

**KIMBALL SCHOOL DISTRICT NO. 7-2
OF BRULE COUNTY**

AUDIT REPORT

FISCAL YEAR JULY 1, 2024, TO JUNE 30, 2025

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

KIMBALL SCHOOL DISTRICT NO. 7-2

KIMBALL SCHOOL DISTRICT NO. 7-2
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2025

BOARD MEMBERS:

Lisa Pazour – President
Carson Pringle – Vice-President
Jim Hoing
Kelly Konechne
Josh Krier
Hillary Leiferman
Lee Pulse

SUPERINTENDENT:

Matt Dykstra

BUSINESS MANAGER:

Randi Grussing

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KIMBALL SCHOOL DISTRICT NO. 7-2

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CERTIFIED PUBLIC ACCOUNTANTS

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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

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
Kimball School District No. 7-2
Brule 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Kimball School District No. 7-2, 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 November 25, 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 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2025-001 to be a material weakness.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Current Audit Findings as item 2025-002.

School District's Response to Findings

Governmental 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 finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Schoenfish & Co., Inc.
Certified Public Accountants
November 25, 2025



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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2024-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This is a continuing audit comment. This finding has not been corrected and is restated under current audit finding number 2025-001.

Compliance – Related Finding:

Finding Number 2024-002:

The Special Education Fund spent money in excess of amounts budgeted without sufficiently amending the budget in fiscal year 2024. This comment has been corrected.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2025-001:

Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues which affect the compliance requirement category.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that “Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable.”

Cause of Condition:

The Business Manager processes all transactions from beginning to end. The Business Manager also receives and disburses money, issues receipts and checks, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:

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:

1. We recommend that the Kimball School District officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Client's Response:

The Kimball School District Board President, Lisa Pazour, is the responsible person for the corrective action plan for this comment. This comment is due to the size of the Kimball School, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are developing policies and attempting to provide compensating controls.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Noncompliance – Related Finding:

Finding Number 2025-002:

Condition:

The contingency amount of \$32,008.00 was improperly recorded in the Capital Outlay Fund rather than the General Fund as required by SDCL 13-11-2.1.

Criteria:

SDCL 13-11-2.1 states in part, "Contingency line item in budget – Maximum – Transfer of funds. In preparing the school district budget, the school board may include a line item for contingencies. The line item shall be included in the annual budget and shall not exceed five percent of the total school district budget. The school board may be resolution transfer contingency funds to any budget category except capital outlay."

Cause of Condition:

The School District had a contingency line item in the Capital Outlay Fund. This is not allowed according to the SDCL 13-11-2.1.

Potential Effect of Condition:

This misclassification resulted in noncompliance with SDCL 13-11-2.1 and may lead to the appearance of non-transparent budgeting practices. It also misrepresents the financial position and appropriations of the respective funds.

Recommendation:

2. We recommend that the contingency not be included in the Capital Outlay Fund. This is not allowed according to SDCL 13-11-2.1.

Client's Response:

The Kimball School District Board President, Lisa Pazour, is the contact person responsible for the corrective action plan for this comment. The School District will be more careful to follow budgetary guidelines prescribed by law.

CLOSING CONFERENCE

The audit was discussed with the Superintendent and the Business Manager during the course of the audit and at its conclusion.

Schoenfish & Co., Inc.

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INDEPENDENT AUDITOR'S REPORT

School Board
Kimball School District No. 7-2
Kimball, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Kimball School District No. 7-2, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Kimball School District No. 7-2 as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Contributions 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 GAAS, 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.

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

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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the School District Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 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.



Schoenfish & Co., Inc.
Certified Public Accountants
November 25, 2025



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KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF NET POSITION
As of June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	2,129,193.54	61,772.66	2,190,966.20
Investments	1,100,000.00		1,100,000.00
Taxes Receivable	1,080,072.10		1,080,072.10
Other Assets	144,126.46	21,106.15	165,232.61
Inventories	20,010.02	1,964.95	21,974.97
Restricted Assets:			
Cash and Cash Equivalents	564,666.72		564,666.72
Net Pension Asset	3,435.11		3,435.11
Capital Assets:			
Land	205,744.53		205,744.53
Other Capital Assets, Net of Depreciation	9,432,823.15	15,556.61	9,448,379.76
TOTAL ASSETS	14,680,071.63	100,400.37	14,780,472.00
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	656,427.27		656,427.27
TOTAL DEFERRED OUTFLOWS OF RESOURCES	656,427.27	0.00	656,427.27
LIABILITIES :			
Accounts Payable	156,972.95	249.74	157,222.69
Other Current Liabilities	333,272.97	3,882.98	337,155.95
Unearned Revenue		8,128.64	8,128.64
Noncurrent Liabilities:			
Due Within One Year	163,738.46		163,738.46
Due in More than One Year	1,649,828.76		1,649,828.76
TOTAL LIABILITIES	2,303,813.14	12,261.36	2,316,074.50
DEFERRED INFLOWS OF RESOURCES:			
Taxes Levied for a Future Period	1,054,346.92		1,054,346.92
Pension Related Deferred Inflows	431,703.10		431,703.10
TOTAL DEFERRED INFLOWS OF RESOURCES	1,486,050.02	0.00	1,486,050.02
NET POSITION:			
Net Investment in Capital Assets	7,855,858.96	15,556.61	7,871,415.57
Restricted for:			
Capital Outlay Purposes	2,270,626.40		2,270,626.40
Special Education Purposes	265,414.38		265,414.38
Debt Service Purposes	564,666.72		564,666.72
SDRS Pension Purposes	228,159.28		228,159.28
Unrestricted	361,910.00	72,582.40	434,492.40
TOTAL NET POSITION	11,546,635.74	88,139.01	11,634,774.75

The notes to the financial statements are an integral part of this statement.

**KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025**

Net (Expense) Revenue and Changes in Net Position									
Functions/Programs	Program Revenues			Primary Government					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total			
Primary Government:						Component Unit			
Governmental Activities:									
Instruction	2,749,902.51	142,876.12	336,964.27			(2,270,062.12)			
Support Services	1,633,411.63	13,027.57	8,174.33		2,954.92	(1,609,254.81)			
*Interest on Long-Term Liabilities	41,959.71					(41,959.71)			
Cocurricular Activities	247,417.97					(111,825.58)			
Total Governmental Activities	4,672,691.82	240,591.36	345,138.60		53,859.64	(4,033,102.22)			
Business-type Activities:									
Food Service	387,832.81	98,417.77	251,900.60			(37,514.44)			
Driver's Education	14,849.48	7,600.00				(7,249.48)			
Preschool	23,583.76	8,600.00				(14,983.76)			
Total Business-type Activities	426,266.05	114,617.77	251,900.60		0.00	(59,747.68)			
Total Primary Government	5,098,957.87	355,209.13	597,039.20		53,859.64	(4,033,102.22)			
Component Unit:									
Kimball Public Schools Foundation	1,000.00			(1,000.00)					
General Revenues:									
Taxes:									
Property Taxes									
Utility Taxes									
Revenue from State Sources:									
State Aid									
Unrestricted Investment Earnings									
Other General Revenues									
Transfers									
Total General Revenues and Transfers									
Change in Net Position									
Net Position - Beginning									
NET POSITION - ENDING									

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

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

General Revenues:	
Taxes:	
Property Taxes	
Utility Taxes	
Revenue from State	
State Aid	
Unrestricted Investments	

The notes to the financial statements are an integral part of this financial statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB Bond Redemption Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	29,572.59	1,791,790.70	307,830.25		2,129,193.54
Investments	500,000.00	600,000.00			1,100,000.00
Taxes Receivable--Current	411,887.07	399,256.57	243,203.28		1,054,346.92
Taxes Receivable--Delinquent	15,195.02	7,179.70	3,350.46		25,725.18
Due from Other Government	144,126.46				144,126.46
Inventories - Materials and Supplies	20,010.02				20,010.02
Restricted Cash and Cash Equivalents				564,666.72	564,666.72
TOTAL ASSETS	1,120,791.16	2,798,226.97	554,383.99	564,666.72	5,038,068.84
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	17,385.51	128,344.00	11,243.44		156,972.95
Contracts Payable	237,218.63		28,020.60		265,299.23
Payroll Deductions and Withholdings and Employer Matching Payable	61,471.45		6,502.29		67,973.74
Total Liabilities	316,135.59	128,344.00	45,766.33	0.00	490,245.92
Deferred Infloows of Resources:					
Unavailable Revenue-Property Taxes	15,195.02	7,179.70	3,350.46		25,725.18
Taxes Levied for Future Period	411,887.07	399,256.57	243,203.28		1,054,346.92
Total Deferred Infloows of Resources	427,082.09	406,436.27	246,553.74	0.00	1,080,072.10
Fund Balances:					
Nonspendable:					
Supply Inventory					20,010.02
Restricted:					
Capital Outlay		2,263,446.70	262,063.92		2,263,446.70
Special Education					262,063.92
Debt Service				564,666.72	564,666.72
Assigned for Next Year's Budget	353,057.00				353,057.00
Unassigned	4,506.46				4,506.46
Total Fund Balances	377,573.48	2,263,446.70	262,063.92	564,666.72	3,467,750.82
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,120,791.16	2,798,226.97	554,383.99	564,666.72	5,038,068.84

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds	<u>3,467,750.82</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>3,435.11</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>9,638,567.68</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>656,427.27</u>
Long-term liabilities, including CO certificates, QZAB bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,813,567.22)</u>
Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.	<u>25,725.18</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(431,703.10)</u>
Net Position - Governmental Activities	<u>11,546,635.74</u>

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB Bond Redemption Fund	Total Governmental Funds
Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad Valorem Taxes	922,461.17	891,766.49	489,480.27		2,303,707.93
Prior Years' Ad Valorem Taxes	3,056.21	2,537.37	1,192.28		6,785.86
Utility Taxes	100,380.74				100,380.74
Penalties and Interest on Taxes	1,816.65	634.14	303.04		2,753.83
Earnings on Investments and Deposits	44,125.64	36,002.98			80,128.62
Cocurricular Activities:					
Admissions	84,687.67				84,687.67
Other Revenue from Local Sources:					
Rentals	7,500.00				7,500.00
Contributions and Donations	10,740.89	50,904.72			61,645.61
Charges for Services	2,782.11		2,745.46		5,527.57
Other	155,197.33				155,197.33
Revenue from Intermediate Sources:					
County Sources:	25,143.94				25,143.94
County Apportionment					
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted Grants-in-Aid	1,928,564.33				1,928,564.33
Restricted Grants-in-Aid	1,704.75				1,704.75
Other State Revenue	1,653.39				1,653.39
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted Grants-in-Aid Received	18,276.00				18,276.00
Directly from Federal Government					
Restricted Grants-in-Aid Received from					
Federal Government Through the State					
Total Revenue	3,526,480.39	981,845.70	588,095.05	0.00	5,096,421.14

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Expenditures:	General Fund	Capital Outlay Fund	Special Education Fund	QZAB Bond Redemption Fund	Total Governmental Funds
Instruction:					
Regular Programs:					
Elementary	814,764.43	2,235.00			816,999.43
Middle/Junior High	500,664.41	462.50			501,126.91
High School	670,987.38	11,089.37			682,076.75
Special Programs:					
Programs for Special Education			404,435.66		404,435.66
Educationally Deprived	129,574.21				129,574.21
Support Services:					
Students:					
Attendance and Social Work	8,495.54		11,028.84		19,524.38
Guidance	91,421.33		8,714.40		100,135.73
Health	780.00				780.00
Psychological			37,879.44		37,879.44
Speech Pathology			68,588.00		68,588.00
Student Therapy Services			23,859.87		23,859.87
Instructional Staff:					
Improvement of Instruction	40,405.46				40,405.46
Educational Media	57,999.04	1,456.90			59,455.94
General Administration:					
Board of Education	60,333.11				60,333.11
Executive Administration	103,837.72				103,837.72
School Administration:					
Office of the Principal	153,180.02	668.00			153,848.02
Other	225.89				225.89
Business:					
Fiscal Services	82,369.84				82,369.84
Operation and Maintenance of Plant	466,391.73				466,391.73
Student Transportation	158,712.75				158,712.75
Food Services	7,716.65				7,716.65

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Expenditures (Cont.):
 Support Services (Continued):

Special Education:

Administrative Costs

Debt Services

Cocurricular Activities:

Male Activities

Female Activities

Transportation

Combined Activities

Capital Outlay

Total Expenditures

Excess of Revenue Over (Under) Expenditures

Other Financing Sources:

Transfers In

Transfers Out

Sale of Surplus Property

Total Other Financing Sources (Uses)

Net Change in Fund Balances

Fund Balance - Beginning

FUND BALANCE - ENDING

	General Fund	Capital Outlay Fund	Special Education Fund	QZAB Bond Redemption Fund	Total Governmental Funds
Expenditures (Cont.):			37,552.44		37,552.44
Support Services (Continued):				325,000.00	506,866.81
Special Education:					
Administrative Costs		181,866.81			
Debt Services					
Cocurricular Activities:					
Male Activities	60,996.51				60,996.51
Female Activities	15,754.84				15,754.84
Transportation	15,953.47				15,953.47
Combined Activities	124,867.58				124,867.58
Capital Outlay	18,910.70	357,094.12			376,004.82
Total Expenditures	3,584,342.61	554,872.70	592,058.65	325,000.00	5,056,273.96
Excess of Revenue Over (Under) Expenditures	(57,862.22)	426,973.00	(3,963.60)	(325,000.00)	40,147.18
Other Financing Sources:					
Transfers In				67,666.67	67,666.67
Transfers Out	(24,182.50)	(67,666.67)			(91,849.17)
Sale of Surplus Property	50.00				50.00
Total Other Financing Sources (Uses)	(24,132.50)	(67,666.67)	0.00	67,666.67	(24,132.50)
Net Change in Fund Balances	(81,994.72)	359,306.33	(3,963.60)	(257,333.33)	16,014.68
Fund Balance - Beginning	459,568.20	1,904,140.37	266,027.52	822,000.05	3,451,736.14
FUND BALANCE - ENDING	377,573.48	2,263,446.70	262,063.92	564,666.72	3,467,750.82

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	<u>16,014.68</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>376,004.82</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(356,947.62)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.	<u>(5,557.00)</u>
The receipt of donated capital assets is not reported on the fund statements, but is reported as a general revenue on the government-wide statements.	<u>2,954.92</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.	<u>464,907.10</u>
In both the government-wide and fund financial 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".	<u>19,923.47</u>
Governmental funds recognize expenditures for amounts of compensated absences 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 employees earn leave credits.	<u>(3,689.80)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (Pension Revenue)	<u>2,904.70</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(94,040.06)</u>
Change in Net Position of Governmental Activities	<u><u>422,475.21</u></u>

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT No. 7-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of June 30, 2025

ASSETS:

	Food Service Fund	Driver's Ed/ Preschool Fund	Enterprise Funds	Totals
Current Assets:				
Cash and Cash Equivalents	57,715.47	4,057.19	61,772.66	
Due from Other Government	21,106.15			21,106.15
Inventories - Materials and Supplies	664.35			664.35
Inventories - Stores for Resale	1,132.48			1,132.48
Inventory of Donated Food	168.12			168.12
Total Current Assets	80,786.57	4,057.19	84,843.76	
Noncurrent Assets:				
Capital Assets:				
Machinery and Equipment-Local Funds	58,262.19			58,262.19
Machinery and Equipment-Federal Assistance	12,266.61			12,266.61
Less: Accumulated Depreciation	(54,972.19)			(54,972.19)
Total Noncurrent Assets	15,556.61	0.00	15,556.61	
TOTAL ASSETS	96,343.18	4,057.19	100,400.37	
LIABILITIES:				
Current Liabilities:				
Accounts Payable	249.74			249.74
Contracts Payable		3,416.60		3,416.60
Payroll Deductions and Withholdings and Employer Matching Payable		466.38		466.38
Unearned Revenue	8,128.64			8,128.64
TOTAL LIABILITIES	8,378.38	3,882.98	12,261.36	
NET POSITION:				
Net Investment in Capital Assets	15,556.61			15,556.61
Unrestricted Net Position	72,408.19	174.21		72,582.40
TOTAL NET POSITION	87,964.80	174.21	88,139.01	

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	Enterprise Funds		
	Food Service Fund	Driver's Ed/ Preschool Fund	Totals
Operating Revenue:			
Food Sales:			
Student	96,775.85		96,775.85
Other Charges for Goods and Services	1,641.92		1,641.92
Driver's Education		7,600.00	7,600.00
Preschool		8,600.00	8,600.00
Total Operating Revenue	<u>98,417.77</u>	<u>16,200.00</u>	<u>114,617.77</u>
Operating Expenses:			
Food Service			
Salaries	100,263.68		100,263.68
Employee Benefits	19,839.79		19,839.79
Purchased Services	146,330.87		146,330.87
Supplies	3,882.07		3,882.07
Cost of Sales - Purchased	93,480.35		93,480.35
Cost of Sales - Donated	20,444.17		20,444.17
Cost of Sales - Donated - Local	1,937.88		1,937.88
Depreciation	1,654.00		1,654.00
Driver's Education		14,849.48	14,849.48
Preschool		23,583.76	23,583.76
Total Operating Expenses	<u>387,832.81</u>	<u>38,433.24</u>	<u>426,266.05</u>
Operating Income (Loss)	<u>(289,415.04)</u>	<u>(22,233.24)</u>	<u>(311,648.28)</u>
Nonoperating Revenue:			
Contributions and Donations	2,386.46		2,386.46
State Grants	536.49		536.49
Federal Grants	228,365.36		228,365.36
Donated Food - Federal	20,612.29		20,612.29
Total Nonoperating Revenue (Expense)	<u>251,900.60</u>	<u>0.00</u>	<u>251,900.60</u>
Income (Loss) Before Transfers	<u>(37,514.44)</u>	<u>(22,233.24)</u>	<u>(59,747.68)</u>
Transfers In	<u>2,182.50</u>	<u>22,000.00</u>	<u>24,182.50</u>
Change in Net Position	<u>(35,331.94)</u>	<u>(233.24)</u>	<u>(35,565.18)</u>
Net Position - Beginning	<u>123,296.74</u>	<u>407.45</u>	<u>123,704.19</u>
NET POSITION - ENDING	<u>87,964.80</u>	<u>174.21</u>	<u>88,139.01</u>

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	Enterprise Funds		
	Food Service Fund	Driver's Ed/ Preschool Fund	Totals
Cash Flows from Operating Activities:			
Cash Receipts from Customers	99,684.02	16,200.00	115,884.02
Cash Payments to Employees for Services	(120,103.47)	(37,749.13)	(157,852.60)
Cash Payments to Suppliers of Goods and Services	(243,447.91)	(589.53)	(244,037.44)
Net Cash Provided (Used) by Operating Activities	(263,867.36)	(22,138.66)	(286,006.02)
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund	2,182.50	22,000.00	24,182.50
Contributions and Donations	448.58		448.58
Operating Grants	220,942.09		220,942.09
Net Cash Provided (Used) from Noncapital Financing Activities	223,573.17	22,000.00	245,573.17
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(12,266.61)		(12,266.61)
Net Cash (Used) by Capital and Related Financing Activities	(12,266.61)	0.00	(12,266.61)
Net Increase (Decrease) in Cash and Cash Equivalents	(52,560.80)	(138.66)	(52,699.46)
Cash and Cash Equivalents at Beginning of Year	110,276.27	4,195.85	114,472.12
CASH AND CASH EQUIVALENTS AT END OF YEAR	57,715.47	4,057.19	61,772.66
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(289,415.04)	(22,233.24)	(311,648.28)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	1,654.00		1,654.00
Value of Donated Commodities Used	22,382.05		22,382.05
(Increase) decrease in Inventories	(4.36)		(4.36)
(Decrease) increase in Accounts and Other Payables	249.74		249.74
(Decrease) increase in Accrued Wages Payable		94.58	94.58
(Decrease) increase in Unearned Revenue	1,266.25		1,266.25
Net Cash Provided (Used) by Operating Activities	(263,867.36)	(22,138.66)	(286,006.02)
Noncash Investing, Capital and Financing Activities:			
Value of Commodities Received	20,612.29		20,612.29
Value of Donated Local Food Received	1,937.88		1,937.88

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and Cash Equivalents	86,874.14	8,396.26
Investments in Certificates of Deposit	<u> </u>	<u> </u>
TOTAL ASSETS	86,874.14	53,396.26
NET POSITION:		
Restricted for:		
Organizations	<u> </u>	<u> </u>
Held in Trust for Scholarships	86,874.14	53,396.26
TOTAL NET POSITION	<u>86,874.14</u>	<u>53,396.26</u>

The notes to the financial statements are an integral part of this statement.

KIMBALL SCHOOL DISTRICT NO. 7-2
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Contributions and Donations	15,930.00	
Net Investment Earnings	5,590.98	
Other Additions	266,738.95	
Total Additions	21,520.98	266,738.95
DEDUCTIONS:		
Trust Deductions for Scholarships	16,100.00	
Other Deductions	281,380.08	
Total Deductions	16,100.00	281,380.08
Change in Net Position	5,420.98	(14,641.13)
Net Position - Beginning	81,453.16	68,037.39
NET POSITION - ENDING	86,874.14	53,396.26

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity:

The reporting entity of Kimball School District No. 7-2 (School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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 Kimball Public Schools Foundation of Kimball, South Dakota (Foundation) is a proprietary fund-type, discretely-presented component unit. The members of the Foundation are appointed by the Governing Board. The Foundation elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Foundation's plans to further educational development of Kimball School students, staff, and graduates. Separately issued financial statements of the Kimball Public Schools Foundation may be obtained from: Kimball Public Schools Foundation, P.O. Box 479, Kimball, SD 57355. This was turned over to the South Dakota Community Foundation in fiscal year 2024, and administratively closed at the school in fiscal year 2025.

The School District participates in the Mid-Central Educational Cooperative with twelve other school districts and the Core Educational Cooperative with twelve other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

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

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

Governmental Funds:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The QZAB Bond Debt Service Fund – A fund established by SDCL 13-16-13 to account for the bond escrow payments to be used for the future payment of principal on Qualified Zone Academy Bonds. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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.

Driver's Ed/Preschool School Fund – The Driver's Ed/Preschool Fund is an enterprise fund maintained by the School District. This fund is financed by user charges. This is a major fund.

Fiduciary Funds:

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

Private-purpose Trust Funds – 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 the following private-purpose trust funds:

Scholarship trusts – trusts established by donors to provide for college scholarships to graduating students.

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

c. Measurement Focus and Basis of Accounting:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, business-type activities, and component unit 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 fund types 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 Kimball School District No. 7-2, the length of that cycle is 60 days. The revenues, which are accrued at June 30, 2025, are state grants, utility taxes, and miscellaneous revenue.

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

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

All proprietary fund and fiduciary fund types 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

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

e. Deposits and Investments:

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

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

f. Capital Assets:

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

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

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

The total June 30, 2025 balance of capital assets for the governmental activities and business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on the proprietary fund's Statement of Net Position.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	N/A	N/A
Buildings	\$ 25,000.00	Straight-Line	15-50 yrs.
Machinery & Automotive Equipment	\$ 5,000.00	Straight-Line	4-20 yrs.
Food Service Equipment	\$ 500.00	Straight-Line	12 yrs.

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 statements 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 primarily consist of QZAB bonds, Capital Outlay Certificates payable and compensated absences.

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

1. Charges for services – These arise from charges to customers, applications, 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 non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. 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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes.

m. 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.

n. 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 or committed. Fund Balance may be assigned by the Business Manager.
- 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/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

<u>Major Special Revenue Fund:</u>	<u>Revenue Source:</u>
Capital Outlay Fund	Real Estate Taxes
Special Education Fund	Real Estate Taxes and Grants

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 as follows:

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.

As of June 30, 2025, the School District did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

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.

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

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

3. RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 564,666.72	For Debt Service, by debt covenants

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. RECEIVABLES AND PAYABLES

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

5. INVENTORY

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-wide Financial Statements:

In the government-wide financial statements, and in the enterprise fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

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.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as unavailable revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN CAPITAL ASSETS

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

	Balance 07/01/24	Increases	Decreases	Balance 06/30/25
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	205,744.53			205,744.53
Total, being depreciated	205,744.53	0.00	0.00	205,744.53
Capital Assets, being depreciated:				
Improvements	449,840.93	85,259.00	(46,770.00)	488,329.93
Buildings	10,360,715.13	147,942.01		10,508,657.14
Machinery & Equipment	1,602,420.24	145,758.73	(16,400.00)	1,731,778.97
Total, being depreciated	12,412,976.30	378,959.74	(63,170.00)	12,728,766.04
Less Accumulated Depreciation for:				
Improvements	(173,569.00)	(26,453.90)	42,293.00	(157,729.90)
Buildings	(1,785,530.00)	(159,535.00)		(1,945,065.00)
Machinery & Equipment	(1,037,509.27)	(170,958.72)	15,320.00	(1,193,147.99)
Total Accumulated Depreciation	(2,996,608.27)	(356,947.62)	57,613.00	(3,295,942.89)
Total Capital Assets, being depreciated, net	9,416,368.03	22,012.12	(5,557.00)	9,432,823.15
Governmental Activity Capital Assets, Net	<u>9,622,112.56</u>	<u>22,012.12</u>	<u>(5,557.00)</u>	<u>9,638,567.68</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	141,980.00
Support Services	187,679.62
Co-curricular Activities	27,288.00
Total Depreciation Expense - Governmental Activities	<u>356,947.62</u>

	Balance 07/01/24	Increases	Decreases	Balance 06/30/25
Business-Type Activities:				
Capital Assets, being depreciated:				
Machinery & Equipment	62,704.69	12,266.61	(4,442.50)	70,528.80
Total, being depreciated	62,704.69	12,266.61	(4,442.50)	70,528.80
Less Accumulated Depreciation for:				
Machinery & Equipment	(57,760.69)	(1,654.00)	4,442.50	(54,972.19)
Total Accumulated Depreciation	(57,760.69)	(1,654.00)	4,442.50	(54,972.19)
Business-Type Activity Capital Assets, Net	<u>4,944.00</u>	<u>10,612.61</u>	<u>0.00</u>	<u>15,556.61</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Depreciation expense was charged to functions as follows:

Business-Type Activities:

Food Services	1,654.00
Total Depreciation Expense - Business-Type Activities	<u><u>1,654.00</u></u>

8. LONG-TERM LIABILITIES

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

	Beginning Balance 7/01/24	Additions	Deletions	Ending Balance 6/30/25	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Qualified Zone Academy Bond (QZAB #5)	325,000.00		325,000.00	0.00	0.00
Qualified Zone Academy Bond (QZAB #6)	190,000.00			190,000.00	0.00
Qualified Zone Academy Bond (QZAB #7)	500,000.00			500,000.00	0.00
Capital Outlay Certificates	1,232,615.82		139,907.10	1,092,708.72	143,738.46
Total Debt	<u><u>2,247,615.82</u></u>	<u><u>0.00</u></u>	<u><u>464,907.10</u></u>	<u><u>1,782,708.72</u></u>	<u><u>143,738.46</u></u>
Accrued Compensated Absences - Governmental Funds	27,168.70	3,689.80		30,858.50	20,000.00
Total Primary Government	<u><u>2,274,784.52</u></u>	<u><u>3,689.80</u></u>	<u><u>464,907.10</u></u>	<u><u>1,813,567.22</u></u>	<u><u>163,738.46</u></u>

Compensated absences for governmental activities typically have been liquidated from the General Fund.

Liabilities Payable at June 30, 2025, is comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Qualified Zone Academy Bonds (QZAB #6) for School Renovation, Maturity Date May 24, 2027, Interest Rate 4.85% (Refundable), Paid by QZAB Debt Service Fund	\$ 190,000.00
Qualified Zone Academy Bonds (QZAB #7) for School Renovation, Maturity Date June 26, 2028, Non-Interest Bearing Note, Paid by QZAB Debt Service Fund	\$ 500,000.00
Limited Tax General Obligation Capital Outlay Certificates, Series 2022, Maturity Date June 1, 2032, Interest Rate 2.720 to 4.00%, Paid by Capital Outlay Fund	\$ 1,092,708.72

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Compensated Absences:

Vested Sick Leave:

Vested Sick Leave Balances of Eligible Employees	\$ 30,858.50
Payment to be made by the fund that the payroll expenditures are charged to, which would be the General Fund.	

The annual debt service requirements to maturity for all liabilities outstanding, except for compensated absences, as of June 30, 2025 are as follows:

Annual Requirements to Maturity for Long-Term Liabilities
 June 30, 2025

Year Ending June 30,	Qualified Zone Academy Bond (QZAB #6)		Qualified Zone Academy Bond (QZAB #7)	
	Principal	Interest	Principal	Interest
2026		8,242.30		
2027	190,000.00	8,242.30		
2028			500,000.00	
2029				
Totals	190,000.00	16,484.60	500,000.00	0.00

Year Ending June 30,	Limited Tax General Obligation Capital Outlay Certificates, Series 2022		Total	
	Principal	Interest	Principal	Interest
2026	143,738.46	28,750.86	143,738.46	36,993.16
2027	147,674.72	24,814.59	337,674.72	33,056.89
2028	151,718.79	20,770.52	651,718.79	20,770.52
2029	155,873.60	16,615.70	155,873.60	16,615.70
2030	158,094.68	18,182.83	158,094.68	18,182.83
2031-2035	335,608.47	16,946.56	335,608.47	16,946.56
Totals	1,092,708.72	126,081.06	1,782,708.72	142,565.66

9. RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2025 are as follows:

FUND	Restricted By:	Amount
Capital Outlay	Law	\$ 2,270,626.40
Special Education	Law	265,414.38
SDRS Pension Purposes	Governmental Accounting Standards	228,159.28
Debt Service	Debt Covenants	564,666.72
Total Restricted Net Position		\$ 3,328,866.78

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

10. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2025 were as follows:

Transfers From:	Transfers To:				Totals
	QZAB Debt Service Fund	Food Service Fund	Driver's Education/ Preschool Fund		
General Fund		2,182.50	22,000.00		24,182.50
Capital Outlay Fund	67,666.67				67,666.67
Totals	67,666.67	2,182.50	22,000.00		91,849.17

The School District uses transfers to transfer from the General Fund to the Food Service Fund and Driver's Education/Preschool Fund to supplement the operation, from the Capital Outlay Fund to the QZAB Debt Service Fund to supplement the debt service fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

11. PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. 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://www.sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has four different 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. 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 safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 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.

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 were \$145,748.44, \$142,843.74, and \$132,335.02, respectively, equal to the required contributions each year.

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

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Proportionate share of pension liability	\$ 12,659,636.72
Less proportionate share of net pension restricted for pension benefits	<u>\$ 12,663,071.83</u>
Proportionate share of net pension liability (asset)	<u>\$ (3,435.11)</u>

At June 30, 2025, the School District reported a liability (asset) of \$(3,435.11) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024 and the total pension liability (asset) used to calculate the net pension liability (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 0.08486000%, which is an increase (decrease) of (0.0009470%) from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense (reduction of pension expense) of \$91,135.36. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 318,093.59	
Changes in assumption.	\$ 56,634.90	\$ 431,703.10
Net Difference between projected and actual earnings on pension plan investments.	\$ 129,391.74	
Changes in proportion and difference between School district contributions and proportionate share of contributions.	\$ 6,558.60	
School District contributions subsequent to the measurement date.	<u>\$ 145,748.44</u>	
TOTAL	<u>\$ 656,427.27</u>	<u>\$ 431,703.10</u>

\$145,748.44 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:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ended	
June 30:	
2026	\$ (117,677.03)
2027	168,163.61
2028	18,031.56
2029	<u>10,457.59</u>
TOTAL	<u>\$ 78,975.73</u>

Actuarial Assumptions:

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

Inflation	<i>2.50 percent</i>
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%

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, 2023 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

Discount Rate:

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

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the 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 liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$1,745,537.82	\$(3,435.11)	\$(1,434,639.77)

Pension Plan Fiduciary Net Position:

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

12. JOINT VENTURES

The School District participates in the Mid-Central Cooperative, a cooperative service unit (co-op) formed for the purpose of providing equal educational opportunity services to the member school districts.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Armour School District No. 21-1	4.68%
Burke School District No. 26-2	6.03%
Colome Consolidated School District No. 59-3	6.45%
Corsica-Stickney School District No. 21-3	6.36%
Ethan School District No. 17-1	6.61%
Gregory School District No. 26-4	10.80%
Kimball School District No. 7-2	8.49%
Mt. Vernon School District No. 17-3	5.64%
Plankinton School District No. 1-1	9.55%
Platte-Geddes School District No. 11-5	13.40%
Wessington Springs School District No. 32-6	9.32%
White Lake School District No. 1-3	3.04%
Wolsey-Wessington School District No. 2-6	9.63%

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

The School District retains no equity in the net position of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.
Audited financial information is not available for periods after June 30, 2015.

The School District participates in the Core Educational Cooperative, a cooperative service unit (Co-op) formed for the purpose of providing equal educational opportunity services to the member school districts.

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

Armour School District No. 21-1	6.62%
Burke School District No. 26-2	6.11%
Colome Consolidated School District No. 59-3	4.41%
Corsica-Stickney School District No. 21-3	5.09%
Gregory School District No. 26-4	7.47%
Kimball School District No. 7-2	6.79%
Lyman School District No. 26-4	11.21%
Mt. Vernon School District No. 17-3	7.81%
Plankinton School District No. 1-1	10.87%
Platte-Geddes School District No. 11-5	10.36%
Wessington Springs School District No. 32-6	9.17%
White Lake School District No. 1-3	2.38%
Wolsey-Wessington School District No. 2-6	11.71%

The co-op's governing board is composed of two representatives from each member school district, who are one administrator of the school on the advisory board and one school board member on the governing board. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

At June 30, 2025, this joint venture had total assets and deferred outflows of resources of \$3,182,728.56, total liabilities and deferred inflows of resources of \$646,728.56, and net position of \$2,536,000.00.

13. RISK MANAGEMENT

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

Employee Health Insurance:

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

Liability Insurance:

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

Workmen's Compensation:

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

Unemployment Benefits:

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

During the year ended June 30, 2025, no claims were paid. At June 30, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

14. SIGNIFICANT CONTINGENCIES – LITIGATION

At June 30, 2025, the School District was not involved in any significant litigation.

15. RELATED ORGANIZATION

The Kimball School Foundation was incorporated to promote the further educational development of Kimball School District No. 7-2 students, staff and graduates. The organization is a nonprofit corporation governed by four trustees of which none are appointed by the Kimball School District No. 7-2. The current superintendent of the School District is the President of the Foundation and the Business Manager is the Secretary/Treasurer.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The School District does not control it since the School District does not approve the organization's financial decisions. At this point, the Foundation is accounted for as a trust fund of the School.

Diesel fuel and gas was purchased from Kimball Clark, LLC, a company owned by a member of the School Board, in the amount of \$34,820.54 in Fiscal Year 2025. Requests for bids were sent to all gas stations in town.

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through November 25, 2025, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
KIMBALL SCHOOL DISTRICT NO. 7-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2025

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final	(Budgetary Basis)
Revenues:			
Revenue from Local Sources:			
Taxes:			
Ad Valorem Taxes	1,146,257.00	1,146,257.00	922,461.17
Prior Years' Ad Valorem Taxes	0.00	0.00	3,056.21
Utility Taxes	120,000.00	120,000.00	100,380.74
Penalties and Interest on Taxes	0.00	0.00	1,816.65
Earnings on Investments and Deposits	7,000.00	7,000.00	44,125.64
Co-curricular Activities:			
Admissions	97,000.00	97,000.00	84,687.67
Other Revenue from Local Sources:			
Rentals	0.00	0.00	7,500.00
Contributions and Donations	0.00	0.00	10,740.89
Charges for Services	0.00	0.00	2,782.11
Other	0.00	0.00	155,197.33
Revenue from Intermediate Sources:			
County Sources:			
County Apportionment	16,500.00	16,500.00	25,143.94
Revenue from State Sources:			
Grants-in-Aid:			
Unrestricted Grants-in-Aid	1,853,667.00	1,853,667.00	1,928,564.33
Restricted Grants-in-Aid	0.00	0.00	1,704.75
Other State Revenue	3,000.00	3,000.00	1,653.39
Revenue from Federal Sources:			
Grants-in-Aid:			
Restricted Grants-in-Aid Received Directly from the Federal Government	0.00	0.00	18,276.00
Restricted Grants-in-Aid Received from Federal Government Through the State	209,581.00	216,944.00	218,389.57
Total Revenue	3,453,005.00	3,460,368.00	3,526,480.39
			66,112.39
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	859,435.00	866,798.00	831,296.14
Middle/Junior High	481,065.00	481,065.00	500,664.41
High School	668,193.00	668,193.00	670,987.38
Special Programs:			
Educationally Deprived	111,732.00	111,732.00	129,574.21
Support Services:			
Students:			
Attendance and Social Work	3,925.00	3,925.00	8,495.54
Guidance	93,479.00	93,479.00	91,421.33
Health	1,400.00	1,400.00	780.00

REQUIRED SUPPLEMENTARY INFORMATION
KIMBALL SCHOOL DISTRICT NO. 7-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)		
	Original	Final				
Expenditures (continued):						
Support Services:						
Instructional Staff:						
Improvement of Instruction	40,014.00	40,014.00	40,405.46	(391.46)		
Educational Media	57,250.00	57,250.00	57,999.04	(749.04)		
General Administration:						
Board of Education	69,687.00	69,687.00	60,333.11	9,353.89		
Executive Administration	103,135.00	103,135.00	103,837.72	(702.72)		
School Administration:						
Office of the Principal	163,201.00	163,201.00	153,180.02	10,020.98		
Other	0.00	0.00	225.89	(225.89)		
Business:						
Fiscal Services	84,629.00	84,629.00	82,369.84	2,259.16		
Operation and Maintenance of Plant	484,730.00	484,730.00	468,770.72	15,959.28		
Student Transportation Services	239,267.00	239,267.00	158,712.75	80,554.25		
Food Services	0.00	0.00	7,716.65	(7,716.65)		
Cocurricular Activities:						
Male Activities	60,267.00	60,267.00	60,996.51	(729.51)		
Female Activities	25,178.00	25,178.00	15,754.84	9,423.16		
Transportation	20,350.00	20,350.00	15,953.47	4,396.53		
Combined Activities	133,180.00	133,180.00	124,867.58	8,312.42		
Contingencies	30,000.00	30,000.00				
Amount Transferred		0.00		30,000.00		
Total Expenditures	3,730,117.00	3,737,480.00	3,584,342.61	153,137.39		
Excess of Revenue Over (Under) Expenditures	(277,112.00)	(277,112.00)	(57,862.22)	219,249.78		
Other Financing Sources (Uses):						
Transfers In	20,000.00	20,000.00	0.00	(20,000.00)		
Transfers Out	(19,607.00)	(19,607.00)	(24,182.50)	(4,575.50)		
Sale of Surplus Property	0.00	0.00	50.00	50.00		
Total Other Financing Sources (Uses)	393.00	393.00	(24,132.50)	(24,525.50)		
Net Change in Fund Balances	(276,719.00)	(276,719.00)	(81,994.72)	194,724.28		
Fund Balance - Beginning	459,568.20	459,568.20	459,568.20	0.00		
FUND BALANCE - ENDING	182,849.20	182,849.20	377,573.48	194,724.28		

REQUIRED SUPPLEMENTARY INFORMATION
KIMBALL SCHOOL DISTRICT NO. 7-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
For the Year Ended 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	901,506.00	901,506.00	891,766.49	(9,739.51)		
Prior Years' Ad Valorem Taxes	0.00	0.00	2,537.37	2,537.37		
Penalties and Interest on Taxes	0.00	0.00	634.14	634.14		
Earnings on Investments and Deposits	5,000.00	5,000.00	36,002.98	31,002.98		
Other Revenue from Local Sources:						
Contributions and Donations	0.00	20,000.00	50,904.72	30,904.72		
Total Revenue	906,506.00	926,506.00	981,845.70	55,339.70		
Expenditures:						
Instruction:						
Regular Programs:						
Elementary	17,442.00	17,442.00	46,655.00	(29,213.00)		
Middle/Junior High	26,291.00	26,291.00	12,139.68	14,151.32		
High School	19,408.00	19,408.00	42,154.93	(22,746.93)		
Support Services:						
Instructional Staff:						
Educational Media	3,522.00	3,522.00	2,518.90	1,003.10		
School Administration:						
Office of the Principal	650.00	650.00	668.00	(18.00)		
Business:						
Fiscal Services	1,007.00	1,007.00	967.00	40.00		
Facilities Acquisition and Construction	315,138.00	315,138.00	144,987.09	170,150.91		
Operation and Maintenance of Plant	60,000.00	60,000.00	90,065.57	(30,065.57)		
Student Transportation Services	170,000.00	170,000.00	0.00	170,000.00		
Debt Service	249,534.00	249,534.00	181,866.81	67,667.19		
Cocurricular Activities:						
Combined Activities	15,000.00	15,000.00	32,849.72	(17,849.72)		
Total Expenditures	877,992.00	877,992.00	554,872.70	323,119.30		
Excess of Revenue Over (Under) Expenditures	28,514.00	48,514.00	426,973.00	378,459.00		
Other Financing Sources (Uses):						
Transfers Out	0.00	0.00	(67,666.67)	(67,666.67)		
Total Other Financing Sources (Uses)	0.00	0.00	(67,666.67)	(67,666.67)		
Net Change in Fund Balances	28,514.00	48,514.00	359,306.33	310,792.33		
Fund Balance - Beginning	1,904,140.37	1,904,140.37	1,904,140.37	0.00		
FUND BALANCE - ENDING	1,932,654.37	1,952,654.37	2,263,446.70	310,792.33		

REQUIRED SUPPLEMENTARY INFORMATION
KIMBALL SCHOOL DISTRICT NO. 7-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
For the Year Ended 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	548,388.00	548,388.00	489,480.27	(58,907.73)		
Prior Years' Ad Valorem Taxes	0.00	0.00	1,192.28	1,192.28		
Penalties and Interest on Taxes	0.00	0.00	303.04	303.04		
Other Revenue from Local Sources:						
Charges for Services	600.00	600.00	2,745.46	2,145.46		
Revenue from Federal Sources:						
Grants-in-Aid:						
Restricted Grants-in-Aid Received from Federal Government Through the State	88,606.00	88,606.00	94,374.00	5,768.00		
Total Revenue	637,594.00	637,594.00	588,095.05	(49,498.95)		
Expenditures:						
Instruction:						
Special Programs:						
Programs for Special Education	441,599.00	441,599.00	404,435.66	37,163.34		
Support Services:						
Students:						
Attendance and Social Work	9,200.00	9,200.00	11,028.84	(1,828.84)		
Guidance	8,829.00	8,829.00	8,714.40	114.60		
Psychological	38,377.00	38,377.00	37,879.44	497.56		
Speech Pathology	68,151.00	68,151.00	68,588.00	(437.00)		
Student Therapy Services	23,736.00	23,736.00	23,859.87	(123.87)		
Special Education:						
Administrative Costs	37,089.00	37,089.00	37,552.44	(463.44)		
Transportation Costs	33,500.00	33,500.00	0.00	33,500.00		
Total Expenditures	660,481.00	660,481.00	592,058.65	68,422.35		
Net Change in Fund Balances	(22,887.00)	(22,887.00)	(3,963.60)	18,923.40		
Fund Balance - Beginning	266,027.52	266,027.52	266,027.52	0.00		
FUND BALANCE - ENDING	243,140.52	243,140.52	262,063.92	18,923.40		

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2025

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The School District followed 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 fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated by 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 school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be changed 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 adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

REQUIRED SUPPLEMENTARY INFORMATIONSCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Ten Fiscal Years

District's proportion of the net pension liability/asset	District's proportionate share of net pension liability (asset)	District's covered-employee 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	0.0848600%	\$ (3,435.11)	\$ 2,380,719.56	0.14%	100.00%
2024	0.0858070%	\$ (8,375.15)	\$ 2,205,577.34	0.38%	100.10%
2023	0.0896560%	\$ (8,473.05)	\$ 2,140,837.44	0.40%	100.10%
2022	0.8989200%	\$ (688,418.87)	\$ 2,033,540.10	33.85%	105.52%
2021	0.0881136%	\$ (3,826.76)	\$ 1,933,817.84	0.20%	100.04%
2020	0.0866088%	\$ (9,178.16)	\$ 1,835,455.26	0.50%	100.09%
2019	0.0847209%	\$ (1,975.89)	\$ 1,761,269.01	0.11%	100.02%
2018	0.0846075%	\$ (7,678.22)	\$ 1,737,321.31	0.44%	100.10%
2017	0.0808765%	\$ 273,193.87	\$ 1,522,569.61	17.94%	96.89%
2016	0.0831874%	\$ (352,821.53)	\$ 1,519,784.95	23.22%	104.10%

* The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of the previous year.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS

South Dakota Retirement System

Last Ten Fiscal Years

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 145,748.44	\$ 145,748.44	\$ -	\$ 2,429,138.43	6.00%
2024	\$ 142,843.74	\$ 142,843.74	\$ -	\$ 2,380,719.56	6.00%
2023	\$ 132,335.02	\$ 132,335.02	\$ -	\$ 2,205,577.34	6.00%
2022	\$ 128,450.77	\$ 128,450.77	\$ -	\$ 2,140,837.44	6.00%
2021	\$ 122,395.90	\$ 122,395.90	\$ -	\$ 2,033,540.10	6.02%
2020	\$ 116,029.68	\$ 116,029.68	\$ -	\$ 1,933,817.84	6.00%
2019	\$ 110,127.66	\$ 110,127.66	\$ -	\$ 1,835,455.26	6.00%
2018	\$ 105,676.33	\$ 105,676.33	\$ -	\$ 1,761,269.01	6.00%
2017	\$ 103,001.32	\$ 103,001.32	\$ -	\$ 1,737,321.31	5.93%
2016	\$ 92,353.90	\$ 92,353.90	\$ -	\$ 1,522,569.61	6.07%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

**Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions**

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 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 2.10%. 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.