

HERREID SCHOOL DISTRICT NO. 10-1  
HERREID, SOUTH DAKOTA  
FINANCIAL REPORT  
FOR THE TWO YEARS ENDING JUNE 30, 2025  
WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

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HERREID, SOUTH DAKOTA  
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FOR THE TWO YEARS ENDING JUNE 30, 2025

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NOTE: All figures shown in this financial report are in U.S. dollars.

For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

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School Board  
Herreid School District No. 10-1  
Herreid, South Dakota

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Financial Statement Audit:*

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Herreid School District No. 10-1 (School District), Herreid, South Dakota as of June 30, 2025, and for each of the fiscal years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### *Qualified Opinions:*

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Herreid School District No. 10-1, as of June 30, 2025 and the respective changes in its financial position and, where applicable, cash flows thereof for each of the fiscal years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Qualified Opinions*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Herreid School District No. 10-1 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinions.

### *Matter Giving Rise to Qualified Opinions:*

Because the June 30, 2023 audit report was qualified except for the Preschool Fund and the aggregate remaining information, I cannot attest to this audit report's beginning fund balances.

I cannot attest to the findings of the South Dakota Department of Education with respect to Child and Adult Nutrition, REAP, Title I and IDEA reimbursements.

The School District did not publish FY25 salaries as required by SDCL 6-1-10.

Within the on-site management of the School District, the business manager alone prepares bank reconciliations, makes journal entries, prepares payroll, and post the general ledger. The Board's monthly review of vouchers and other financial information is insufficient control over the School District's fiscal activity.

Management's Responsibilities for the Financial Statements:

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

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

Auditor's Responsibility for the Audit of the Financial Statements:

My 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 my 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 (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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*, I:

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

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 37 to 43), the School District's Proportionate Share of Net Pension (Asset)/Liability (page 44), and the Schedule of the School District's Contribution (page 44) 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated May 7, 2026 (page 46) on my consideration of the School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

May 7, 2026



HERREID SCHOOL DISTRICT No. 10-1  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2025

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalent	2,475,806	13,210	2,489,016
Certificate of deposit	60,000		60,000
Receivables:			
Property taxes - current	673,528		673,528
Property taxes -prior	996		996
Accounts receivable	4,239		4,239
Due from governments	195,650		195,650
Inventory		8,228	8,228
Total current assets	3,410,219	21,438	3,431,657
Capital assets:			
Land	5,464		5,464
Buildings	1,119,158		1,119,158
Improvements	163,150		163,150
Equipment	1,576,019	44,833	1,620,852
Intangible copier lease, net	34,346		34,346
Accumulated depreciation	-1,896,648	-27,224	-1,923,872
Construction-in-progress	4,669,978		4,669,978
Total capital assets	5,671,467	17,609	5,689,076
Other assets:			
Cash restricted	16,908		16,908
Net pension assets	1,489	25	1,514
Total assets	9,100,083	39,072	9,139,155
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension related deferred outflows	287,310	4,729	292,039
	287,310	4,729	292,039
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	46,887	1,382	48,269
Contracts payable	109,528	3,917	113,445
Payroll deductions payable	16,124	289	16,413
Noncurrent liabilities due in one year:	162,817		162,817
Accrued leave	4,837		4,837
Total current liabilities	340,193	5,588	345,781
Noncurrent liabilities:			
Bonds	3,529,542		3,529,542
Lease	31,773		31,773
Total noncurrent liabilities	3,561,315	0	3,561,315
Total liabilities	3,901,508	5,588	3,907,096
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes levied for a future period	673,528		673,528
Pension related deferred inflows	187,165	3,082	190,247
Total deferred inflow of resources	860,693	3,082	863,775
<b>NET POSITION</b>			
Net invested in capital assets	1,947,335	17,609	1,964,944
Restricted for:			
Class activities	16,908		16,908
Capital outlay	877,881		877,881
Special education	544,707		544,707
Pension - SDRS	101,634	1,672	103,306
Unrestricted	1,136,727	15,850	1,152,577
Total net position	4,625,192	35,131	4,660,323

See accompanying notes.

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDING JUNE 30, 2025

Functions/Programs: Primary government:	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<i>Governmental activities:</i>							
Instruction	1,196,047		110,329		-1,085,718		-1,085,718
Support services	897,008				-897,008		-897,008
Curricular activities	84,216	12,287			-71,929		-71,929
Debt service	67,219				-67,219		-67,219
Total governmental activities	2,244,490	12,287	110,329	0	-2,121,874	0	-2,121,874
<i>Business-type activities:</i>							
Food service	94,170	41,117				-53,053	-53,053
Preschool program	47,736	4,150				-43,586	-43,586
Total primary government	2,386,396	57,554	110,329	0	-2,121,874	-96,639	-2,218,513
General revenue:							
Property taxes					1,910,164		1,910,164
Gross receipts tax					21,347		21,347
Revenue from state sources:							
State aid					611,864		611,864
Other					39,777		39,777
Revenue from county sources					9,364		9,364
Interest earnings					16,413		16,413
Donations					2,262		2,262
Other general revenues					704		704
Sale of surplus property					3,883		3,883
Transfers					-50,000	50,000	0
Total general revenue and transfers					2,565,778	50,000	2,615,778
Change in net position					443,904	-46,639	397,265
Net position, July 1, 2024					4,181,288	81,770	4,263,058
Net position, June 30, 2025					4,625,192	35,131	4,660,323

See accompanying notes.

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDING JUNE 30, 2024

	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Functions/Programs:</b>						
<b>Primary government:</b>						
<b>Governmental activities:</b>						
Instruction	1,414,409	102,896		-1,311,513		-1,311,513
Support services	1,109,453			-1,109,453		-1,109,453
Curricular activities	106,342	7,941		-98,401		-98,401
Debt service	161,825			-161,825		-161,825
<b>Total governmental activities</b>	<b>2,792,029</b>	<b>102,896</b>	<b>0</b>	<b>-2,681,192</b>	<b>0</b>	<b>-2,681,192</b>
<b>Business-type activities:</b>						
Food service	110,197	46,754	8,243		-55,200	-55,200
Preschool program	28,585	5,500			-23,085	-23,085
<b>Total primary government</b>	<b>2,930,811</b>	<b>60,195</b>	<b>111,139</b>	<b>-2,681,192</b>	<b>-78,285</b>	<b>-2,759,477</b>
<b>General revenue:</b>						
Property taxes				1,979,371		1,979,371
Gross receipts tax				21,109		21,109
Revenue from state sources:						
State aid				519,831		519,831
Other				32,044		32,044
Revenue from county sources				19,216		19,216
Interest earnings				19,760		19,760
Donations				350		350
Transfers				-186,278	186,278	0
<b>Total general revenue and transfers</b>				<b>2,405,403</b>	<b>186,278</b>	<b>2,591,681</b>
Change in net position				-275,789	107,993	-167,796
<b>Net position, July 1, 2023</b>				<b>4,254,617</b>	<b>-26,223</b>	<b>4,228,394</b>
Beginning balance error correction (note 11)				202,460		202,460
<b>Net position, July 1, 2023, restated</b>				<b>4,457,077</b>	<b>-26,223</b>	<b>4,430,854</b>
<b>Net position, June 30, 2024</b>				<b>4,181,288</b>	<b>81,770</b>	<b>4,263,058</b>

See accompanying notes.

HERREID SCHOOL DISTRICT No. 10-1  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	1,184,421	831,346	460,039	2,475,806
Certificate of deposit	10,000	50,000		60,000
Receivables:				
Property taxes - current	374,380	219,122	80,026	673,528
Property taxes - delinquent	720	183	93	996
Accounts receivable	4,239			4,239
Due from governments	98,620		97,030	195,650
Cash - restricted	16,908			16,908
<b>Total assets</b>	<b>1,689,288</b>	<b>1,100,651</b>	<b>637,188</b>	<b>3,427,127</b>
<b>LIABILITIES</b>				
Accounts payable	31,968	3,648	11,271	46,887
Contracts payable	108,428		1,100	109,528
Payroll deductions payable	16,040		84	16,124
<b>Total liabilities</b>	<b>156,436</b>	<b>3,648</b>	<b>12,455</b>	<b>172,539</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Taxes levied for a future period	374,380	219,122	80,026	673,528
Unavailable revenue:				
Property taxes - delinquent	720	183	93	996
<b>Total deferred inflow of resources</b>	<b>375,100</b>	<b>219,305</b>	<b>80,119</b>	<b>674,524</b>
<b>FUND BALANCE</b>				
Nonspendable				0
Restricted	16,908	877,698	544,614	1,439,220
Committed				0
Assigned				0
Unassigned	1,140,844			1,140,844
<b>Total fund balance</b>	<b>1,157,752</b>	<b>877,698</b>	<b>544,614</b>	<b>2,580,064</b>
<b>Total liabilities, deferred inflow of resources and fund balance</b>	<b>1,689,288</b>	<b>1,100,651</b>	<b>637,188</b>	<b>3,427,127</b>

Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position

Total fund balance - governmental funds (above) 2,580,064

Amounts reported in the government-wide statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Therefore:  
Add the cost of capital assets 7,611,807  
Subtract the associated accumulated depreciation, amortization -1,940,340

Long-term liabilities are not due and payable in the current period. Therefore, subtract the following long-term liabilities  
Accrued leave - sick -4,837  
Noncurrent liabilities -3,724,132

Some assets are not available to pay for current period expenditures and therefore are deferred in the funds.  
Therefore add: Taxes receivable (delinquent) 996

These pension related amounts are not an available financial resource and therefore are not reported in the funds.  
Net pension assets 1,489  
Deferred outflow of resources 287,310  
Deferred inflow of resources -187,165

Total net position on government-wide statement of net position 4,625,192

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	1,077,265	561,476	268,760	1,907,501
Prior year ad valorem taxes	1,097	252	164	1,513
Gross receipts	21,347			21,347
Penalties and interest	1,249	375	302	1,926
Interest earned	14,293	2,120		16,413
Cocurricular activities:				
Admissions	6,760			6,760
Other pupil activity	5,527			5,527
Other revenue from local sources:				
Donations	889	1,373		2,262
Other	704			704
Total revenue from local sources	1,129,131	565,596	269,226	1,963,953
Revenue from intermediate sources:				
County sources:				
County apportionment	9,364			9,364
Revenue from state sources:				
Unrestricted grants-in-aid	611,864			611,864
Restricted grants-in-aid	39,777			39,777
Revenue from federal sources:				
Restricted grants-in-aid	72,915		37,414	110,329
Total revenues	1,863,051	565,596	306,640	2,735,287
Expenditures:				
Instruction:				
Regular programs:				
Elementary school	433,643	2,615		436,258
Middle school	259,882	2,959		262,841
High school	307,652	5,216		312,868
Special programs:				
Programs for special educ.			127,603	127,603
Educ. deprived (Title I)	35,073			35,073
Total instruction	1,036,250	10,790	127,603	1,174,643
Support services:				
Pupils:				
Guidance	5,810			5,810
Instruction:				
Library services	2,335			2,335
Technology	29,943			29,943
General administration:				
Board of Education	26,125			26,125
Executive administration	105,670			105,670
School administration:	61,275			61,275
Business:				
Fiscal services	77,710			77,710
Operations and maintenance	239,613	2,988		242,601
Pupil transportation	99,909			99,909
Food service	75			75
Special education			111,737	111,737
Total support services	648,465	2,988	111,737	763,190

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cocurricular activities:				
Male activities	23,508			23,508
Female activities	13,185			13,185
Combined activities	39,564			39,564
Total cocurricular services	76,257	0	0	76,257
Debt service:				
Principal		256,887		256,887
Interest		67,042		67,042
Total debt services	0	323,929	0	323,929
Capital outlay:		1,324,668		1,324,668
Total expenditures	1,760,972	1,662,375	239,340	3,662,687
Excess of revenues over (under) expenditures	102,079	-1,096,779	67,300	-927,400
Other financing sources (uses):				
Sale of surplus property	3,883			3,883
Capital outlay certificates proceeds		884,893		884,893
Transfer (out)	-50,000			-50,000
Total financing sources (uses):	-46,117	884,893	0	838,776
Net change in fund balance	55,962	-211,886	67,300	-88,624
Fund balance:				
July 1, 2024	1,101,790	1,089,584	477,314	2,668,688
June 30, 2025	1,157,752	877,698	544,614	2,580,064
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.				
Net change in fund balances - total governmental funds (above)				-88,624
Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:				
Add the cost of capital assets purchased				1,324,668
Subtract depreciation taken on all capital assets				-125,447
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:				
Subtract prior year delinquent taxes				-1,773
Add current year delinquent taxes				996
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Therefore:				
Add prior year accrued leave payable				4,660
Subtract current year accrued leave payable				-4,837
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:				
Add current year principal payments on:				
HVAC Capital Outlay Certificates				55,119
2023 Limited General Obligation Capital Outlay Certificates				186,744
Copier lease				15,024
Subtract current year debt proceeds:				
2023 Limited General Obligation Capital Outlay Certificates				-401,246
2023A Limited General Obligation Capital Outlay Certificates				-483,647
Expenses and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds				
				-37,733
Change in net position on government-wide statement of activities				443,904

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDING JUNE 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenue:				
Revenue from local sources:				
Taxes:				
Ad valorem taxes	1,108,298	541,511	326,104	1,975,913
Prior year ad valorem taxes	1,305	320	222	1,847
Gross receipts	21,109			21,109
Penalties and interest	783	392	388	1,563
Interest earned	18,241	1,519		19,760
Cocurricular activities:				
Admissions	5,710			5,710
Other pupil activity	2,231			2,231
Other revenue from local sources:				
Donations	350			350
Total revenue from local sources	1,158,027	543,742	326,714	2,028,483
Revenue from intermediate sources:				
County sources:				
County apportionment	19,216			19,216
Revenue from state sources:				
Unrestricted grants-in-aid	519,831			519,831
Restricted grants-in-aid	32,044			32,044
Revenue from federal sources:				
Restricted grants-in-aid	69,418		33,478	102,896
Total revenues	1,798,536	543,742	360,192	2,702,470
Expenditures:				
Instruction:				
Regular programs:				
Elementary school	509,125	9,096		518,221
Middle school	264,117	5,240		269,357
High school	436,023	8,161		444,184
Special programs:				
Programs for special educ.			135,920	135,920
Educ. deprived (Title I)	40,590			40,590
Total instruction	1,249,855	22,497	135,920	1,408,272
Support services:				
Pupils:				
Guidance	9,077			9,077
Special education			84,817	84,817
Instruction:				
Library services	15,564			15,564
Technology	51,532			51,532
General administration:				
Board of Education	37,080			37,080
Executive administration	107,785			107,785
School administration:	57,722			57,722
Business:				
Fiscal services	75,435	499		75,934
Operations and maintenance	206,859	18,942		225,801
Pupil transportation	100,950			100,950
Food service	185			185
Special education			32,812	32,812
Total support services	662,189	19,441	117,629	799,259

HERREID SCHOOL DISTRICT No. 10-1  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2024

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Cocurricular activities:				
Male activities	42,621			42,621
Female activities	18,544			18,544
Combined activities	37,218			37,218
Total cocurricular services	98,383	0	0	98,383
Debt service:				
Principal		188,684		188,684
Interest		158,875		158,875
Issue cost		2,950		2,950
Total debt services	0	350,509	0	350,509
Capital outlay:		3,202,586		3,202,586
Total expenditures	2,010,427	3,595,033	253,549	5,859,009
Excess of revenues over (under) expenditures	-211,891	-3,051,291	106,643	-3,156,539
Other financing sources (uses):				
Capital outlay certificates proceeds		2,917,959		2,917,959
Transfer (out)	-186,278			-186,278
Total financing sources (uses):	-186,278	2,917,959	0	2,731,681
Net change in fund balance	-398,169	-133,332	106,643	-424,858
Fund balance:				
July 1, 2023	1,369,218	1,185,496	357,361	2,912,075
Beginning balance error correction (note 11)	130,741	37,420	13,310	181,471
July 1, 2023, restated	1,499,959	1,222,916	370,671	3,093,546
June 30, 2024	1,101,790	1,089,584	477,314	2,668,688

Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) -424,858

Capital outlays are reported in governmental funds as expenditures. However in the government-wide statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. Therefore:

Add the cost of capital assets purchased	3,202,586
Subtract depreciation taken on all capital assets	-122,337
Subtract removal of prior year salvage value	-138,444
Subtract loss on asset disposition	-54,405

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Therefore:

Subtract prior year delinquent taxes	-1,726
Add current year delinquent taxes	1,773

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Therefore:

Add prior year accrued leave payable	4,660
Subtract current year accrued leave payable	-4,660

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Therefore:

Add current year principal payments on:	
HVAC Capital Outlay Certificates	54,068
2023 Limited General Obligation Capital Outlay Certificates	120,180
Copier lease	14,436
Subtract current year debt proceeds:	
2023 Limited General Obligation Capital Outlay Certificates	-2,917,959

Expenses and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds

-9,103

Change in net position on government-wide statement of activities

-275,789

HERREID SCHOOL DISTRICT No. 10-1

STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
AS OF JUNE 30, 2025

	Food Service Fund	Preschool Program Fund	Total Enterprise Funds
<b>ASSETS</b>			
Current assets:			
Cash	12,157	1,053	13,210
Inventory - supplies	167		167
Inventory - purchased goods	1,559		1,559
Inventory - commodities (donated)	6,502		6,502
Capital assets:			
Equipment	44,833		44,833
Accumulated depreciation	-27,224		-27,224
Other assets:			
Net pension assets	25		25
	-----	-----	-----
Total assets	38,019	1,053	39,072
	=====	=====	=====
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension related deferred outflows	4,729		4,729
	-----	-----	-----
Total deferred outflow of resources	4,729	0	4,729
	=====	=====	=====
<b>LIABILITIES:</b>			
Accounts payable	1,382		1,382
Contracts payable		3,917	3,917
Benefits payable		289	289
	-----	-----	-----
Total liabilities	1,382	4,206	5,588
	=====	=====	=====
<b>DEFERRED INFLOW OF RESOURCES:</b>			
Pension related deferred inflows	3,082		3,082
	-----	-----	-----
Total deferred inflow of resources	3,082	0	3,082
	=====	=====	=====
<b>NET POSITION</b>			
Net invested in capital assets	17,609		17,609
Restricted - pension related	1,672		1,672
Unrestricted	19,003	-3,153	15,850
	-----	-----	-----
Total net position	38,284	-3,153	35,131
	=====	=====	=====

See accompanying notes.

HERREID SCHOOL DISTRICT No. 10-1

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN FUND NET POSITION - ENTERPRISE FUNDS  
 FOR THE TWO YEARS ENDING JUNE 30, 2025

	FY25			FY24		
	Food Service Fund	Preschool Program Fund	Total Enterprise Funds	Food Service Fund	Preschool Program Fund	Total Enterprise Funds
Operating revenue:						
Sales to pupils	38,232		38,232	35,136		35,136
Sales to adults	2,886		2,886	6,617		6,617
Fees		4,150	4,150	5,000	5,500	10,500
Total operating revenue	41,118	4,150	45,268	46,753	5,500	52,253
Operating expense:						
Salaries	26,441	44,017	70,458	23,702	25,381	49,083
Employee benefits	3,097	3,561	6,658	2,770	2,899	5,669
Purchased services	872		872	1,595		1,595
Supplies	480	158	638	159	305	464
Cost of sales:						
Purchased food	37,018		37,018	47,445		47,445
Purchased food, supply chain	22,695		22,695	11,265		11,265
Miscellaneous	370		370	12,323		12,323
Depreciation	2,558		2,558	3,825		3,825
Pension related (revenue) expense	640		640	7,112		7,112
Total operating expenses	94,171	47,736	141,907	110,196	28,585	138,781
Operating income (loss)	-53,053	-43,586	-96,639	-63,443	-23,085	-86,528
Nonoperating revenue (expense):						
Interest earnings			0			0
State source: Cash reimbursement			0	151		151
Federal source: Cash reimbursement			0	8,092		8,092
Total nonoperating revenue (expense)	0	0	0	8,243	0	8,243
Income (loss) before transfers	-53,053	-43,586	-96,639	-55,200	-23,085	-78,285
Transfer in - general fund	50,000		50,000	68,872	117,406	186,278
Transfer in (out)				-6,799	6,799	0
Change in net position	-3,053	-43,586	-46,639	6,873	101,120	107,993
Net position:						
July 1, 2023				34,464	-60,687	-26,223
June 30, 2024	41,337	40,433	81,770	41,337	40,433	81,770
June 30, 2025	38,284	-3,153	35,131			

See accompanying notes.

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
 FOR THE TWO YEARS ENDING JUNE 30, 2025

	FY25			FY24		
	Food Service Fund	Preschool Program Fund	Total Enterprise Funds	Food Service Fund	Preschool Program Fund	Total Enterprise Funds
Cash flows from:						
Operating activities:						
Receipts from customers	41,118	4,150	45,268	46,753	5,500	52,253
Cash paid to employees	-29,538	-47,398	-76,936	-26,472	-28,125	-54,597
Payments to suppliers	-60,053	-158	-60,211	-72,787	-305	-73,092
Net cash provided (used) by operating activities	-48,473	-43,406	-91,879	-52,506	-22,930	-75,436
Noncapital financing activities:						
Grant reimbursements - state			0	151		151
Grant reimbursements - federal			0	4,684		4,684
Due from/to other funds			0	-6,436	-57,573	-64,009
Transfer in - from general	50,000		50,000	68,872	117,406	186,278
Transfer in (out)			0	-6,799	6,799	0
Capital financing activities:						
Capital asset adjustment			0	2,664		2,664
Investing activities:						
Interest earnings			0			0
Net increase (decrease) in cash and cash equivalents	1,527	-43,406	-41,879	10,630	43,702	54,332
Cash and cash equivalents:						
July 1, 2023				0	757	757
June 30, 2024	10,630	44,459	55,089	10,630	44,459	55,089
June 30, 2025	12,157	1,053	13,210			
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	-53,053	-43,586	-96,639	-63,443	-23,085	-86,528
Value of donated commodities used			0			0
Depreciation	2,558		2,558	3,825		3,825
Pension related (revenue) expense	640		640	7,112		7,112
Change in operating accounts:						
Prepaid expenses			0			0
Inventory - supplies			0			0
Inventory - purchased			0			0
Accounts payable	1,382		1,382			0
Contracts payable		167	167		154	154
Payroll deductions payable		13	13		1	1
Net cash provided (used) by operating activities	-48,473	-43,406	-91,879	-52,506	-22,930	-75,436
Noncash investing, capital and financing activities:						
Value of donated commodities received in FY25:	0					
Value of donated commodities received in FY24:				0		
See accompanying notes.						

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF FIDUCIARY NET POSITION  
 AS OF JUNE 30, 2025

	Custodial Funds	Private-Purpose Trust Fund
	-----	-----
Assets:		
Cash	95,117	0
Certificate of deposit	0	34,016
	-----	-----
Total assets	95,117	34,016
	=====	=====
Liabilities:		
None	0	0
	-----	-----
Total liabilities	0	0
	=====	=====
Net Position:		
Restricted for student activities	95,117	34,016
	-----	-----
Total net position	95,117	34,016
	=====	=====

See accompanying notes.

HERREID SCHOOL DISTRICT No. 10-1  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE TWO YEARS ENDING JUNE 30, 2025

	-- FY25 -- Custodial Funds	-- FY24 -- Custodial Funds	-- FY25 -- Private-Purpose Trust Fund	-- FY24 -- Private-Purpose Trust Fund
Additions:				
Collections for student activities	139,264	111,453	0	0
	-----	-----	-----	-----
Total additions	139,264	111,453	0	0
	-----	-----	-----	-----
Deductions:				
Payments for student activities	106,631	121,749	0	0
	-----	-----	-----	-----
Total deductions	106,631	121,749	0	0
	-----	-----	-----	-----
Change in net position	32,633	-10,296	0	0
Net position:				
July 1, 2023		72,780		34,016
		-----		-----
June 30, 2024	62,484	62,484	34,016	34,016
	-----	=====	-----	=====
June 30, 2025	95,117		34,016	
	=====		=====	

See accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Herreid School District's (School District) Board of Education.

The School District's officials at June 30, 2025 are:

Board Members:	Chief Executive Officer:
Brandon Ritter, President	Lance Vander Vorst
Kaytlin Beck	
Amie Hanson	Business Manager:
Holly Randall	Wayne Hanson
Colleen Rueb	
	Attorney:
	Churchill, Manolis, Freeman, Kludt & Burns

The reporting entity of the School District consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Herreid School District does not have any component units.

The School District does participate with other school districts in cooperative service units. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship to the School District.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested 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 function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:

## Governmental Funds

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

*Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:*

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

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

## Enterprise Funds

*Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise funds:*

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

Preschool program fund - a fund used to record financial transactions related to School District's preschool programs. This fund is financed by user charges and donations. This fund is a major fund.

## Fiduciary Funds

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

Private-Purpose Trust Fund: The private-purpose trust fund is used to account for the principal and income benefit of the Adney Scholarship Trust Fund. There was no activity in this fund during the two years ending June 30, 2025.

### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

### *Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

## Basis of Accounting

### *Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:*

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The School District's availability period for accruing and recording revenues is 60 days. The revenues which are accrued at June 30, 2025 are grants and accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the Herreid School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year. All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

*Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables are reported as Nonspendable Fund Balance to the extent that the proceeds from the collection of those receivables are not Restricted, Committed, or Assigned. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources" and are reported in the appropriate fund balance category.

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

The School District pools its cash for depositing and investing purposes. Accordingly, enterprise funds have access to their cash resources on demand and consequently all enterprise fund deposits and investment balances are considered to be cash equivalents for the purposes of the statement of cash flows.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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

The total June 30, 2025 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total June 30, 2025 balance of capital assets for business-type activities includes approximately 5% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals or deflated current replacement cost.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 35.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Life in Years
	-----	-----	-----
Land	All	N/A	N/A
Buildings/improvements	5,000	Straight-line	20-85
Equipment	5,000	Straight-line	10-20
Equipment - food service	5,000	Straight-line	12

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

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

h. Long-term Liabilities:

*Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of capital outlay certificates, limited tax general obligation capital outlay certificates, copiers lease, and compensated absences obligations.

*Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues:

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

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

j. Deferred Outflows and Deferred Inflows of Resources

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

In the government-wide financial statements, the only deferred outflow of resources reported is a deferred amount arising from the School District's pension plan for qualified retirees as discussed in Note 13.

In the fund financial statement there are no deferred outflows of resources reported in the governmental funds. There is deferred outflows of resources reported in the enterprise funds arising from School District's pension plan for qualified retirees as discussed in Note 13.

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

In the government-wide financial statements, the only deferred inflow of resources reported are deferred amounts arising from the School District's pension plan and property taxes that are levied for future periods.

In the funds financial statement, governmental funds report deferred inflows of resources for gross receipts tax and property taxes levied but not collected within the available period and property taxes levied in the available period that are intended to finance operations of the next fiscal year. Enterprise funds report deferred inflows of resources arising from School District's pension plan for qualified retirees as discussed in Note 13.

k. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

1. Equity Classifications:

*Government-wide Financial Statements:*

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

1. Net Invested in Capital Assets - Consist of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consist of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of "Net Invested in Capital Assets" or "Restricted Net Position".

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements.

Fiduciary fund equity is reported as "Net Position" of each fund type.

m. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by School Board, Superintendent, or Business Manager.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Herreid School District fund balance classifications are made up of:

<u>Fund Balance Classification</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	Athletic uses	Donor	8,517
Restricted	Music uses	Donor	7,252
Restricted	Veterans' Memorial	Donor	1,139
Restricted	Capital Outlay	Statute	877,698
	Special Education	Statute	544,614
Committed	None		0
Assigned	None		0
Unassigned	General		1,140,844
			-----
			2,580,064

The School District uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

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

The purpose of each special revenue fund and revenue source is:

Major Special Revenue Fund	Revenue Source: (see page 8 and 10)
* Capital Outlay	Property taxes, grants
* Special Education	Property taxes, Medicaid services reimbursements, and federal grants

n. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

o. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

p. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated cost of certain assets and service lives
- \* Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

In FY25 the School district did not publish salaries and wages per SDCL 6-1-10.

3. DEPOSITS, INVESTMENTS AND RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as 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 better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at June 30, 2025 were as follows: Insured \$343,124  
Collateralized \*\* \$2,386,549 for a total of \$2,729,673.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2025 was \$2,695,057 which equals \$2,565,924 on the government-wide statement of net position plus \$129,133 on the fiduciary funds statement of custodial and private-purpose net positions.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load mutual fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

For the two years ending June 30, 2025 the School District had no investments.

Cash Equivalents - Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2025, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in Campbell County Bank, Inc.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the general fund or capital outlay fund.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

5. DUE FROM OTHER GOVERNMENTS

At June 30, 2025 the School District had these receivables:

Gross receipts taxes	\$ 21,347
Title I	53,953
Title II	8,869
State apportionment	12,001
State other	2,357
Federal other	93
Federal special education	97,030
	-----
	\$ 195,650

6. INVENTORY

*Government-wide Statements:* (consumption method)

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are used. Inventory of supplies and small tools is recorded at cost.

Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. There is \$8,228 of food inventory and supplies at June 30, 2025.

*Fund Financial Statements:* (consumption method)

In the fund financial statements, inventories of the general fund and special revenue funds (if any) consist of expendable supplies held for consumption. The cost is recorded as an asset and charged to expense as they are consumed. Any reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

In the fund financial statements, inventory of the enterprise fund is stated at the lower of cost or market. The cost valuation method is first-in first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. Inventories of the food service fund are initially recorded as an asset and charged to expense as they are consumed.

7. CHANGES IN CAPITAL ASSETS (see schedule one, page 35)

A summary of changes in capital assets for the two years ending June 30, 2025 is found on schedule one at the end of these footnotes.

There is construction-in-progress for a school addition/remodel project with cumulative cost of \$4,669,978 at June 30, 2025.

8. CHANGES IN LONG-TERM LIABILITIES (see schedule two, page 36)

A summary of changes in long-term liabilities for the two years ending June 30, 2025 is found on schedule two at the end of these footnotes.

The School District has no Subscription-Based Information Technology Arrangements.

9. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

Fund	Restricted by	Governmental Activities Amount	Business-type Activities Amount
General: athletic	Donor	\$ 8,517	
General: music	Donor	7,252	
general: Veterans'	Donor	1,139	
Capital outlay	Statute	877,881	
Special education	Statute	544,707	
SDRS pension: General	Contract	101,634	
SDRS pension: Food	Contract		\$ 1,672
		-----	-----
Total restricted net position		\$ 1,541,130	\$ 1,672

10. INTERFUND TRANSFERS

Net transfers "in" and "(out)" between funds are:

For the year ending June 30, 2025:

	Governmental	Enterprise	Purpose
General fund	\$ (50,000)		Operations
Food service		\$ 50,000	Operations

For the year ending June 30, 2024:

	Governmental	Enterprise	Purpose
General fund	\$ (135,000)		Operations
General fund	(51,278)		Reclass "Due from"
Food service		\$ 65,000	Operations
Food service		3,872	Reclass "Due to"
Preschool		70,000	Operations
Preschool		47,406	Reclass "Do to"
	-----	-----	
	\$ (186,278)	\$ 186,278	

11. BEGINNING BALANCE ERROR CORRECTION

Issues with respect to internal controls and cash reconciliations, identified in the prior audit report, results in July 1, 2023 beginning balance error corrections as follows:

	Governmental Activities
Net Position June 30, 2023 (previously reported)	4,254,617
Error correction - funds	181,471
Error correction - liabilities	585
Error correction - capital assets	20,404
	-----
Net Position June 30, 2023 (restated)	4,457,077
	=====

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Net Position June 30, 2023 (previously reported)	1,369,218	1,185,496	357,361	2,912,075
Error correction	130,741	37,420	13,310	181,471
	-----	-----	-----	-----
Net Position June 30, 2023 (restated)	1,499,959	1,222,916	370,671	3,093,546
	=====	=====	=====	=====

12. DEFICIT FUND BALANCE:

At June 30, 2025 Preschool fund had a deficit fund balance of \$3,153 from operations. The School District does expect this deficit to be corrected in FY26 and later years from program fees and inter-fund transfers.

13. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDFRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or 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 that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from .05 percent to 0.0 percent.

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

Contributions:

Per SDCL 3-12, contributions 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 School District's share of contributions to the SDRS for the years ending June 30, 2025, 2024, and 2023 were \$66,463, \$63,253, and \$61,287 respectively (employer's share) equal to the required contribution each year.

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

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

Proportionate share of total pension liability	\$ 5,578,982
Less: Proportionate share of net position restricted for pension benefits	(5,580,496)
	-----
Proportionate share of net pension (asset)/liability	\$ (1,514)
	=====

At June 30, 2025 the School District reported a (asset)/liability of \$(1,514) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2024 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the School District's proportion was .00037397 which is a decrease of .00002357 of its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized net pension expense of \$38,374. At June 30, 2025 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 140,181	\$ 0
Change in assumptions	24,958	190,247
Net difference between projected and actual earnings on pension plan investments	57,022	0
Changes in proportion and difference between School District contribution and proportionate share of contributions	3,415	
School District contributions subsequent to the measurement date	66,463	
	-----	-----
Totals	\$ 292,039 (66,463) (190,247)	\$ 190,247 =====
	-----	
To be amortized over 4 years	\$ 35,329 =====	

The \$66,463 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending June 30, 2026	\$ (58,720)
June 30, 2027	80,762
June 30, 2028	8,242
June 30, 2029	5,045
	-----
	\$ 35,329

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.71%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: Pub T-2010  
Other Class A Members: Pub G-2010  
Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:

Pub T-2010, 108% of rates above age 65

Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024 valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021.

Investments

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 (ie: 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.6%
Investment grade debt	22.8%	2.3%
High Yield debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9	0.8%
	-----	
	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate.

Based on those 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 asset.

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
School District's proportionate share of the net pension (asset)/liability	\$769,242	\$(1,514)	\$(632,232)

Pension Plan Fiduciary Net Position:

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

14. JOINT VENTURE

Oahe Special Education Cooperative  
P.O. Box 97, Java, South Dakota 57452  
605.649.6296

The School participates in Oahe Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education and other services to member school districts. At June 30, 2025, the School's percentage of participation in the co-op is 1/6th, the same as the other school districts in the coop.

The co-op's governing board has one representatives from the school board of each member school. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The School retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements of the co-op are available at its business office at P.O. Box 97, Java, South Dakota 57452. At June 30, 2025 this co-op had total AUDITED (draft) net position of \$462,558 and no long-term debt.

15. PROPERTY TAXES

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

School District property tax revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund 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". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is

collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 9 and 11.

#### 16. RISK MANAGEMENT

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

##### Health:

The School District joined the Associated School Board's Protective Trust. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

##### Liability and Property:

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

##### Workmen's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated South Board's Protective Trust, which provides workers' compensation insurance coverage for participating members of the Pool.

The objective of the Pool is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Pool to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool members.

The School District may also be responsible for additional assessments in the event the Pool is determined by its board of trustees to have inadequate reserves

to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the Pool of all participants for the year in which the shortfall occurs.

The Pool provides loss coverage to all participants, through Pool retained risk retention and through insurance coverage purchased by the Pool in excess of the retained risk. The Pool pays the first \$500,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,000,000 per individual per incident.

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

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. Any claims would be paid from the general fund. During the two years ending June 30, 2025 no unemployment payments were made and no unemployment payments are expected to be made in F26.

17. TAX ABATEMENTS

As of June 30, 2025 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

18. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

19. OTHER DISCLOSURES

Student enrollments are:	FY23 - 138	FY25 - 138
	FY24 - 138	FY26 - 146

On April 28, 2025 the Board adopted a 10-year OPT OUT tax limitation of \$600,000 per year for taxes payable in 2026 through 2035.

HERREID SCHOOL DISTRICT No. 10-1  
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
 CHANGES IN CAPITAL ASSETS  
 FOR THE TWO YEARS ENDING JUNE 30, 2025

	Beginning		Additions	Deletions	Ending 6-30-25	Accumulated Depr/Amort		Book Adjustments	Additions	Deletions	Accumulated Depr/Amort		Remaining Cost 6-30-25
	6-30-24	Book Adjustments				6-30-24	Book Adjustments				6-30-25	6-30-25	
Governmental capital assets:													
Land	5,464				5,464		0					0	5,464
Construction-in-progress:	3,370,062		1,299,916		4,669,978		0					0	4,669,978
Buildings	1,119,158				1,119,158	(754,771)		(32,860)			(787,631)		331,527
Improvements	163,150				163,150	(94,786)		(4,054)			(98,840)		64,310
Equipment	1,551,267		24,752		1,576,019	(933,093)		(77,084)			(1,010,177)		565,842
Intangible lease assets	78,037				78,037	(32,242)		(11,449)			(43,691)		34,346
Totals	6,287,138	0	1,324,668	0	7,611,806	(1,814,892)	0	(125,447)	0		(1,940,339)		5,671,467

Governmental depreciation  
 is allocated as follows:

Instruction	2,537
Support	114,951
Co-curricular	7,959
	125,447

Enterprise fund:  
 Food service fund:

Equipment	44,833				44,833	(24,666)		(2,558)			(27,224)		17,609
Totals	44,833	0	0	0	44,833	(24,666)	0	(2,558)	0		(27,224)		17,609

Governmental capital assets:

	Beginning		Additions	Deletions	Ending 6-30-24	Accumulated Depr/Amort		Book Adjustments	Additions	Deletions	Accumulated Depr/Amort		Remaining Cost 6-30-24
	6-30-23	Book Adjustments				6-30-23	Book Adjustments				6-30-24	6-30-24	
Land	5,464				5,464							0	5,464
Construction-in-progress:	180,795		3,189,267		3,370,062							0	3,370,062
Buildings	1,961,578	(795,768)			1,119,158	(1,091,483)	322,921	(32,861)		46,652	(754,771)		364,387
Improvements	213,939	(42,989)			163,150	(104,836)	6,304	(4,054)		7,800	(94,786)		68,364
Equipment	897,300	698,568	13,319		1,551,267	(555,559)	(361,480)	(73,974)		57,920	(933,093)		618,174
Intangible lease assets	78,037				78,037	(20,793)		(11,449)			(32,242)		45,795
Totals	3,337,113	(140,189)	3,202,586	(112,372)	6,287,138	(1,772,671)	(32,255)	(122,338)	112,372		(1,814,892)		4,472,246

Governmental depreciation  
 is allocated as follows:

Instruction	1,585
Support	112,794
Co-curricular	7,959
	122,338

Enterprise fund:  
 Food service fund:

Equipment	60,229	(15,396)			44,833	(33,572)	12,731	(3,825)			(24,666)		20,167
Totals	60,229	(15,396)	0	0	44,833	(33,572)	12,731	(3,825)	0		(24,666)		20,167

HERREID SCHOOL DISTRICT No. 10-1  
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
 CHANGES IN LONG-TERM LIABILITIES  
 FOR THE TWO YEARS ENDING JUNE 30, 2025

	FY24	FY25	Governmental	Principal
Beginning 6-30-23	Additions (Deletions)	Additions (Deletions)	Ending 6-30-25	Due in FY26
<b>GOVERNMENTAL - DIRECT BORROWING</b>				
Capital Outlay Certificates:				
Maturing June 15, 2025				
Interest at 2.95%				
Purpose - HVAC work -585 adjustment				
Paid by capital outlay fund	109,772	-54,068	-55,119	0
2023 Limited Tax General Obligation Capital Outlay Certificates:				
Total amount of \$3,500,000				
Maturing July 1, 2043				
Interest at 3.75%				
Purpose - School improvements, furnishings and equipment				
Callable on				
Collateral - Capital levy for payment of these certificates				
Paid by capital outlay fund	180,795	-120,180	-186,744	3,193,076
				130,574
2023A Limited Tax General Obligation Capital Outlay Certificates:				
Total amount of \$483,647				
Maturing July 1, 2043				
Interest at 3.75%				
Purpose - School improvements, furnishings and equipment				
Callable on				
Collateral - Capital levy for payment of these certificates				
Paid by capital outlay fund	0	0	483,647	483,647
				16,607
<b>GOVERNMENTAL - OTHER LIABILITIES</b>				
Lease of 4 copiers:				
Original amount: \$78,037				
Maturing May 30, 2028				
Imputed interest at 3.5%				
Monthly payments of \$1,437				
Collateral - Copier				
Paid from capital outlay fund	76,869	-14,436	-15,024	47,409
				15,636
Accrued leave liability:	4,660		177	4,837
				4,837
	<u>371,511</u>	<u>2,729,275</u>	<u>628,183</u>	<u>3,728,969</u>
				<u>167,654</u>
<b>Payment Schedules:</b>				
	<b>Total Payment</b>	<b>Principal</b>	<b>Interest</b>	<b>Balance</b>
2023 Limited Tax General Obligation Capital Outlay Certificates:				
FY26	250,314	130,574	119,740	3,062,502
FY27	250,314	135,470	114,844	2,927,032
FY28	250,314	140,550	109,764	2,786,482
FY29	250,314	145,821	104,493	2,640,661
FY30	250,314	151,289	99,025	2,489,372
FY31 - FY35	1,251,569	845,922	405,647	1,643,450
FY36 - FY40	1,251,569	1,016,882	234,687	626,568
FY41 - FY43	671,221	626,568	44,653	0
Totals	<u>4,425,929</u>	<u>3,193,076</u>	<u>1,232,853</u>	
2023A Limited Tax General Obligation Capital Outlay Certificates:				
FY26	29,904	16,607	13,297	467,040
FY27	34,589	17,236	17,353	449,804
FY28	34,590	17,888	16,702	431,916
FY29	34,589	18,565	16,024	413,351
FY30	35,590	19,268	16,322	394,083
FY31 - FY35	172,948	107,847	65,101	286,236
FY36 - FY40	172,948	129,863	43,085	156,373
FY41 - FY43	172,948	156,373	16,575	0
Totals	<u>688,106</u>	<u>483,647</u>	<u>204,459</u>	
One Canon copier lease:				
FY26	17,248	15,636	1,612	31,773
FY27	17,248	16,273	975	15,500
FY28	15,812	15,500	312	0
Totals	<u>50,308</u>	<u>47,409</u>	<u>2,899</u>	

HERREID SCHOOL DISTRICT No. 10-1  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2025

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	1,070,908			1,070,908	1,077,265	6,357
Prior year ad valorem taxes				0	1,097	1,097
Gross receipts				0	21,347	21,347
Penalties and interest				0	1,249	1,249
Interest earned	4,000			4,000	14,293	10,293
Cocurricular activities:						
Admissions				0	6,760	6,760
Other activity income	5,000			5,000	5,527	527
Other revenue from local sources:						
Donations				0	889	889
Other	290,705			290,705	704	-290,001
Intermediate sources:						
County apportionment	30,000			30,000	9,364	-20,636
State sources:						
Unrestricted grants-in-aid	609,387			609,387	611,864	2,477
Restricted grants-in-aid				0	39,777	39,777
Federal sources:						
Restricted grants-in-aid	100,118			100,118	72,915	-27,203
<b>Total revenues</b>	<b>2,110,118</b>	<b>0</b>	<b>0</b>	<b>2,110,118</b>	<b>1,863,051</b>	<b>-247,067</b>
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	475,000			475,000	433,643	41,357
Middle school	250,000			250,000	259,882	-9,882
High school	300,000			300,000	307,652	-7,652
Preschool				0		0
Special programs:						
Educ. deprived (Title I)	100,118			100,118	35,073	65,045
Support services:						
Pupils:						
Guidance	9,000			9,000	5,810	3,190
Instruction:						
Improvement of instruction				0		0
Library services	15,000			15,000	2,335	12,665
Technology	55,000			55,000	29,943	25,057
General administration:						
Board of Education	41,000			41,000	26,125	14,875
Executive administration	125,000			125,000	105,670	19,330
School administration:						
Other	50,000		12,000	62,000	61,275	725
Business:						
Fiscal services	85,000			85,000	77,710	7,290
Operations and maintenance	215,000		30,000	245,000	239,613	5,387
Pupil transportation	125,000			125,000	99,909	25,091
Food service				0	75	-75
Non-program - unemployment				0		0
Cocurricular activities:						
Male activities	35,000			35,000	23,508	11,492
Female activities	20,000			20,000	13,185	6,815
Combined activities	40,000			40,000	39,564	436
Contingencies:	30,000			30,000		30,000
Amount transferred				0		0
<b>Total expenditures</b>	<b>1,970,118</b>	<b>0</b>	<b>42,000</b>	<b>2,012,118</b>	<b>1,760,972</b>	<b>251,146</b>
Excess of rev over (under) exp	140,000	0	-42,000	98,000	102,079	4,079
Other financial sources:						
Sale of surplus property				0	3,883	3,883
Transfer (cut)	-70,000			-70,000	-50,000	20,000
Fund balance:						
July 1, 2024	1,101,790			1,101,790	1,101,790	0
June 30, 2025	1,171,790	0	-42,000	1,129,790	1,157,752	27,962

HERREID SCHOOL DISTRICT No. 10-1  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2024

GENERAL FUND	Budgeted Amounts			Actual	Variance Positive (Negative)	
	Original	Contingency Transfers	Supplementals			Final
Revenues:						
Local Sources:						
Taxes:						
Ad valorem taxes	708,977			708,977	1,108,298	399,321
Prior year ad valorem taxes				0	1,305	1,305
Gross receipts				0	21,109	21,109
Penalties and interest				0	783	783
Interest earned	3,000			3,000	18,241	15,241
Cocurricular activities:						
Admissions	6,600			6,600	5,710	-890
Other activity income				0	2,231	2,231
Other revenue from local sou	450,000			450,000		-450,000
Donations				0	350	350
Other	244,930			244,930		-244,930
Intermediate sources:						
County apportionment	7,500			7,500	19,216	11,716
State sources:						
Unrestricted grants-in-aid	371,656			371,656	519,831	148,175
Restricted grants-in-aid				0	32,044	32,044
Federal sources:						
Restricted grants-in-aid	84,050			84,050	69,418	-14,632
Total revenues	1,876,713	0	0	1,876,713	1,798,536	-78,177
Expenditures:						
Instruction:						
Regular programs:						
Elementary school	528,100			528,100	509,125	18,975
Middle school	290,000			290,000	264,117	25,883
High school	326,500			326,500	436,023	-109,523
Preschool				0		0
Special programs:						
Educ. deprived (Title I)	65,675			65,675	40,590	25,085
Support services:						
Pupils:						
Guidance	6,110		2,500	8,610	9,077	-467
Instruction:						
Improvement of instruction				0		0
Library services	11,160		2,000	13,160	15,564	-2,404
Technology	49,130		1,000	50,130	51,532	-1,402
General administration:						
Board of Education	39,330			39,330	37,080	2,250
Executive administration	114,990		2,000	116,990	107,785	9,205
School administration:						
Other	54,980			54,980	57,722	-2,742
Business:						
Fiscal services	79,700			79,700	75,435	4,265
Operations and maintenance	207,740			207,740	206,859	881
Pupil transportation	102,030			102,030	100,950	1,080
Food service				0	185	-185
Cocurricular activities:						
Male activities	37,460			37,460	42,621	-5,161
Female activities	24,930			24,930	18,544	6,386
Combined activities	47,740			47,740	37,218	10,522
Contingencies:	30,000			30,000		30,000
Amount transferred				0		0
Total expenditures	2,015,575	0	7,500	2,023,075	2,010,427	12,648
Excess of rev over (under) exp	-138,862	0	-7,500	-146,362	-211,891	-65,529
Other financial sources:						
Transfer in	198,862			198,862		-198,862
Transfer (out)	-60,000			-60,000	-186,278	-126,278
Fund balance:						
July 1, 2023, restated	1,499,959			1,499,959	1,499,959	0
June 30, 2024	1,499,959	0	-7,500	1,492,459	1,101,790	-390,669

HERREID SCHOOL DISTRICT No. 10-1  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2025

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	547,359		547,359	561,476	14,117
Prior year ad valorem taxes			0	252	252
Penalties and interest			0	375	375
Interest earned	750		750	2,120	1,370
Donations			0	1,373	1,373
County Sources:	5,000		5,000		-5,000
Total revenue	553,109	0	553,109	565,596	12,487
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	25,000		25,000	2,615	22,385
Middle school	20,000		20,000	2,959	17,041
High school	25,000		25,000	5,216	19,784
Preschool	5,000		5,000		5,000
Support services:					
Business:					
Construction & improvements		1,600,000	1,600,000	1,327,656	272,344
Operations and maintenance	200,000		200,000		200,000
Pupil transportation	149,109		149,109		149,109
Food service	55,000		55,000		55,000
Cocurricular activities:					
Combined activities			0		0
Debt service:					
Principle	300,000		300,000	256,887	43,113
Interest	9,400		9,400	67,042	-57,642
Cocurricular activities:					
Male activities	5,000		5,000		5,000
Female activities	5,000		5,000		5,000
Combined activities	5,000		5,000		5,000
Total expenditures	803,509	1,600,000	2,403,509	1,662,375	741,134
Excess of rev over (under) exp	-250,400	-1,600,000	-1,850,400	-1,096,779	753,621
Other financial sources:					
Capital outlay certificate p	250,400	1,600,000	1,850,400	884,893	-965,507
Fund balance:					
June 30, 2024	1,089,584		1,089,584	1,089,584	0
June 30, 2025	1,089,584	0	1,089,584	877,698	-211,886

HERREID SCHOOL DISTRICT No. 10-1

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2024

CAPITAL OUTLAY FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplementals	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	553,900		553,900	541,511	-12,389
Prior year ad valorem taxes			0	320	320
Penalties and interest			0	392	392
Interest earned	750		750	1,519	769
Federal Sources:					
Restricted grants-in-aid	61,378		61,378		-61,378
<b>Total revenue</b>	<b>616,028</b>	<b>0</b>	<b>616,028</b>	<b>543,742</b>	<b>-72,286</b>
Expenditures:					
Instruction:					
Regular programs:					
Elementary school	20,691		20,691	9,096	11,595
Middle school	2,400		2,400	5,240	-2,840
High school	2,600		2,600	8,161	-5,561
Support services:					
Business:					
Fiscal services			0	499	-499
Construction & improvements		3,183,956	3,183,956	3,221,528	-37,572
Operations and maintenance	200,000		200,000		200,000
Pupil transportation	125,475		125,475		125,475
Food service	7,000		7,000		7,000
Cocurricular activities:					
Combined activities			0		0
Debt service:					
Principle	53,500		53,500	188,684	-135,184
Interest	5,500		5,500	158,875	-153,375
Issue cost			0	2,950	-2,950
<b>Total expenditures</b>	<b>417,166</b>	<b>3,183,956</b>	<b>3,601,122</b>	<b>3,595,033</b>	<b>6,089</b>
<b>Excess of rev over (under) exp</b>	<b>198,862</b>	<b>-3,183,956</b>	<b>-2,985,094</b>	<b>-3,051,291</b>	<b>-66,197</b>
Other financial sources:					
Transfer out	-198,862		-198,862		198,862
Capital outlay certificate proceeds		3,183,956	3,183,956	2,917,959	-265,997
Fund balance:					
July 1, 2023, restated	1,222,916		1,222,916	1,222,916	0
June 30, 2024	1,222,916	0	1,222,916	1,089,584	-133,332

HERREID SCHOOL DISTRICT No. 10-1

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2025

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	288,550		288,550	268,760	-19,790
Prior year ad valorem taxes			0	164	164
Penalties and interest			0	302	302
Interest earned			0		0
Other	3,000		3,000		-3,000
County Sources:					
Revenue in lieu of taxes			0		0
Federal Sources:					
Restricted grants-in-aid	53,450		53,450	37,414	-16,036
Total revenue	345,000	0	345,000	306,640	-38,360
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	165,000	40,000	205,000	127,603	77,397
Support services:					
Pupils: special education	140,000		140,000		140,000
Special education administrat	40,000		40,000	111,737	-71,737
Total expenditures	345,000	40,000	385,000	239,340	145,660
Excess of rev over (under) exp	0	-40,000	-40,000	67,300	107,300
Other financial sources:					
None			0		0
Fund balance:					
June 30, 2024	477,314		477,314	477,314	0
June 30, 2025	477,314	-40,000	437,314	544,614	107,300

HERREID SCHOOL DISTRICT No. 10-1

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2024

SPECIAL EDUCATION FUND	Budgeted Amounts			Actual	Variance Positive (Negative)
	Original	Supplemental	Final		
Revenue:					
Local Sources:					
Taxes:					
Ad valorem taxes	288,614		288,614	326,104	37,490
Prior year ad valorem taxes			0	222	222
Penalties and interest			0	388	388
Interest earned			0		0
Other	300		300		-300
County Sources:					
Revenue in lieu of taxes			0		0
Federal Sources:					
Restricted grants-in-aid	48,261		48,261	33,478	-14,783
<b>Total revenue</b>	<b>337,175</b>	<b>0</b>	<b>337,175</b>	<b>360,192</b>	<b>23,017</b>
Expenditures:					
Instruction:					
Special programs:					
Programs for special educ.	166,675	20,000	186,675	135,920	50,755
Support services:					
Pupils: special education	133,000		133,000	84,817	48,183
Special education administrat	37,500		37,500	32,812	4,688
<b>Total expenditures</b>	<b>337,175</b>	<b>20,000</b>	<b>357,175</b>	<b>253,549</b>	<b>103,626</b>
Excess of rev over (under) exp	0	-20,000	-20,000	106,643	126,643
Other financial sources:					
None			0		0
Fund balance:					
July 1, 2023, restated	370,671		370,671	370,671	0
June 30, 2024	370,671	-20,000	350,671	477,314	126,643

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except custodial funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See pages 37 to 42.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2025.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

HERREID SCHOOL DISTRICT No. 10-1  
 FOR THE TEN YEARS ENDING JUNE 30, 2024

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
 SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	School's Pension Allocation Percentage	School's Proportionate Share of Net Pension (Asset) Liability	School's Covered Employee Payroll for a June 30th Year End	School's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0373970%	-1,514	1,054,217	(00.14%)	100.00%
June 30, 2023	0.0397540%	-3,757	949,273	(00.39%)	100.10%
June 30, 2022	0.0401630%	-307,579	914,429	(33.63%)	105.52%
June 30, 2021	0.0405428%	-1,761	899,323	(00.19%)	100.04%
June 30, 2020	0.0428618%	-4,542	911,534	(00.49%)	100.09%
June 30, 2019	0.0408717%	-953	849,685	(00.11%)	100.02%
June 30, 2018	0.0383462%	-3,480	776,246	(00.44%)	100.10%
June 30, 2017	0.0367130%	124,011	698,092	17.76%	96.89%
June 30, 2016	0.0385930%	-163,684	703,790	(23.25%)	104.10%
June 30, 2015	0.0403080%	-290,402	704,877	(41.19%)	107.00%

(1) The amounts presented for each fiscal year were determined as of the collective net pension liability (asset) which is 6/30 of the previous fiscal year.

Note: This schedule is intended to show information for ten years.

HERREID SCHOOL DISTRICT No. 10-1  
 FOR THE TEN YEARS ENDING JUNE 30, 2025

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 TO THE SOUTH DAKOTA RETIREMENT SYSTEM

School's Year Ended	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	School's Covered Employee Payroll for its June 30th Year End	Contributions as a Percentage of Covered Employee Payroll
June 30, 2025	66,463	66,463	0	1,107,717	6.00%
June 30, 2024	63,253	63,253	0	1,054,217	6.00%
June 30, 2023	61,287	61,287	0	1,021,442	6.00%
June 30, 2022	56,956	56,956	0	949,273	6.00%
June 30, 2021	54,866	54,866	0	914,429	6.00%
June 30, 2020	53,959	53,959	0	899,323	6.00%
June 30, 2019	54,692	54,692	0	911,534	6.00%
June 30, 2018	50,981	50,981	0	849,685	6.00%
June 30, 2017	46,575	46,575	0	776,246	6.00%
June 30, 2016	41,886	41,886	0	698,092	6.00%

Note: This schedule is intended to show information for ten years.

HERREID SCHOOL DISTRICT No. 10-1  
JUNE 30, 2025

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY  
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING JUNE 30, 2024

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial 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 a FVFR equal to or exceeding 100%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

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*

Governing Board  
Herreid School District No. 10-1  
Herreid, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Herreid School District (School District), Herreid, South Dakota, as of and for each of the fiscal years in the biennial period ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated May 7, 2026, which was modified.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Herreid School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did identify a deficiency in internal control that I consider to be material weakness and which is described in finding item 2025-01. Additional material weaknesses or significant deficiencies may exist that were not identified.

I also identified deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-02 and 2025-03 that I consider to be a significant deficiencies.

*Government Auditing Standards* require the auditor to perform limited procedures on the School District's response to the internal control over financial reporting finding identified in my audit and described in the accompanying schedule of findings and responses. The School District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Herreid School District in a separate Letter of Comments dated May 7, 2026.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Herreid School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in finding item 2025-03.

*Government Auditing Standards* require the auditor to perform limited procedures on the School District's response to the compliance finding identified in my audit and described in the accompanying schedule of findings and responses. The School District's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

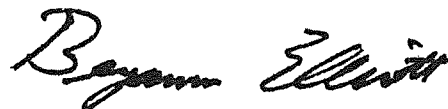
I did note minor matters involving compliance with certain provisions of laws, regulations and contracts that I reported to the governing body and management of the Herreid School District in a separate Letter of Comments dated May 7, 2026.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Herreid School District's internal control over financial reporting 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 mater of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota



May 7, 2026

HERREID SCHOOL DISTRICT  
JUNE 30, 2025

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Federal Compliance Audit Findings:

The prior audit report was not subject to Single Audit requirements.

Prior Other Audit Findings:

FY23-01 Segregation of Duties - Repeated below as 2025-01  
FY23-02 Financial Statement Preparation - Repeated below as 2025-02  
FY23-03 Recording Material Adjustments - Repeated below as 2025-02  
FY23-04 Free and Reduced Lunch applications - None in this audit period  
FY23-05 Misstated Cash Balances - Resolved

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2025-01: Lack of Proper Segregation of Duties  
(internal control, first reported in 2022)

*Criteria:*

The management of a school district is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

*Condition:*

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Herreid School District.

*Effect:*

Inadequate segregation of duties can lead to misappropriation of funds.

*Recommendation:*

I recommend the Herreid School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical. For example, the superintendent should sign vouchers indicating his approval even though he does not sign checks.

*Management Response:*

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Herreid School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Herreid School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

Finding 2025-02: Preparation of Financial Statements  
(internal control, first reported in 2022)

*Condition:*

As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements and the preparation of the financial statements.

*Cause of the Condition:*

The School District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

*Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendation:*

This situation is not unusual for an entity of this School District's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Management Response:*

Due to cost constraints, the School District has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.

Finding 2025-03: Publication of School District Salaries  
(compliance and internal control)

*Condition:*

The School District did not publish FY25 salaries and wages.

*Criteria:*

SDCL 6-1-10 requires a complete list of all officer and employees' salaries and wages with the proceedings of the first meeting of the year, or within 30 days thereafter, or in the minutes of the first meeting following the completion of salary negotiations.

*Cause of the Condition:*

In FY25 the School District did not have in place an internal control system designed to require the publication of salaries and wages per SDCL 6-1-10.

*Effect:*

This control deficiency could result in a misstatement of the payroll information that would not be prevented or detected.

*Recommendation:*

The School District needs to publish salaries and wages per SDCL 6-1-10.

*Management Response:*

The School District agrees with this recommendation and will publish salaries and wages per SDCL 6-1-10.