

Iroquois School District No. 2-3

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

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

Iroquois School District No. 2-3

School District Officials

June 30, 2025

Board Members:

Greg Blue----- Board President
Greg Bich-----Vice President
Rex Geyer ----- Member
Heather Blue ----- Member
Chris Newman ----- Member

Mike Ruth-----Superintendent

Jill Cundy -----Business Manager

Iroquois School District No. 2-3

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

School Board
Iroquois School District No. 2-3
Kingsbury County, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iroquois School District No. 2-3, South Dakota (School District), as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated December 5, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2025-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Iroquois School District No. 2-3 Response to Findings

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

Purpose of this Report

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



Huron, South Dakota
December 5, 2025

Iroquois School District No. 2-3
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2025

Prior Audit Findings

Finding Number 2024-001:

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for the revenues and expenditures. This finding has not been corrected and is being restated as current audit finding number 2024-001.

Current Audit Findings

Finding Number 2025-001:

A significant deficiency in internal control was disclosed by our audit for a lack of proper segregation of duties for revenues and expenditures.

Internal Control – Related Finding – Significant Deficiency

Criteria: The internal control system of a School can help assist in increased reliability of reported financial data, compliance with laws and regulations, and decreased potential for the loss of public records.

Condition: The School District has a limited number of office personnel and, accordingly, does not have adequate accounting controls in the revenue and expenditure functions because of a lack of segregation of duties.

Effect: As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation: We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. We recommend that management attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response: Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.



Independent Auditor's Report

School Board
Iroquois School District No. 2-3
Iroquois, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iroquois School District No. 2-3, South Dakota (School District), as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Iroquois School District No. 2-3 as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CLO Prof LLC".

Huron, South Dakota
December 5, 2025

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2025

This section of Iroquois School District No. 2-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- During the year, the School's revenues of \$3,898,602 generated from taxes and other revenues of the governmental and business-type programs were \$2,943 less than the \$3,901,545 in governmental and business-type program expenditures.
- The total cost of the School's programs increase by 5.78%.
- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the School operates like businesses. The proprietary funds operated by the School are the Food Service Operation (Fund 51), and After School program and Drivers Education (Fund 53).
 - Fiduciary fund statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

Iroquois School District No. 2-3
Management’s Discussion and Analysis (MD&A)
June 30, 2025

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

Figure A-1

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

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School government (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs	Activities the School operates similar to private businesses, the food service operation, preschool, PASS, and the drivers’ education program	Instances in which the School is the trustee or agent for someone else's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2025

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

- State law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes.

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2025

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund's statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the School charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service, and Drivers' Education are Enterprise funds are the only proprietary funds maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

Iroquois School District No. 2-3
Management’s Discussion and Analysis (MD&A)
June 30, 2025

Financial Analysis of the School as a Whole

Net Position

The School’s combined net position increased as follows:

Table A-1
Iroquois School District No. 2-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage
	2024	2025	2024	2025	2024	2025	Change 2024-2025
Current and Other Assets	\$ 4,412,023	\$ 4,253,827	\$ 25,748	\$ 19,299	\$ 4,437,771	\$ 4,273,126	-3.71%
Capital Assets (Net of Depreciation)	2,257,865	2,318,320	16,474	103,102	2,274,339	2,421,422	6.47%
Total Assets	6,669,888	6,572,147	42,222	122,401	6,712,110	6,694,548	-0.26%
Pension Related Deferred Outflows	419,097	480,723	--	--	419,097	480,723	14.70%
Total Deferred Outflows of Resources	419,097	480,723	--	--	419,097	480,723	14.70%
Long-Term Liabilities Outstanding	1,002,685	767,659	--	--	1,002,685	767,659	-23.44%
Other Liabilities	269,765	361,119	17,049	10,891	286,814	372,010	29.70%
Total Liabilities	1,272,450	1,128,778	17,049	10,891	1,289,499	1,139,669	-11.62%
Taxes Levied for Future Period	803,747	881,277	--	--	803,747	881,277	9.65%
Pension Related Deferred Inflows	219,094	338,401	--	--	219,094	338,401	54.45%
Total Deferred Inflows of Resources	1,022,841	1,219,678	--	--	1,022,841	1,219,678	19.24%
Net Position							
Net Investment in Capital Assets	2,257,865	2,318,320	16,474	103,102	2,274,339	2,421,422	6.47%
Restricted	1,621,096	1,635,021	--	--	1,621,096	1,635,021	0.86%
Unrestricted	914,733	751,073	8,699	8,408	923,432	759,481	-17.75%
Total Net Position	4,793,694	4,704,414	25,173	111,510	4,818,867	4,815,924	-0.06%
Beginning Net Position	4,786,999	4,793,694	69,981	25,173	4,856,980	4,818,867	-0.78%
Increase (Decrease) in Net Position	\$ 6,695	\$ (89,280)	\$ (44,808)	\$ 86,337	\$ (38,113)	\$ (2,943)	
Percentage of Increase (Decrease) in Net Position	0.14%	-1.86%	-64.03%	342.97%	-0.78%	-0.06%	

The District’s combined net position of approximately \$4.8 million is approximately \$2 thousand or .06% more than on June 30, 2024.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of net pension liability, compensated absences payable, GOB bonds QZAB bonds, and QSCB bonds, have been reported in this manner on the Statement of Net Position. The difference between the School’s assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is its net position.

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2025

Changes in Net Position

The District's revenues totaled \$3,898,602 (See Table A-4.) This was an approximately 6.8% increase. Approximately 62% of the District's revenue comes from property and other taxes, with another 20% from state aid. (See Table A-2.)

Table A-2
Iroquois School District No. 2-3
Sources of Revenues
Fiscal Year 2024-2025

Taxes	\$ 2,385,831	61.19%
State sources	817,475	20.97%
Operating grants & contributions	479,847	12.31%
Other revenues	96,236	2.47%
Charges for services	73,614	1.89%
Unrestricted investment earnings	45,599	1.17%
Total Revenue	\$ 3,898,602	100.00%

The District's expenses totaled \$3,901,545. (See Table A-4.) The School's expenses cover a range of services, encompassing instruction, support services, co-curricular activities, food services, interest, and driver's education. (See Table A-3.)

Table A-3
Iroquois School District No. 2-3
Statement of Expenditures
Fiscal Year 2024-2025

Instruction	\$ 2,100,206	53.83%
Support services	1,431,001	36.68%
Cocurricular activities	165,235	4.24%
Food service	162,933	4.18%
Interest on long-term debt	34,586	0.89%
Drivers education	7,584	0.19%
Total Expenditures	\$ 3,901,545	100.00%

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2025

Governmental and Business-Type Activities

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

Table A-4
Iroquois School District No. 2-3
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	2024-2025
Revenues							
Program Revenues:							
Charges for services	\$ 9,909	\$ 10,513	\$ 48,035	\$ 63,101	\$ 57,944	\$ 73,614	27.04%
Operating grants and contributions	436,806	385,581	81,744	94,266	518,550	479,847	-7.46%
General Revenues:							
Taxes	2,276,957	2,385,831	--	--	2,276,957	2,385,831	4.78%
Revenue state sources	716,725	817,475	--	--	716,725	817,475	14.06%
Unrestricted investment earnings	59,115	45,599	--	--	59,115	45,599	-22.86%
Other general revenues	20,916	96,236	--	--	20,916	96,236	360.11%
Total Revenues	<u>3,520,428</u>	<u>3,741,235</u>	<u>129,779</u>	<u>157,367</u>	<u>3,650,207</u>	<u>3,898,602</u>	6.80%
Expenses							
Instruction	1,913,940	2,100,206	--	--	1,913,940	2,100,206	9.73%
Support services	1,396,008	1,431,001	--	--	1,396,008	1,431,001	2.51%
Interest on long-term debt	27,460	34,586	--	--	27,460	34,586	100.00%
Cocurricular activities	176,325	165,235	--	--	176,325	165,235	-6.29%
Food service	--	--	169,205	162,933	169,205	162,933	-3.71%
Other enterprise activity	--	--	5,382	7,584	5,382	7,584	40.91%
Total Expenses	<u>3,513,733</u>	<u>3,731,028</u>	<u>174,587</u>	<u>170,517</u>	<u>3,688,320</u>	<u>3,901,545</u>	5.78%
Excess (Deficiency) Before Transfers							
Transfers	--	(99,487)	--	99,487	--	--	0.00%
Increase (Decrease) in Net Position	6,695	(89,280)	(44,808)	86,337	(38,113)	(2,943)	-92.28%
Beginning Net Position	4,786,999	4,793,694	69,981	25,173	4,856,980	4,818,867	-0.78%
Ending Net Position	<u>\$ 4,793,694</u>	<u>\$ 4,704,414</u>	<u>\$ 25,173</u>	<u>\$ 111,510</u>	<u>\$ 4,818,867</u>	<u>\$ 4,815,924</u>	-0.06%

Governmental Activities

Revenues for the School's governmental activities decreased primarily due to decreases in ad valorem taxes.

Business-Type Activities

Net position of the School's business-type activities increased approximately \$86,000 from contributed capital from capital outlay.

Iroquois School District No. 2-3
Management's Discussion and Analysis (MD&A)
June 30, 2025

Financial Analysis of the School's Funds

Overall, the governmental funds have decreased approximately \$326,161 in fund balance over last year, mainly due decreased federal grants through the state. The General Fund decreased by \$399,655. While the Capital Outlay and Special Education funds increased by \$28,672 and \$44,822 due to an increase in taxes and other revenue.

General Fund Budgetary Highlights

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

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

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

Capital Asset Administration

By the end of 2025, the School had invested \$2,4 million (net of depreciation) in a broad range of capital assets, including, land, buildings, various machinery and equipment. (See Table A-5.) Total capital outlay expenditures were \$420,189.

Table A-5
Iroquois School District No. 2-3 - Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2024	2025	2024	2025	2024-2025	2024-2025
Land	\$ 28,591	\$ 330,944	\$ --	\$ --	\$ 302,353	91.36%
Buildings	833,756	798,373	--	--	(35,383)	-4.43%
Improvements other than buildings	447,868	502,191	--	--	54,323	10.82%
Machinery and equipment	188,997	151,589	16,474	103,102	49,220	32.47%
Intangible lease assets	758,653	535,223	--	--	(223,430)	-41.75%
Total Capital Assets (Net)	\$ 2,257,865	\$ 2,318,320	\$ 16,474	\$ 103,102	\$ 147,083	6.07%

Iroquois School District No. 2-3
Management’s Discussion and Analysis (MD&A)
June 30, 2025

Long-Term Debt

At year-end, the School had \$767,659 payable. See individual balances as shown on Table A-6 below:

Table A-6
Iroquois School District No. 2-3 - Outstanding Debt and Obligations

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2024	2025	2024-2025	2024-2025
Energy loan	\$ 24,688	\$ 12,344	\$ (12,344)	-50.00%
Leases	975,557	752,126	(223,431)	100.00%
Compensated absences	2,440	3,189	749	30.70%
Total Outstanding Debt and Obligations	<u>\$ 1,002,685</u>	<u>\$ 767,659</u>	<u>\$ (235,026)</u>	-23.44%

The School is liable for the accrued sick leave payable to various employees who have five consecutive years or more of employment at the School District.

Economic Factors and Next Year’s Budgets and Rates

The School’s enrollment for the last three years has been as follows:

Year	ADM	Percent (Decrease) in ADM
2025	220	-0.90%
2024	222	-7.88%
2023	241	10.55%

Contacting the School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, contact the Iroquois School District’s Business Office, 111 East Washita Street, Iroquois, SD 57353 or (605)-546-2210.

Iroquois School District No. 2-3
Statement of Net Position – Government-Wide
June 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and cash equivalents	\$ 3,266,538	\$ 16,445	\$ 3,282,983
Taxes receivable	889,326	--	889,326
Inventories	--	2,564	2,564
Other assets	95,471	290	95,761
Net pension asset	2,492	--	2,492
Capital assets:			
Land	330,944	--	330,944
Other capital assets, net of depreciation	1,987,376	103,102	2,090,478
Total Assets	<u>6,572,147</u>	<u>122,401</u>	<u>6,694,548</u>
Deferred Outflows of Resources:			
Pension related deferred outflows	<u>480,723</u>	<u>--</u>	<u>480,723</u>
Liabilities:			
Accounts payable	111,037	1,481	112,518
Other current liabilities	250,082	1,143	251,225
Unearned revenue	--	8,267	8,267
Noncurrent liabilities:			
Due within one year	252,385	--	252,385
Due in more than one year	515,274	--	515,274
Total Liabilities	<u>1,128,778</u>	<u>10,891</u>	<u>1,139,669</u>
Deferred Inflows of Resources:			
Taxes levied for future period	881,277	--	881,277
Pension related deferred inflows	<u>338,401</u>	<u>--</u>	<u>338,401</u>
Total Deferred Inflows of Resources	<u>1,219,678</u>	<u>--</u>	<u>1,219,678</u>
Net Position:			
Net Investment in Capital Assets	2,318,320	103,102	2,421,422
Restricted for:			
Capital Outlay	1,079,977	--	1,079,977
Special Education	410,230	--	410,230
SDRS Pension Purposes	144,814	--	144,814
Unrestricted	<u>751,073</u>	<u>8,408</u>	<u>759,481</u>
Total Net Position	<u>\$ 4,704,414</u>	<u>\$ 111,510</u>	<u>\$ 4,815,924</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Activities – Government-Wide
June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$ 2,100,206	\$ 2,895	\$ 385,581	\$ --	\$ (1,711,730)	\$ --	\$ (1,711,730)
Support services	1,431,001	2,858	--	--	(1,428,143)	--	(1,428,143)
Interest on long-term debt *	34,586	--	--	--	(34,586)	--	(34,586)
Cocurricular activities	165,235	4,760	--	--	(160,475)	--	(160,475)
Total Governmental Activities	<u>3,731,028</u>	<u>10,513</u>	<u>385,581</u>	<u>--</u>	<u>(3,334,934)</u>	<u>--</u>	<u>(3,334,934)</u>
Business-Type Activities:							
Food service	162,933	56,501	94,266	--	--	(12,166)	(12,166)
Drivers education	7,584	6,600	--	--	--	(984)	(984)
Total Business-Type Activities	<u>170,517</u>	<u>63,101</u>	<u>94,266</u>	<u>--</u>	<u>--</u>	<u>(13,150)</u>	<u>(13,150)</u>
Total Primary Government	<u>\$ 3,901,545</u>	<u>\$ 73,614</u>	<u>\$ 479,847</u>	<u>\$ --</u>	<u>(3,334,934)</u>	<u>(13,150)</u>	<u>(3,348,084)</u>
General Revenues:							
Taxes:							
					2,336,821	--	2,336,821
					49,010	--	49,010
Revenue from State Sources:							
					817,475	--	817,475
Revenue from Federal Sources							
					--	--	--
					45,599	--	45,599
					96,236	--	96,236
					(99,487)	99,487	--
					<u>3,245,654</u>	<u>99,487</u>	<u>3,345,141</u>
					(89,280)	86,337	(2,943)
					<u>4,793,694</u>	<u>25,173</u>	<u>4,818,867</u>
					<u>\$ 4,704,414</u>	<u>\$ 111,510</u>	<u>\$ 4,815,924</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Balance Sheet – Governmental Funds
June 30, 2025

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,684,013	\$ 1,147,022	\$ 435,503	\$ 3,266,538
Taxes receivable--current	494,571	193,353	193,353	881,277
Taxes receivable--delinquent	6,700	889	460	8,049
Due from other governments	69,286	26,185	--	95,471
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,254,570</u>	<u>\$ 1,367,449</u>	<u>\$ 629,316</u>	<u>\$ 4,251,335</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	\$ 17,807	\$ 93,230	\$ --	\$ 111,037
Contracts payable	173,190	--	19,322	192,512
Payroll deductions and withholding and employer matching payable	51,619	--	5,951	57,570
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>242,616</u>	<u>93,230</u>	<u>25,273</u>	<u>361,119</u>
Deferred Inflows of Resources:				
Taxes levied for a future period	494,571	193,353	193,353	881,277
Unavailable revenue-property taxes	6,700	889	460	8,049
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>501,271</u>	<u>194,242</u>	<u>193,813</u>	<u>889,326</u>
Fund Balances:				
Restricted:				
Capital outlay	--	1,079,977	--	1,079,977
Special education	--	--	410,230	410,230
Unassigned	1,510,683	--	--	1,510,683
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,510,683</u>	<u>1,079,977</u>	<u>410,230</u>	<u>3,000,890</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,254,570</u>	<u>\$ 1,367,449</u>	<u>\$ 629,316</u>	<u>\$ 4,251,335</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds \$ 3,000,890

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 2,492

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 2,318,320

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 480,723

Long-term liabilities, bonds payable, lease payable, and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. (767,659)

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (338,401)

Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds. 8,049

Net Position-Government Funds \$ 4,704,414

Iroquois School District No. 2-3

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

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,419,198	\$ 499,657	\$ 403,690	\$ 2,322,545
Prior years' ad valorem taxes	7,441	1,983	996	10,420
Utility taxes	49,010	--	--	49,010
Penalties and interest on taxes	1,987	567	333	2,887
Tuition and Fees:				
Preschool Tuition	2,595	--	--	2,595
Other revenue	300	--	--	300
Earnings on Investments and Deposits	45,599	--	--	45,599
Cocurricular Activities:				
Admissions	4,760	--	--	4,760
Other Revenue from Local Sources:				
Charges for services	1,429	--	1,429	2,858
Other	18,235	67,193	--	85,428
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	10,808	--	--	10,808
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	817,475	--	--	817,475
Restricted grants-in-aid	1,705	--	--	1,705
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through state	101,948	281,928	--	383,876
Total Revenues	\$ 2,482,490	\$ 851,328	\$ 406,448	\$ 3,740,266
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 692,705	\$ 4,230	\$ --	\$ 696,935
Middle school	177,642	36,350	--	213,992
High school	572,143	33,205	--	605,348
Preschool services	70,504	--	--	70,504
Special Programs:				
Programs for special education	--	--	276,785	276,785
Educationally Deprived	80,882	--	--	80,882

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3

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

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures:				
Support Services:				
Students:				
Guidance	69,715	--	4,823	74,538
Psychological	--	--	15,044	15,044
Speech pathology	--	--	22,040	22,040
Student therapy services	--	--	12,990	12,990
Instructional Staff:				
Improvement of instruction	5,962	--	--	5,962
Educational media	147,124	78,106	--	225,230
General Administration:				
Board of education	33,508	--	--	33,508
Executive administration	65,462	--	--	65,462
School Administration:				
Office of the principal	155,608	296	--	155,904
Other	150	--	--	150
Business:				
Fiscal services	110,818	6,550	--	117,368
Facilities acquisition and construction	--	78,690	--	78,690
Operation and maintenance of plant	271,142	36,905	--	308,047
Student transportation	35,517	24,331	--	59,848
Food services	5,798	87,537	--	93,335
Central:				
Staff	486	--	--	486
Special Education:				
Administrative costs	--	--	29,944	29,944
Debt Services	258,017	12,344	--	270,361
Cocurricular Activities:				
Male activities	46,833	3,400	--	50,233
Female activities	48,593	523	--	49,116
Transportation	--	--	--	--
Combined activities	28,536	--	--	28,536
Capital Outlay	--	420,189	--	420,189
Total Expenditures	<u>2,877,145</u>	<u>822,656</u>	<u>361,626</u>	<u>4,061,427</u>
Excess of Revenues Over (Under) Expenditures	<u>(394,655)</u>	<u>28,672</u>	<u>44,822</u>	<u>(321,161)</u>
Other Financing Sources (Uses)				
Transfers out	(5,000)	--	--	(5,000)
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>--</u>	<u>--</u>	<u>(5,000)</u>
Net Change in Fund Balances	(399,655)	28,672	44,822	(326,161)
Fund Balance - Beginning of Year	1,910,338	1,051,305	365,408	3,327,051
Fund Balance - End of Year	<u>\$ 1,510,683</u>	<u>\$ 1,079,977</u>	<u>\$ 410,230</u>	<u>\$ 3,000,890</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances to the Statement of Activities
 June 30, 2025

Net Change in Fund Balances - Governmental Funds \$ (326,161)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital Outlays	420,189	
Depreciation Expense	<u>(359,734)</u>	
Net		60,455

Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of assets.

235,775

In both the government-wide and fund financials statements revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".

969

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employee earn leave credits or elect to retire early.

(749)

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

(59,569)

Change in Net Position of Governmental Activities

\$ (89,280)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 14,337	\$ 2,108	\$ 16,445
Inventory of stores purchased for resale	2,564	--	2,564
Accounts receivable	290	--	290
Total Current Assets	<u>17,191</u>	<u>2,108</u>	<u>19,299</u>
Capital Assets:			
Machinery and equipment	128,944	--	128,944
Accumulated depreciation	<u>(25,842)</u>	<u>--</u>	<u>(25,842)</u>
Total Capital Assets	<u>103,102</u>	<u>--</u>	<u>103,102</u>
Total Assets	<u>\$ 120,293</u>	<u>\$ 2,108</u>	<u>\$ 122,401</u>
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 1,279	\$ 202	\$ 1,481
Contracts Payable	1,006	--	1,006
Payroll deductions and withholdings and employer matching payable	137	--	137
Unearned revenue	<u>8,267</u>	<u>--</u>	<u>8,267</u>
Total Current Liabilities	<u>10,689</u>	<u>202</u>	<u>10,891</u>
Net Position:			
Invested in capital assets	103,102	--	103,102
Unrestricted	<u>6,502</u>	<u>1,906</u>	<u>8,408</u>
Total Net Position	<u>\$ 109,604</u>	<u>\$ 1,906</u>	<u>\$ 111,510</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Revenues, Expenses, and Changes in Net Position– Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Operating Revenue:			
Sales:			
To students	\$ 47,389	\$ --	\$ 47,389
To adults	2,627	--	2,627
Local donations	1,318	--	1,318
Other charges for goods and services	5,167	6,600	11,767
Total Operating Revenue	56,501	6,600	63,101
Operating Expense:			
Salaries	46,874	5,910	52,784
Employee benefits	16,084	807	16,891
Purchased services	11,304	--	11,304
Supplies	3,675	867	4,542
Cost of Sales - Purchased	68,093	--	68,093
Cost of Sales - Donated	8,583	--	8,583
Depreciation	7,859	--	7,859
Miscellaneous	461	--	461
Total Operating Expenses	162,933	7,584	170,517
Operating Income (Loss)	(106,432)	(984)	(107,416)
Nonoperating Revenue:			
State Sources:			
Cash reimbursements	260	--	260
Federal Sources:			
Cash reimbursements	85,423	--	85,423
Donated food	8,583	--	8,583
Total Nonoperating Revenue	94,266	--	94,266
Income (Loss) before Contributions and Transfers	(12,166)	(984)	(13,150)
Capital Contributions	94,487	--	94,487
Transfers In	5,000	--	5,000
Change in Net Position	87,321	(984)	86,337
Net Position - Beginning of Year	22,283	2,890	25,173
Net Position - End of Year	\$ 109,604	\$ 1,906	\$ 111,510

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 49,013	\$ 6,600	\$ 55,613
Payments to suppliers	(82,344)	(898)	(83,242)
Payments to employees	(61,997)	(6,717)	(68,714)
Net Cash (Used) by Operating Activities	<u>(95,328)</u>	<u>(1,015)</u>	<u>(96,343)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from general	5,000	--	5,000
Cash reimbursements - state	260	--	260
Cash reimbursements - federal	85,423	--	85,423
Net Cash Provided by Noncapital Financing Activities	<u>90,683</u>	<u>--</u>	<u>90,683</u>
Net Decrease in Cash and Cash Equivalents	(4,645)	(1,015)	(5,660)
Cash and Cash Equivalents, Beginning of Year	<u>18,982</u>	<u>3,123</u>	<u>22,105</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 14,337</u></u>	<u><u>\$ 2,108</u></u>	<u><u>\$ 16,445</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (106,432)	\$ (984)	\$ (107,416)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	7,859	--	7,859
Noncash cost of sales - commodities	8,583	--	8,583
Change in Assets:			
Inventories	(90)	--	(90)
Accounts receivable	879	--	879
Change in Liabilities:			
Payroll deductions and withholdings payable	115	--	115
Accounts payable	1,279	(31)	1,248
Contracts payable	846	--	846
Unearned revenue	(8,367)	--	(8,367)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (95,328)</u></u>	<u><u>\$ (1,015)</u></u>	<u><u>\$ (96,343)</u></u>
Noncash Investing, Capital, and Financing Activities:			
Value of Commodities Received	<u>\$ 8,583</u>	<u>\$ --</u>	<u>\$ 8,583</u>
Equipment Purchased by Capital Outlay Fund	<u>\$ 94,487</u>	<u>\$ --</u>	<u>\$ 94,487</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 79,988	\$ 69,464
Total Assets	\$ 79,988	\$ 69,464
Net Position:		
Restricted for:		
Scholarships	\$ 79,988	\$ --
Individuals, organizations, and other governments	--	69,464
Total Net Position	\$ 79,988	\$ 69,464

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Other additions	\$ 2,463	\$ --
Collections for student activities	--	75,724
Total Additions	2,463	75,724
Deductions:		
Payments for student activities	--	72,138
Total Deductions	--	72,138
Change in Net Position	2,463	3,586
Net Position - Beginning	77,525	65,878
Net Position - Ending	\$ 79,988	\$ 69,464

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

a. Reporting Entity:

The reporting entity of Iroquois School District No. 2-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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 (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal net position). Net positions are displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

c. Fund Types and Major Funds:

An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is a primary operating fund of the District or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

Governmental Funds:

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

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

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

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

Proprietary Funds:

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise funds are as follows:

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

Other Enterprise Fund: A fund used to record financial transactions related to drivers' program. This fund is financed by user charges. This is not a major fund.

Fiduciary Funds:

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

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income, benefit individuals, private organizations, or other governments. The School District maintains two private-purpose trust funds: The Selix Scholarship Trust Fund and Diamond Davison Scholarship Trust Fund and their purpose is scholarships.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

d. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

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

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Iroquois School District No. 2-3, the length of that cycle is sixty days.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

e. Interfund Eliminations and Reclassifications:

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 columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances, if any.

f. Capital Assets:

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

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the acquisition value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs. The total June 30, 2025 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	All	-- *	--
Land improvements	\$ 5,000	straight-line	10-20 years
Buildings	\$ 5,000	straight-line	50-75 years
Machinery and equipment	\$ 5,000	straight-line	5-20 years
Intangible Lease Assets/SBITAs	\$ 45,000	straight-line	5-20 years

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

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of any other loan, leases, and compensated absences.

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

h. Program Revenues:

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

i. Proprietary Funds Revenue and Expense Classifications:

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

j. Cash and Cash Equivalents:

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

k. Net Position and Fund Balance:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

i. Application of Net Position:

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

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 by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by School Board.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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

n. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. Pensions:

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

p. Leases:

The School District is a lessee for a noncancellable lease of copiers, and a bus contract. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

q. Subscription Based Information Technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

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

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

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

Deposits – The School District's deposits are made in qualified Public Depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

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

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District’s policy is to credit all income from deposits and investments to the General Fund, except for the private-purpose trust fund which retains its investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

3. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The School Districts expects all receivables to be collected in one year.

4. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

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

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

5. Property Tax:

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

5. Property Tax: (Continued)

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been reported as deferred inflow of resources-property taxes levied for future period in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

6. Changes in Capital Assets:

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

	<u>Balance 7/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2025</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 28,591	\$ --	\$ --	\$ 28,591
Construction in progress	--	302,353		302,353
Total, not being depreciated/amortized	<u>28,591</u>	<u>302,353</u>	<u>--</u>	<u>330,944</u>
Capital assets, being depreciated/amortized:				
Buildings	1,970,365	--	--	1,970,365
Improvements other than buildings	867,940	117,836	--	985,776
Machinery and equipment	628,782	--	--	628,782
Intangible lease assets	1,212,717	--	--	1,212,717
Total, being depreciated/amortized	<u>4,679,804</u>	<u>117,836</u>	<u>--</u>	<u>4,797,640</u>
Less accumulated depreciation/amortization for:				
Buildings	1,136,609	35,383	--	1,171,992
Improvements	420,072	63,513	--	483,585
Machinery and equipment	439,785	37,408	--	477,193
Intangible lease assets	454,064	223,430	--	677,494
Total accumulated depreciation/amortization	<u>2,450,530</u>	<u>359,734</u>	<u>--</u>	<u>2,810,264</u>
Total capital assets, being depreciated/amortized, net	<u>2,229,274</u>	<u>(241,898)</u>	<u>--</u>	<u>1,987,376</u>
Governmental activity capital assets, net	<u>\$ 2,257,865</u>	<u>\$ 60,455</u>	<u>\$ --</u>	<u>\$ 2,318,320</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 95,442
Support services	226,942
Cocurricular activities	37,350
Total depreciation/amortization expense - governmental activities	<u>\$ 359,734</u>

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

6. Changes in Capital Assets: (Continued)

	<u>Balance 7/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2025</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 59,600	\$ 94,487	\$ (25,143)	\$ 128,944
Total, being depreciated	<u>59,600</u>	<u>94,487</u>	<u>(25,143)</u>	<u>128,944</u>
Less accumulated depreciation for:				
Machinery and equipment	43,126	7,859	(25,143)	25,842
Total accumulated depreciation	<u>43,126</u>	<u>7,859</u>	<u>(25,143)</u>	<u>25,842</u>
Total capital assets, being depreciated, net	<u>16,474</u>	<u>86,628</u>	<u>--</u>	<u>103,102</u>
Business-type activity capital assets, net	<u>\$ 16,474</u>	<u>\$ 86,628</u>	<u>\$ --</u>	<u>\$ 103,102</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food service	<u>\$ 7,859</u>

7. Long-Term Liabilities:

A summary of changes in long-term debt follows:

	<u>Balance 7/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2025</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Other loan	\$ 24,688	\$ --	\$ 12,344	\$ 12,344	\$ 12,344
Leases	975,557	--	223,431	752,126	240,041
Compensated absences	2,440	749	--	3,189	--
Total Governmental Activities	<u>\$ 1,002,685</u>	<u>\$ 749</u>	<u>\$ 235,775</u>	<u>\$ 767,659</u>	<u>\$ 252,385</u>

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

7. Long-Term Liabilities: (Continued)

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

State Energy Loan	The School District received a loan for \$123,440. The loan is 0% interest, and \$12,344 payments. Annual payments are due by July 31st. The Capital Outlay fund makes this payment. There are funds remaining to be spent from loan.	\$ 12,344
Bus lease	The School District entered into a lease agreement with Sheyenne Transport LLC in August 2018 for 5 years, 10 months a year, for bus services. Payments are 25,119 per month. The contract was extended for another 5 years, with yearly increases of 3% starting in the second year of extension. The monthly payments for 2024, 2025, 2026, 2027 and 2028 are: \$23,846, \$24,562, \$25,299, \$26,058, and \$26,839, and General fund makes this payment.	\$ 731,207
Copier lease	The School District entered into a lease agreement with Marco in January 2022 for 60 months for printers. Payments are \$1,190 per month. Capital Outlay fund makes this payment.	\$ 20,919
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum. Classified staff are entitled to reimbursement of unused sick leave up to 60 days at \$30 a day or a \$1,800 maximum.	\$ 3,189

The annual requirements to maturity for long-term debt June 30, 2025:

Year Ending June 30,	Other Loans		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 12,344	\$ --	\$ 240,041	\$ 27,225	\$ 252,385	\$ 27,225
2027	--	--	250,495	17,221	250,495	17,221
2028	--	--	261,590	6,803	261,590	6,803
Totals	<u>\$ 12,344</u>	<u>\$ --</u>	<u>\$ 752,126</u>	<u>\$ 51,249</u>	<u>\$ 764,470</u>	<u>\$ 51,249</u>

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

8. Restricted Net Position:

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

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Capital Outlay	law	\$ 1,079,977
Special Education	law	410,230
SDRS Pension Purposes	law	144,814
		<u>\$ 1,635,021</u>

9. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

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

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

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

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

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

c. Contributions:

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2025	\$ 106,827
2024	103,620
2023	69,445

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

At June 30, 2024, SDRS is 100% funded and accordingly has a net pension (asset). The proportionate share of the components of the net pension (asset) of the South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2024 and reported by the School District as of June 30, 2025 are as follows:

Proportionate share of pension liability	\$ 9,183,383
Less proportionate share of net pension restricted for pension benefits	<u>9,185,875</u>
Proportionate share of net pension (asset)	<u><u>\$ (2,492)</u></u>

At June 30, 2025, the School reported an (asset) of \$(2,492) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2024 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the School District's proportion was 0.06155800%, which is an increase (decrease) of 0.0166860% from its proportion measured as of June 30, 2023.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

For the year ended June 30, 2025, the School District recognized reduction of pension expense of \$(59,569). At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 230,747	\$ --
Changes in assumption	41,083	313,160
Net difference between projected and actual earnings on pension plan investments	93,862	--
Changes in proportion and difference between District contributions and proportionate share of contributions	8,204	25,241
District contributions subsequent to the measurement date	106,827	--
Total	\$ 480,723	\$ 338,401

\$106,827 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2026	\$ (90,779)
2027	115,556
2028	5,375
2029	5,343
Total	\$ 35,495

e. 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 returns of 4.00%
Future COLAs	1.71%

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

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

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.6%
Investment	22.8%	2.3%
High Yield	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	<u>100.0%</u>	

f. Discount Rate:

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 1,266,225	\$ (2,492)	\$ (1,040,697)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

10. Joint Ventures:

The School participates in the Northeast Educational Services Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts. The members of the co-op and their relative percentage participation in the co-op are as follows:

Arlington School District No. 38-1	4%	Henry School District No. 14-2	2%
Britton-Hecla School District No. 45-4	6%	Iroquois School District No. 2-3	3%
Castlewood School District No. 28-1	4%	Lake Preston School District No. 38-3	2%
Clark School District No. 12-2	6%	Oldham/Ramona/ Rutland School District 39-5	4%
DeSmet School District No. 38-2	4%	Rosholt School District No. 54-4	3%
Deubrook School District No. 5-2	5%	Sioux Valley School District No. 5-5	9%
Deuel School District No. 19-4	6%	Summit School District No. 54-6	2%
Elkton School District No. 5-3	5%	Waubay School District No. 18-3	2%
Enemy Swim Day School	2%	Waverly School District No. 14-5	3%
Estelline School District No. 28-2	3%	Webster School District No. 18-4	6%
Florence School District No. 14-1	4%	Willow Lake School District No. 12-3	4%
Hamlin School District No. 28-3	10%	Wilmot School District No. 54-7	3%

The co-op's governing board is composed of one representative from each member school district, who is a School Board member. The Board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2025, this joint venture had a net position \$1,953,318 net, total liabilities and deferred inflows of resources of \$1,331,453 and assets and deferred outflows of resources of \$3,284,771.

11. Risk Management:

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

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

Iroquois School District No. 2-3

Notes to Financial Statements

June 30, 2025

11. Risk Management: (Continued)

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

Workers' Compensation – The School District purchases liability insurance for workers' compensation from a commercial carrier.

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

During the year ended June 30, 2025, \$0 in claims were paid for unemployment. At June 30, 2025, no new claims had been filed for unemployment benefits, but claims are anticipated to be paid out in the next fiscal year.

**Required Supplementary Information
Other than MD&A**

Iroquois School District No. 2-3

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,400,923	\$ 1,400,923	\$ 1,419,198	\$ 18,275
Prior years' ad valorem taxes	5,000	5,000	7,441	2,441
Utility taxes	46,556	46,556	49,010	2,454
Penalties and interest on taxes	1,500	1,500	1,987	487
Tuitions and Fees:				
Preschool Tuition	4,500	4,500	2,595	(1,905)
Other	--	--	300	300
Earnings on Investments and Deposits	50,000	50,000	45,599	(4,401)
Cocurricular Activities:				
Admissions	10,000	10,000	4,760	(5,240)
Other Revenue from Local Sources:				
Charges for services	2,500	2,500	1,429	(1,071)
Other	5,000	5,000	18,235	13,235
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	12,027	12,027	10,808	(1,219)
Revenue in Lieu of Taxes	2,894	2,894	--	(2,894)
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	772,978	772,978	817,475	44,497
Restricted grants-in-aid	--	--	1,705	1,705
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received from federal government through the state	215,826	215,826	101,948	(113,878)
Total Revenues	<u>\$ 2,529,704</u>	<u>\$ 2,529,704</u>	<u>\$ 2,482,490</u>	<u>\$ (47,214)</u>

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

Iroquois School District No. 2-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	\$ 735,000	\$ 737,150	\$ 692,705	\$ 44,445
Middle school	196,500	197,750	177,642	20,108
High school	590,500	595,250	572,143	23,107
Preschool services	72,500	72,500	70,504	1,996
Special Programs:				
Educationally deprived	110,826	110,826	80,882	29,944
Support Services:				
Students:				
Guidance	78,000	78,000	69,715	8,285
Instructional Staff:				
Improvement of instruction	97,000	97,000	5,962	91,038
Educational media	164,250	164,250	147,124	17,126
General Administration:				
Board of education	36,750	36,750	33,508	3,242
Executive administration	69,000	69,000	65,462	3,538
School Administration:				
Office of the principal	164,200	164,200	155,608	8,592
Other	--	--	150	(150)
Business:				
Fiscal services	117,250	117,250	110,818	6,432
Operation and maintenance of plant	289,000	295,850	271,142	24,708
Student transportation	289,050	289,050	35,517	253,533
Food services	5,000	5,000	5,798	(798)
Central:				
Staff	1,000	1,000	486	514
Nonprogrammed Charges:				
Payments to state - unemployment	10,000	10,000	--	10,000
Debt Services	--	--	258,017	(258,017)
Cocurricular Activities:				
Male activities	55,250	55,250	46,833	8,417
Female activities	52,000	52,000	48,593	3,407
Transportation	43,850	43,850	--	43,850
Combined activities	36,650	36,650	28,536	8,114
Contingencies	15,000	--	--	--
Total Expenditures	<u>3,228,576</u>	<u>3,228,576</u>	<u>2,877,145</u>	<u>351,431</u>
Excess of Revenue Over (Under) Expenditures	<u>(698,872)</u>	<u>(698,872)</u>	<u>(394,655)</u>	<u>304,217</u>
Other Financing Sources (Uses)				
Transfers in	225,000	225,000	--	(225,000)
Transfers out	(30,000)	(30,000)	(5,000)	25,000
Total Other Financing Sources (Uses)	<u>195,000</u>	<u>195,000</u>	<u>(5,000)</u>	<u>(200,000)</u>
Net Change in Fund Balances	(503,872)	(503,872)	(399,655)	104,217
Fund Balance - Beginning of Year	<u>1,910,338</u>	<u>1,910,338</u>	<u>1,910,338</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 1,406,466</u>	<u>\$ 1,406,466</u>	<u>\$ 1,510,683</u>	<u>\$ 104,217</u>

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

Iroquois School District No. 2-3

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 500,000	\$ 500,000	\$ 499,657	\$ (343)
Prior years' ad valorem taxes	1,000	1,000	1,983	983
Penalties and interest on taxes	300	300	567	267
Other Revenue from Local Sources				
Other	--	--	67,193	67,193
Revenue from Federal Sources:				
Restricted Grants-in-Aid from federal government through the State	--	--	281,928	281,928
Total Revenues	<u>501,300</u>	<u>501,300</u>	<u>851,328</u>	<u>350,028</u>
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	24,000	24,000	4,230	19,770
Middle school	22,500	22,500	36,350	(13,850)
High school	35,000	35,000	33,205	1,795
Support Services:				
Instructional Staff:				
Educational media	32,500	67,500	78,106	(10,606)
General Administration:				
Executive administration	2,500	2,500	--	2,500
School Administration:				
Office of the principal	2,500	2,500	296	2,204
Business:				
Fiscal services	8,500	8,500	6,550	1,950
Facilities acquisition and construction	454,241	454,241	458,127	(3,886)
Operation and maintenance of plant	150,000	150,000	45,419	104,581
Student transportation	75,000	75,000	24,331	50,669
Food Services	25,000	25,000	87,537	(62,537)
Debt Services	12,500	12,500	12,344	156
Cocurricular Activities:				
Male activities	15,000	32,250	35,638	(3,388)
Female activities	15,000	15,000	523	14,477
Combined activities	2,500	2,500	--	2,500
Total Expenditures	<u>876,741</u>	<u>928,991</u>	<u>822,656</u>	<u>106,335</u>
Excess of Revenue Over (Under) Expenditures	<u>(375,441)</u>	<u>(427,691)</u>	<u>28,672</u>	<u>456,363</u>
Other Financing Sources (Uses)				
Transfer out	(225,000)	(225,000)	--	225,000
Total Other Financing Sources (Uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>--</u>	<u>225,000</u>
Net Change in Fund Balances	(600,441)	(652,691)	28,672	681,363
Fund Balance - Beginning of Year	<u>1,051,305</u>	<u>1,051,305</u>	<u>1,051,305</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 450,864</u>	<u>\$ 398,614</u>	<u>\$ 1,079,977</u>	<u>\$ 681,363</u>

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

Iroquois School District No. 2-3
 Required Supplementary Information – Budgetary Comparison Schedule –
 Special Education Fund – Budgetary Basis
 June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 375,000	\$ 375,000	\$ 403,690	\$ 28,690
Prior years' ad valorem taxes	700	700	996	296
Penalties and interest on taxes	200	200	333	133
Other Revenue from Local Sources:				
Charges for services	2,000	2,000	1,429	(571)
Total Revenues	<u>377,900</u>	<u>377,900</u>	<u>406,448</u>	<u>28,548</u>
Expenditures:				
Instruction:				
Special Programs:				
Programs for special education	312,500	315,500	276,785	38,715
Support Services:				
Students:				
Guidance	1,000	5,850	4,823	1,027
Psychological	20,000	20,000	15,044	4,956
Speech pathology	28,000	28,000	22,040	5,960
Student therapy services	18,250	18,250	12,990	5,260
Special Education:				
Administrative costs	30,000	30,000	29,944	56
Total Expenditures	<u>409,750</u>	<u>417,600</u>	<u>361,626</u>	<u>55,974</u>
Net Change in Fund Balances	(31,850)	(39,700)	44,822	84,522
Fund Balance - Beginning of Year	<u>365,408</u>	<u>365,408</u>	<u>365,408</u>	<u>--</u>
Fund Balance - End of Year	<u><u>\$ 333,558</u></u>	<u><u>\$ 325,708</u></u>	<u><u>\$ 410,230</u></u>	<u><u>\$ 84,522</u></u>

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

Iroquois School District No. 2-3
Notes to Required Supplementary Information Other than MD&A
June 30, 2025

Note 1 – Basis of Presentation

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

Note 2 – Budgets And Budgetary Accounting

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except Trust and Agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted except as indicated in number (8).
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and major special revenue funds of the District.

Iroquois School District No. 2-3

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System and
Schedule of the School District Contributions - South Dakota Retirement System

Last 10 Years*

Calendar Year	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2025	0.0615580%	\$ (2,492)	\$ 1,726,991	0.14%	100.00%
2024	0.0448720%	\$ (4,380)	\$ 1,157,418	0.38%	100.10%
2023	0.0493220%	\$ (4,661)	\$ 1,177,735	0.40%	100.10%
2022	0.0532990%	\$ (408,179)	\$ 1,212,990	33.65%	105.52%
2021	0.0588508%	\$ (2,556)	\$ 1,291,599	0.20%	100.04%
2020	0.0578214%	\$ (6,127)	\$ 1,229,402	0.50%	100.09%
2019	0.0559052%	\$ (1,304)	\$ 1,162,209	0.11%	100.02%
2018	0.0539334%	\$ (4,895)	\$ 1,095,821	0.45%	100.10%
2017	0.0472595%	\$ 159,758	\$ 899,317	17.76%	96.89%
2016	0.0472636%	\$ (200,458)	\$ 862,895	23.23%	104.10%

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

Last 10 years

Calendar Year	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 106,827	\$ 106,827	\$ --	\$ 1,785,448	6.00%
2024	\$ 103,620	\$ 103,620	\$ --	\$ 1,726,991	6.00%
2023	\$ 69,445	\$ 69,445	\$ --	\$ 1,157,418	6.00%
2022	\$ 70,664	\$ 70,664	\$ --	\$ 1,177,735	6.00%
2021	\$ 72,779	\$ 72,779	\$ --	\$ 1,212,990	6.00%
2020	\$ 77,496	\$ 77,496	\$ --	\$ 1,291,599	6.00%
2019	\$ 73,764	\$ 73,764	\$ --	\$ 1,229,402	6.00%
2018	\$ 69,733	\$ 69,733	\$ --	\$ 1,162,209	6.00%
2017	\$ 65,749	\$ 65,749	\$ --	\$ 1,095,821	6.00%
2016	\$ 53,959	\$ 53,959	\$ --	\$ 899,317	6.00%

Iroquois School District No. 2-3
Notes to Required Supplementary Information Other than MD&A
For the Year Ended June 30, 2025

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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