mortality rates were based on Pub-T-2010 Mortality Table projected generationally with MP-2021. 108% of mortality rates for current retirees aged 60 or older.
- Disability mortality rates were based on PubG-2010 Disabled Mortality Table projected generationally with MP-2021.
- Net Claim Costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the healthcare cost trend rate adjusted for the impact of plan design and cost containment features. Selected rates are shown below:

Duration	Medical Rate	Dental Rate
1	6.70%	5.00%
2	6.50%	5.00%
3	5.70%	5.00%
4	5.30%	5.00%
5	5.10%	5.00%
6	4.90%	4.90%
7	4.70%	4.70%
8	4.50%	4.50%
9	4.40%	4.40%
10	4.10%	4.10%
11-27	4.00%	4.00%
28-42	4.10%	4.10%
43-44	4.00%	4.00%
45-47	3.90%	3.90%
48-49	3.80%	3.80%
50+	3.70%	3.70%

Sensitivity Analysis

The following represents the District's total OPEB liability, calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 3.71%	Current Discount Rate	1% Increase 5.71%
Total OPEB Liability	$ 320,905	$ 283,941	$ 252,279

The following represents the District's total OPEB liability, calculated using the current healthcare cost trend rates, as well as what the District's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 245,467	$ 283,941	$ 330,434

NOTE 13 - CONCENTRATIONS

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

NOTE 14 - SUBSEQUENT EVENTS

It was noted that subsequent to year-end, NWAS closed and gifted the District one modular. The District received the Construction Trades modular and it will be used as the Construction Trades classroom for the next two or three years. It was also noted that the District is expected to receive cash upon dissolution.

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance with Final Budget - Over (Under) Original Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 924,900	$ 924,900	$ -	$ 843,662	$ (81,238)
Tax Deed Revenue	100	100	-	-	(100)
Gross Receipts Taxes	175,000	175,000	-	177,832	2,832
Penalties and Interest on Taxes	3,000	3,000	-	2,152	(848)
Earnings on Investments and Deposits	22,100	22,100	-	13,061	(9,039)
Admission Charges for Cocurricular Activities	10,000	13,000	3,000	20,408	7,408
Other Local Revenue	27,500	27,500	-	14,131	(13,369)
Total Revenue from Local Sources	1,162,600	1,165,600	3,000	1,071,246	(94,354)
Revenue from Intermediate Sources:					
County Sources:					
County Apportionment	25,000	25,000	-	10,335	(14,665)
Lease of County-owned land	20,000	20,000	-	15,022	(4,978)
Other	250,000	250,000	-	202,086	(47,914)
Total Revenue from Intermediate Sources	295,000	295,000	-	227,443	(67,557)
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted Grants-in-aid	1,220,000	1,256,175	36,175	1,268,414	12,239
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted Grants-in-aid	125,000	125,000	-	115,888	(9,112)
Restricted Grants-in-aid	101,750	106,800	5,050	99,951	(6,849)
Total Revenue from Federal Sources	226,750	231,800	5,050	215,839	(15,961)
TOTAL REVENUES	2,904,350	2,948,575	44,225	2,782,942	(165,633)

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - General Fund - Budgetary Basis (Continued)
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance with Final Budget - Over (Under) Original Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
EXPENDITURES					
Instructional Services:					
Regular Programs	1,356,270	1,359,720	3,450	1,346,571	(13,149)
Special Programs	93,971	93,971	-	83,281	(10,690)
Total Instruction Services	1,450,241	1,453,691	3,450	1,429,852	(23,839)
Support Services:					
Pupils	67,625	67,625	-	66,999	(626)
Instructional Staff	112,404	124,004	11,600	119,236	(4,768)
General Administration	262,662	262,662	-	247,334	(15,328)
School Administration	179,202	179,202	-	179,580	378
Business	862,639	866,314	3,675	829,480	(36,834)
Central	500	500	-	330	(170)
Total Support Services	1,485,032	1,500,307	15,275	1,442,959	(57,348)
Cocurricular Activities:					
Male Activities	55,298	55,298	-	54,173	(1,125)
Female Activities	73,696	81,696	8,000	80,047	(1,649)
Transportation	51,300	53,000	1,700	58,381	5,381
Combined Activities	119,041	161,041	42,000	162,575	1,534
Total Cocurricular Activities	299,335	351,035	51,700	355,176	4,141
TOTAL EXPENDITURES	3,234,608	3,305,033	70,425	3,227,987	(77,046)
EXCESS OF REVENUES UNDER EXPENDITURES	(330,258)	(356,458)	(26,200)	(445,045)	(88,587)
OTHER FINANCING SOURCES					
Operating Transfers In	330,258	356,458	26,200	511,500	155,042
NET CHANGE IN FUND BALANCE	-	-	-	66,455	66,455
FUND BALANCE - BEGINNING	329,023	329,023	-	329,023	-
FUND BALANCE - ENDING	$ 329,023	$ 329,023	$ -	$ 395,478	$ 66,455
RECONCILIATION TO GAAP BASIS					
Total Fund Balance GAAP Basis				$ 395,478	

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance with Final Budget - Over (Under) Original Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 1,250,000	$ 1,268,000	$ 18,000	$ 1,236,835	$ (31,165)
Penalties and Interest on Taxes	1,500	1,500	-	1,324	(176)
Earnings on Investments and Deposits	15,000	15,000	-	60,574	45,574
Other Local Revenue	45,000	95,000	50,000	54,000	(41,000)
Total Revenue from Local Sources	1,311,500	1,379,500	68,000	1,352,733	(26,767)
Revenue from Intermediate Sources:					
County Sources:					
Lease of County-owned Land	38,000	38,000	-	39,407	1,407
TOTAL REVENUES	1,349,500	1,417,500	68,000	1,392,140	(25,360)

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - Capital Outlay Fund - Budgetary Basis (Continued)
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance with Final Budget - Over (Under) Original Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
EXPENDITURES					
Instructional Services:					
Regular Programs	71,200	71,200	-	182,725	111,525
Support Services:					
Instructional Staff	1,500	1,500	-	1,217	(283)
General Administration	3,000	3,000	-	2,930	(70)
Business	318,250	386,250	68,000	328,816	(57,434)
Total Support Services	322,750	390,750	68,000	332,963	(57,787)
Cocurricular Activities:					
Male Activities	34,500	34,500	-	19,587	(14,913)
Female Activities	13,000	13,000	-	2,595	(10,405)
Total Cocurricular Activities	47,500	47,500	-	22,182	(25,318)
Debt Services	313,696	313,696	-	314,372	676
TOTAL EXPENDITURES	755,146	823,146	68,000	852,242	29,096
EXCESS OF REVENUES OVER EXPENDITURES	594,354	594,354	-	539,898	(54,456)
OTHER FINANCING USES					
Transfer In	(594,354)	(594,354)	-	(550,000)	(44,354)
NET CHANGE IN FUND BALANCE	-	-	-	(10,102)	(10,102)
FUND BALANCE - BEGINNING	2,435,679	2,435,679	-	2,435,679	-
FUND BALANCE - ENDING	$ 2,435,679	$ 2,435,679	$ -	$ 2,425,577	$ (10,102)
RECONCILIATION TO GAAP BASIS:					
Total Fund Balance GAAP Basis				$ 2,425,577	

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

Harding County School District No. 31-1
Budgetary Comparison Schedule - Special Education Fund - Budgetary Basis
For the Year Ended June 30, 2026

	Budgeted Original	Budgeted Final	Variance with Final Budget - Over (Under) Original Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
REVENUES					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	$ 485,000	$ 485,000	$ -	$ 493,027	$ 8,027
Penalties and Interest on Taxes	500	500	-	530	30
Earnings on Investments and Deposits	9,855	9,855	-	8,653	(1,202)
Total Revenue from Local Sources	495,355	495,355	-	502,210	6,855
Revenue from Intermediate Sources					
County Sources:					
Lease of County-owned Land	16,000	16,000	-	15,301	(699)
TOTAL REVENUES	511,355	511,355	-	517,511	6,156
EXPENDITURES					
Instructional Services:					
Special Programs	431,355	431,355	-	425,444	(5,911)
Support Services:					
Pupils	45,000	45,000	-	49,059	4,059
Special Education	35,000	35,000	-	22,807	(12,193)
Total Support Services	80,000	80,000	-	71,866	(8,134)
TOTAL EXPENDITURES	511,355	511,355	-	497,310	(14,045)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	20,201	20,201
FUND BALANCE - BEGINNING	259,284	259,284	-	259,284	-
FUND BALANCE - ENDING	$ 259,284	$ 259,284	$ -	$ 279,485	$ 20,201
RECONCILIATION TO GAAP BASIS					
Total Fund Balance GAAP Basis				$ 279,485	

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

Harding County School District No. 31-1
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	$ 23,983	$ 27,719	$ 22,451	$ 27,448	$ 13,179	$ 10,983	$ 12,037	$ 12,101	$ 13,135
Interest on Total OPEB Liability	13,330	13,658	11,185	7,428	2,942	3,656	5,298	4,861	3,961
Effect of Economic/Demographic Gains (Losses)	(98,018)	-	85,918	-	85,498	-	(18,753)	-	-
Effect of Assumption Changes or Inputs	(28,421)	(10,808)	(60,579)	(50,676)	99,269	13,746	(23,840)	(3,605)	(9,069)
Benefit Payments	(1,864)	(4,178)	(7,848)	(6,481)	(2,281)	(1,510)	(10,669)	(13,690)	(6,769)
Net Change in Total OPEB Liability	(90,990)	26,391	51,127	(22,281)	198,607	26,875	(35,927)	(333)	1,258
Total OPEB Liability - Beginning	374,931	348,540	297,413	319,694	121,087	94,212	130,139	130,472	129,214
Total OPEB Liability - Ending	$ 283,941	$ 374,931	$ 348,540	$ 297,413	$ 319,694	$ 121,087	$ 94,212	$ 130,139	$ 130,472
District's Covered Payroll	$ 2,014,278	$ 1,987,569	$ 1,858,282	$ 1,879,714	$ 2,266,335	$ 2,203,649	$ 2,121,474	$ 1,754,891	$ 1,396,240
Total OPEB Liability as a Percentage of Covered Payroll	14.10%	18.86%	18.76%	15.82%	14.11%	5.49%	4.44%	7.42%	9.34%

Until a 10-year trend is compiled, the District will present information for those years for which information is available.

See independent auditor's report.

Harding County School District No. 31-1
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

Year	District's Proportion of the Net Pension Liability/Asset	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability/Asset as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset
2026	0.06302100%	$ (5,360)	$ 1,875,065	0.29%	100.06%
2025	0.06248800%	$ (2,530)	$ 1,753,097	0.14%	100.03%
2024	0.06875000%	$ (6,710)	$ 1,773,415	0.38%	100.07%
2023	0.07245050%	$ (6,843)	$ 1,728,917	0.40%	100.10%
2022	0.07625200%	$ (583,960)	$ 1,730,400	33.75%	105.52%
2021	0.07658490%	$ (3,326)	$ 1,680,807	0.20%	100.04%
2020	0.08168460%	$ (8,656)	$ 1,736,781	0.50%	100.09%
2019	0.08137380%	$ (1,897)	$ 1,691,678	0.11%	100.02%
2018	0.07988590%	$ (7,250)	$ 1,623,111	0.45%	100.10%
2017	0.08284340%	$ 279,837	$ 1,563,960	17.89%	96.89%

See independent auditor's report.

Harding County School District No. 31-1
Schedule of Pension Contributions
South Dakota Retirement System

Year	Contractually Required Contribution	Contributions in Relation to the Contractually-required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 114,016	$ 114,016	$ -	$ 1,900,262	6.00%
2025	$ 112,504	$ 112,504	$ -	$ 1,875,065	6.00%
2024	$ 105,186	$ 105,186	$ -	$ 1,753,097	6.00%
2023	$ 106,399	$ 106,399	$ -	$ 1,773,415	6.00%
2022	$ 103,735	$ 103,735	$ -	$ 1,728,917	6.00%
2021	$ 103,824	$ 103,824	$ -	$ 1,730,400	6.00%
2020	$ 100,848	$ 100,848	$ -	$ 1,680,807	6.00%
2019	$ 104,207	$ 104,207	$ -	$ 1,736,781	6.00%
2018	$ 101,501	$ 101,501	$ -	$ 1,691,678	6.00%
2017	$ 97,387	$ 97,387	$ -	$ 1,623,111	6.00%

See independent auditor’s report.

Harding County School District No. 31-1
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 schedules:

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 the 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% 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 each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Harding County School District No. 31-1
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 Original Budget			
The originally budgeted grants-in-aid was increased due to additional state funding to be received by the District due to increased enrollment.	$ 36,175	$ -	$ -
The originally budgeted other local revenue was increased due to additional donations received for the concession stand project.	-	50,000	-
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 under the final budgeted amount.	(81,238)	(31,165)	-
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.	-	45,574	-
Budgeted amounts of local revenue exceeded actua amounts as the District did not receive as much miscellaneous revenues as expected.	-	(41,000)	-
Actual amounts of Other Revenue from Intermediate sources was less than final budget amounts as the District had received one of the current year payments in the prior year.	(47,914)	-	-
BUDGETARY EXPENDITURES			
Differences - Final Budget to Original Budget			
The originally budgeted amount was increased due to additional travel costs and coaching staff for cocurricular teams.	42,000	-	-
The originally budgeted support - business expense was increased due to expenses related to the concession stand and architectural fees.	-	68,000	-

NOTE 3 - ACTUAL BUDGET RESULTS (CONTINUED)

	General Fund	Capital Outlay Fund	Special Education Fund
Differences - Final Budget to Actual:			
The budget was made for anticipated needs; however, less business support service expenses actually occurred during the year.	36,834	57,434	-
The budget did not include annual technology purchases that were purchased with grant funding in prior years.	-	(92,394)	-

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 the 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%.

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, between 0% and 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.