

NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3

Financial Statements

June 30, 2025



New Underwood School District No. 51-3
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Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

School Board
New Underwood School District No. 51-3
New Underwood, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Underwood School District No. 51-3 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Management's Response as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

New Underwood School District No. 51-3's Response to Findings

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

Purpose of This Report

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

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

October 7, 2025

New Underwood School District No. 51-3
Schedule of Findings and Management's Response (Unaudited)
For the Year Ended June 30, 2025

Material Weakness

Lack of Segregation of Duties

2025-001 *Condition:* The District has a limited number of finance staff, causing a concentration of responsibilities within the following processes/cycles: reconciliation of cash accounts, posting of general journal entries, processing of payroll, and recognition of revenues. Additionally, the District relies on its auditor to prepare the financial statements and related notes. The District does review the financial statements and support for proposed journal entries.

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

Cause: The District has a limited number of staff to perform finance functions and prepare the financial statements and related notes.

Effect: There is a possibility of fraud or errors occurring and not being detected or corrected. Material audit adjustments were required related to year-end reporting for long-term debt, property taxes receivable, deferred property tax inflows, and capital assets. Additionally, the District relies on its auditor to draft the financial statements and related notes.

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

Management's Response: In addition to the review of the financial statements and proposed journal entries as noted above, the District will provide the Balance Sheet and Income Statement from the District's software, as well as supporting schedules for the financial statement notes. Due to the staff size of the District, it is not cost-effective to hire additional Finance Office staff, but the District continues to work on oversight procedures. The District staff responsible for these actions would be the District's Business Manager and these changes will be ongoing.

Independent Auditor's Report

School Board
New Underwood School District No. 51-3
New Underwood, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New Underwood School District No. 51-3 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The list of School District Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The list of School District Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

October 7, 2025

New Underwood School District No. 51-3 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2025

This section of New Underwood School District No. 51-3's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Net Position for government-wide funds increased by approximately \$116,000, which was due to an increase in revenues in the CY. The increase in revenues was mainly from an increase in state aid payments and property taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like businesses. The only proprietary fund operated by the District is the Food Service Fund.
 - Fiduciary fund statements provide information about the financial relationships - like scholarships for graduating students - in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

See independent auditor's report.

**New Underwood School District No. 51-3
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025**

Figure A-1

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

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

See independent auditor's report.

New Underwood School District No. 51-3 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2025

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

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

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

- *Governmental Activities* - This category includes the District's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), interest expense on long-term debt, and extracurricular activities (sports, debate, music, etc.). Property taxes, state grants, federal grants, and interest earnings finance most of these activities.
- *Business-type Activities* - The District charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the District.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

See independent auditor's report.

New Underwood School District No. 51-3

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2025

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position increased as follows:

Table A-1
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2025	2024	2025	2024	2025	2024	
Current and Other Assets	\$ 5,120,821	\$ 4,811,157	\$ 30,333	\$ 92,443	\$ 5,151,154	\$ 4,903,600	5.05%
Capital Assets (Net of Depreciation)	3,443,067	2,920,454	49,855	54,079	3,492,922	2,974,533	17.43%
Total Assets	8,563,888	7,731,611	80,188	146,522	8,644,076	7,878,133	9.72%
Pension Related Deferred Outflows	467,734	499,063	18,198	16,778	485,932	515,841	-5.80%
Total Deferred Outflows of Resources	467,734	499,063	18,198	16,778	485,932	515,841	-5.80%
Long-term Liabilities Outstanding	2,858,673	2,215,837	3,324	2,241	2,861,997	2,218,078	29.03%
Other Liabilities	293,608	268,258	9,224	44,875	302,832	313,133	-3.29%
Total Liabilities	3,152,281	2,484,095	12,548	47,116	3,164,829	2,531,211	25.03%
Property Taxes Levied for Future Periods	590,585	595,557	-	-	590,585	595,557	-0.83%
Pension-related Deferred Inflows	314,017	292,159	12,217	9,822	326,234	301,981	
Total Deferred Inflows of Resources	904,602	887,716	12,217	9,822	916,819	897,538	2.15%
Net Investment in Capital Assets	622,738	724,798	49,855	54,079	672,593	778,877	-13.65%
Restricted	3,505,101	3,180,596	6,075	7,148	3,511,176	3,187,744	10.15%
Unrestricted	846,900	953,469	17,691	45,135	864,591	998,604	-13.42%
Total Net Position	4,974,739	4,858,863	73,621	106,362	5,048,360	4,965,225	1.67%
Beginning Net Position	4,858,863	4,676,648	106,362	111,455	4,965,225	4,788,103	
Increase (Decrease) in							
Net Position	\$ 115,876	\$ 182,215	\$ (32,741)	\$ (5,093)	\$ 83,135	\$ 177,122	
Percentage Change							
in Net Position	2.38%	3.90%	-30.78%	-4.57%	1.67%	3.70%	

Current and other assets increased due to an increase in state and federal funding. Capital Assets (Net of Depreciation) increased due to the Construction in Progress recorded for the HVAC and boiler projects and the Annex project in the current year. Long-term liabilities increased due to the District issuing a new Capital Outlay Certificate. Other liabilities increased due to an increase in accounts payable and accrued interest.

See independent auditor's report.

**New Underwood School District No. 51-3
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025**

The Statement of Net Position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components: the amount due within one year and the amount due in more than one year. The long-term liabilities of the District, consisting of a bus loan, capital outlay certificates, and accrued leave, have been reported in this manner on the Statement of Net Position. The difference between the District's assets plus deferred outflows and liabilities plus deferred inflows is its net position.

Changes in Net Position

The District's revenues totaled \$4,196,794 (see Figure A-2). Approximately 30% of the District's revenue comes from property and other taxes, while approximately 51.5% comes from state aid, 1% comes from Federal sources, 5.5% from operating grants and contributions, and 12% from miscellaneous sources.

SOURCES OF REVENUES FOR FISCAL YEAR 2025

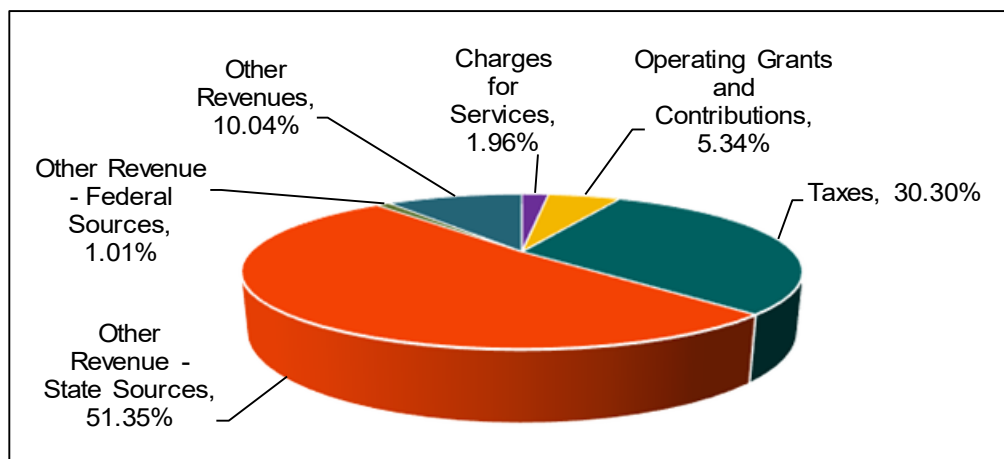


Figure A-2

The total cost of all programs and services was \$4,113,660. The District's expenses cover a range of services encompassing instruction, support services, cocurricular activities, food service, and debt services. (See Figure A-3).

FUNCTIONAL EXPENSES FOR FISCAL YEAR 2025

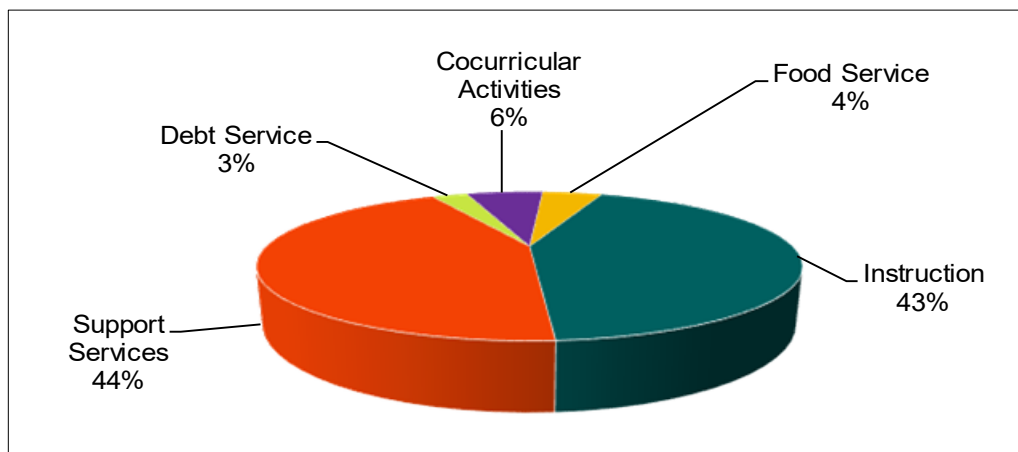


Figure A-3

See independent auditor's report.

New Underwood School District No. 51-3

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2025

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

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

Table A-2
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2025	2024	2025	2024	2025	2024	
Revenues							
Program Revenues							
Charges for Services	\$ 19,213	\$ 19,606	\$ 63,019	\$ 77,683	\$ 82,232	\$ 97,289	-15.48%
Operating Grants and Contributions	161,802	185,513	62,211	65,826	224,013	251,339	-10.87%
Capital Grants and Contributions	306,303	63,893	-	-	306,303	63,893	379.40%
General Revenues							
Taxes	1,271,761	1,238,877	-	-	1,271,761	1,238,877	2.65%
Revenue State Sources	2,155,239	1,856,635	-	-	2,155,239	1,856,635	16.08%
Revenue Federal Sources	32,913	42,438	9,343	6,754	42,256	49,192	-14.10%
Other General Revenue	23,926	143,844	25	-	23,951	143,844	-83.35%
Unrestricted Investment Earnings	99,191	144,457	25	53	99,216	144,510	-31.34%
Loss on Disposal of Assets	-	(91,439)	-	-	-	(91,439)	-100.00%
Total Revenues	<u>4,070,348</u>	<u>3,603,824</u>	<u>134,623</u>	<u>150,316</u>	<u>4,204,971</u>	<u>3,754,140</u>	12.01%
Expenses							
Instruction	1,780,798	1,723,454	-	-	1,780,798	1,723,454	3.33%
Support Services	1,794,088	1,416,787	-	-	1,794,088	1,416,787	26.63%
Debt Service	111,119	103,908	-	-	111,119	103,908	6.94%
Cocurricular Activities	240,290	177,460	-	-	240,290	177,460	35.41%
Nonprogrammed Charges	8,177	-	-	-	8,177	-	#DIV/0!
Food Service	-	-	187,364	155,409	187,364	155,409	20.56%
Total Expenses	<u>3,934,472</u>	<u>3,421,609</u>	<u>187,364</u>	<u>155,409</u>	<u>4,121,836</u>	<u>3,577,018</u>	15.23%
Excess (Deficiency) Before Transfers	135,876	182,215	(52,741)	(5,093)	83,135	177,122	53.06%
Transfers	(20,000)	-	20,000	-	-	-	0.00%
Increase (Decrease) in							
Net Position	115,876	182,215	(32,741)	(5,093)	83,135	177,122	53.06%
Net Position - Beginning	<u>4,858,863</u>	<u>4,676,648</u>	<u>106,362</u>	<u>111,455</u>	<u>4,965,225</u>	<u>4,788,103</u>	3.70%
Net Position - Ending	<u>\$ 4,974,739</u>	<u>\$ 4,858,863</u>	<u>\$ 73,621</u>	<u>\$ 106,362</u>	<u>\$ 5,048,360</u>	<u>\$ 4,965,225</u>	1.67%

GOVERNMENTAL ACTIVITIES

The governmental activities showed a greater increase in expenses than revenues. The increase in expenses was primarily a result of an increase in costs for support services during the year.

See independent auditor's report.

New Underwood School District No. 51-3 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2025

BUSINESS-TYPE ACTIVITIES

Revenues of the District's business-type activities (Food Service Operation) decreased as shown in Table A-2 due to a decrease in meals served. Expenses increased due to an increase in costs for food and supplies.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund's fund balance decreased in the current year due to the District having greater instructional and support services expenditures compared to the prior year, which resulted in expenditures exceeding revenues in the current year. The Capital Outlay Fund's fund balance increased in the current year due to the proceeds from the issuance of a Capital Outlay Certificate. The Special Education Fund's fund balance decreased in the current year due to expenses exceeding revenues in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant changes to the General Fund budget this fiscal year overall. Some areas were increased only based on need.

CAPITAL ASSET ADMINISTRATION

Capital Assets increased for the District due to construction projects in the current year.

Table A-3
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2025	2024	2025	2024	2024-2025	2024-2025
Land	\$ 107,385	\$ 34,500	\$ -	\$ -	\$ 72,885	67.87%
Construction in Progress	228,204	1,089,487	-	-	(861,283)	-377.42%
Buildings	2,608,505	1,335,584	-	-	1,272,921	95.31%

Capital asset purchases during the year ended June 30, 2025 included land, computers, various equipment, laptops, books, and equipment for the HVAC and boiler projects and annex project.

See independent auditor's report.

New Underwood School District No. 51-3 Management's Discussion and Analysis (Unaudited) For the Year Ended June 30, 2025

LONG-TERM DEBT

At year-end, the District had \$2,861,997 in loans, capital outlay certificates and related premiums, and compensated absences as shown in Table A-4 below.

Table A-4
NEW UNDERWOOD SCHOOL DISTRICT NO. 51-3
Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total Percentage Change
	2025	2024	2025	2024	2024-2025	2024-2025
Bus Loan	\$ 14,680	\$ 29,085	\$ -	\$ -	\$ (14,405)	-49.53%
C.O. Certificate Series 2022	1,985,000	2,060,000	-	-	(75,000)	-3.64%
Related Bond Premiums	100,649	106,571	-	-	(5,922)	-5.56%
C.O. Certificate Series 2025	720,000	-	-	-	720,000	100.00%
Compensated Absences	38,344	20,181	3,324	2,241	19,246	95.37%
Total Outstanding Debt and Obligations	<u>\$ 2,858,673</u>	<u>\$ 2,215,837</u>	<u>\$ 3,324</u>	<u>\$ 2,241</u>	<u>\$ 643,919</u>	29.06%

The District has a policy whereby all employees who leave employment with the District may be paid for unused sick leave.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's current economic position has shown little change. Local revenues have ultimately remained steady, slightly increasing due to more federal funding and taxes received. No significant increases in revenue in this area are expected.

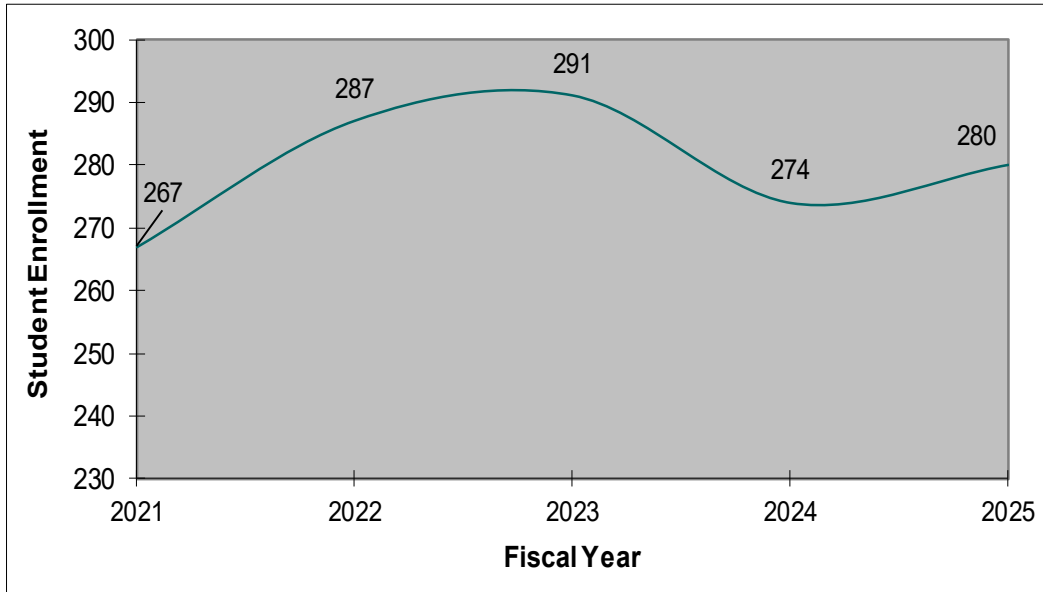
One of the primary sources of revenue for the District is based on a per-student allocation received from the State of South Dakota. The state aid formula is based on the fall enrollment of the year times the target student/certified instructional staff FTE ratio set by the state legislature to determine the formula number of certified instructional staff FTE paid times the target salary set by the state legislature, plus 29% for benefits, plus 31% for overhead costs, minus the local tax effort. This funding comes from a one-half-cent sales tax. The allocation for subsequent years is to increase by 3% or the CPI, whichever is less. The District experienced an increase in ADM this year.

See independent auditor's report.

**New Underwood School District No. 51-3
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

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



CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the New Underwood School District Business Office, PO Box 128, 300 Ash Street, New Underwood, SD 57761.

See independent auditor's report.

BASIC FINANCIAL STATEMENTS

New Underwood School District No. 51-3
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,386,595	\$ 26,308	\$ 4,412,903
Certificates of Deposit	80,800	-	80,800
Taxes Receivable	563,284	-	563,284
Accounts Receivable	-	221	221
Due from Other Governments	87,715	-	87,715
Inventories	-	3,710	3,710
Restricted Assets:			
Net Pension Asset	2,427	94	2,521
	<u>5,120,821</u>	<u>30,333</u>	<u>5,151,154</u>
Capital Assets:			
Land	107,385	-	107,385
Buildings	4,090,391	-	4,090,391
Equipment	1,358,846	72,812	1,431,658
Construction in Progress	228,204	-	228,204
Less: Accumulated Depreciation	<u>(2,341,759)</u>	<u>(22,957)</u>	<u>(2,364,716)</u>
Total Capital Assets, Net of Depreciation	<u>3,443,067</u>	<u>49,855</u>	<u>3,492,922</u>
TOTAL ASSETS	<u>8,563,888</u>	<u>80,188</u>	<u>8,644,076</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related Deferred Outflows	<u>467,734</u>	<u>18,198</u>	<u>485,932</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Net Position (Continued)
June 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts Payable	19,231	20	19,251
Accrued Payroll Liabilities	274,377	2,423	276,800
Unearned Revenue	-	6,781	6,781
Long-term Liabilities:			
Due Within One Year	203,024	3,324	206,348
Due in More than One Year	<u>2,655,649</u>	<u>-</u>	<u>2,655,649</u>
TOTAL LIABILITIES	<u>3,152,281</u>	<u>12,548</u>	<u>3,164,829</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Future Periods	590,585	-	590,585
Pension-related Deferred Inflows	<u>314,017</u>	<u>12,217</u>	<u>326,234</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>904,602</u>	<u>12,217</u>	<u>916,819</u>
NET POSITION			
Net Investment in Capital Assets	622,738	49,855	672,593
Restricted for:			
Capital Outlay	2,980,930	-	2,980,930
Special Education	368,027	-	368,027
SDRS Pension Purposes	156,144	6,075	162,219
Unrestricted	<u>846,900</u>	<u>17,691</u>	<u>864,591</u>
TOTAL NET POSITION	<u>\$ 4,974,739</u>	<u>\$ 73,621</u>	<u>\$ 5,048,360</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 1,780,798	\$ -	\$ 158,290	\$ -	\$ (1,622,508)	\$ -	\$ (1,622,508)
Support Services	1,794,088	4,281	3,512	306,303	(1,479,992)	-	(1,479,992)
Cocurricular Activities	240,290	14,932	-	-	(225,358)	-	(225,358)
Nonprogrammed Charges	8,177	-	-	-	(8,177)	-	(8,177)
Interest on Long-term Debt *	111,119	-	-	-	(111,119)	-	(111,119)
Total Governmental Activities	<u>3,934,472</u>	<u>19,213</u>	<u>161,802</u>	<u>306,303</u>	<u>(3,447,154)</u>	<u>-</u>	<u>(3,447,154)</u>
BUSINESS-TYPE ACTIVITIES							
Food Service	<u>187,364</u>	<u>63,019</u>	<u>62,211</u>	<u>-</u>	<u>-</u>	<u>(62,134)</u>	<u>(62,134)</u>
Total Primary Government	<u>\$ 4,121,836</u>	<u>\$ 82,232</u>	<u>\$ 224,013</u>	<u>\$ 306,303</u>	<u>-</u>	<u>(62,134)</u>	<u>(3,509,288)</u>
GENERAL REVENUES							
Taxes:							
Property Taxes					1,217,466	-	1,217,466
Gross Receipts Taxes					54,295	-	54,295
Revenue from State Sources:							
State Aid					2,155,239	-	2,155,239
Revenue from Federal Sources					32,913	9,343	42,256
Revenue from Intermediate Sources					11,314	-	11,314
Unrestricted Investment Earnings					99,191	25	99,216
Other General Revenues					12,612	25	12,637
Transfers					<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Total General Revenues					<u>3,563,030</u>	<u>29,393</u>	<u>3,592,423</u>
CHANGE IN NET POSITION					115,876	(32,741)	83,135
NET POSITION - BEGINNING					<u>4,858,863</u>	<u>106,362</u>	<u>4,965,225</u>
NET POSITION - ENDING					<u>\$ 4,974,739</u>	<u>\$ 73,621</u>	<u>\$ 5,048,360</u>

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

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

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Balance Sheet - Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,068,256	\$ 2,924,599	\$ 390,740	\$ 4,383,595
Certificates of Deposit	-	80,800	-	80,800
Advance Payments	3,000	-	-	3,000
Taxes Receivable, Current	202,628	216,931	124,814	544,373
Taxes Receivable, Delinquent	9,964	5,525	3,422	18,911
Due from Other Governments	74,007	-	13,708	87,715
TOTAL ASSETS	<u>\$ 1,357,855</u>	<u>\$ 3,227,855</u>	<u>\$ 532,684</u>	<u>\$ 5,118,394</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 19,231	\$ -	\$ -	\$ 19,231
Contracts Payable	201,688	-	17,400	219,088
Accrued Payroll Liabilities	50,590	-	4,699	55,289
Total Liabilities	<u>271,509</u>	<u>-</u>	<u>22,099</u>	<u>293,608</u>
Deferred Inflows of Resources:				
Property Taxes				
Levied for Future Periods	218,996	235,875	135,714	590,585
Unavailable Revenue				
Property Taxes	9,964	5,525	3,422	18,911
Total Deferred Inflows of Resources	<u>228,960</u>	<u>241,400</u>	<u>139,136</u>	<u>609,496</u>
Fund Balances:				
Restricted:				
For Capital Outlay	-	2,986,455	-	2,986,455
For Special Education	-	-	371,449	371,449
Assigned - for Next Year's Budget	562,078	-	-	562,078
Unassigned	295,308	-	-	295,308
Total Fund Balances	<u>857,386</u>	<u>2,986,455</u>	<u>371,449</u>	<u>4,215,290</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,357,855</u>	<u>\$ 3,227,855</u>	<u>\$ 532,684</u>	<u>\$ 5,118,394</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Reconciliation of the Governmental Funds Balance
Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds	\$ 4,215,290
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,443,067
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Bus Loan	(14,680)
2022 C.O. Certificates	(1,985,000)
Premium on Capital Outlay Certificates	(100,649)
2025 C.O. Certificates	(720,000)
Accrued Leave Payable	(38,344)
Net pension asset reported in governmental activities is not an available financial resource and therefore not reported in the governmental funds.	2,427
Pension-related Deferred Outflows are components of pension liability (asset) and changes are not reported in the governmental funds.	467,734
Pension-related Deferred Inflows are components of pension liability (asset) and changes are not reported in the governmental funds.	(314,017)
Assets, including property taxes receivable and other receivables that are not available to pay for current period expenditures, are deferred in the governmental funds.	18,911
Net Position - Governmental Activities	\$ <u>4,974,739</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
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	Total Governmental Funds
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 456,109	\$ 467,759	\$ 283,306	\$ 1,207,174
Gross Receipts Taxes	54,295	-	-	54,295
Penalties and Interest on Taxes	1,892	1,652	1,043	4,587
Cocurricular Activities	14,932	-	-	14,932
Earnings on Deposits	21,143	68,596	9,452	99,191
Other Local Revenue	19,470	200,000	674	220,144
Total Revenue from Local Sources	<u>567,841</u>	<u>738,007</u>	<u>294,475</u>	<u>1,600,323</u>
Revenue from Intermediate Sources:				
County Sources	<u>10,396</u>	<u>572</u>	<u>346</u>	<u>11,314</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	2,149,480	-	-	2,149,480
Restricted Grants-in-aid	5,759	-	-	5,759
Total Revenue from State Sources	<u>2,155,239</u>	<u>-</u>	<u>-</u>	<u>2,155,239</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	32,334	-	579	32,913
Restricted Grants-in-aid	92,614	31,810	65,430	189,854
Other Federal Reimbursement	-	75,000	-	75,000
Total Revenue from Federal Sources	<u>124,948</u>	<u>106,810</u>	<u>66,009</u>	<u>297,767</u>
TOTAL REVENUE	<u>2,858,424</u>	<u>845,389</u>	<u>360,830</u>	<u>4,064,643</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds (Continued)
For the Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
EXPENDITURES				
Instructional Services:				
Regular Programs	1,213,969	18,283	-	1,232,252
Special Programs	154,751	-	253,537	408,288
Total Instructional Services	<u>1,368,720</u>	<u>18,283</u>	<u>253,537</u>	<u>1,640,540</u>
Support Services:				
Pupils	1,832	-	104,862	106,694
Instructional Staff	138,314	125,920	-	264,234
General Administration	367,030	910	-	367,940
School Administration	202,389	9,952	-	212,341
Business	671,220	97,459	-	768,679
Central	14,192	-	-	14,192
Special Education	-	-	13,404	13,404
Total Support Services	<u>1,394,977</u>	<u>234,241</u>	<u>118,266</u>	<u>1,747,484</u>
Cocurricular Activities:				
Transportation	39,775	-	-	39,775
Combined Activities	180,562	3,450	-	184,012
Total Cocurricular Activities	<u>220,337</u>	<u>3,450</u>	<u>-</u>	<u>223,787</u>
Debt Service	-	206,445	-	206,445
Capital Outlay	-	659,712	-	659,712
TOTAL EXPENDITURES	<u>2,984,034</u>	<u>1,122,131</u>	<u>371,803</u>	<u>4,477,968</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(125,610)	(276,742)	(10,973)	(413,325)
OTHER FINANCING SOURCES (USES)				
Transfers In	51,770	-	-	51,770
Transfers Out	(20,000)	(42,319)	(9,451)	(71,770)
General Long-term Debt Issued	-	720,000	-	720,000
Compensation for Loss of General Capital Assets	-	191	-	191
TOTAL OTHER FINANCING SOURCES (USES)	<u>31,770</u>	<u>677,872</u>	<u>(9,451)</u>	<u>700,191</u>
NET CHANGE IN FUND BALANCES	(93,840)	401,130	(20,424)	286,866
FUND BALANCE - BEGINNING	<u>951,226</u>	<u>2,585,325</u>	<u>391,873</u>	<u>3,928,424</u>
FUND BALANCE - ENDING	<u>\$ 857,386</u>	<u>\$ 2,986,455</u>	<u>\$ 371,449</u>	<u>\$ 4,215,290</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds (Continued)
For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 286,866
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	531,066
In the Statement of Activities, losses on disposal of capital assets are reported while the governmental funds only report the proceeds from disposal of capital assets.	(8,452)
The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."	5,705
Pension revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(56,473)
Governmental funds do not reflect the change in compensated absences but the Statement of Activities reflects the change in these accruals through expenses.	(18,163)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term debt liabilities in the Statement of Net Position.	89,405
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	5,921
Issuance of long-term debt is an other financing source in governmental funds, but an increase in long-term liabilities in the Statement of Net Position.	(720,000)
Change in Net Position of Governmental Activities	\$ <u>115,875</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Net Position - Proprietary Fund
June 30, 2025

	<u>Food Service Fund</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 26,308
Accounts Receivable	221
Inventory	<u>3,710</u>
Total Current Assets	<u>30,239</u>
Noncurrent Assets:	
Capital Assets	
Equipment - Local Funds	72,812
Less Accumulated Depreciation	<u>(22,957)</u>
Total Noncurrent Assets	<u>49,855</u>
Net Pension Asset	<u>94</u>
TOTAL ASSETS	<u>80,188</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension-related Deferred Outflows	<u>18,198</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	20
Contracts Payable	1,435
Payroll Deductions and Employer Matching Payable	988
Unearned Revenue	<u>6,781</u>
Total Current Liabilities	<u>9,224</u>
Noncurrent Liabilities:	
Accrued Leave Payable	<u>3,324</u>
TOTAL LIABILITIES	<u>12,548</u>
DEFERRED INFLOWS OF RESOURCES	
Pension-related Deferred Inflows	<u>12,217</u>
NET POSITION	
Net Investment in Capital Assets	49,855
Restricted for SDRS Pension Purposes	6,095
Unrestricted	<u>17,671</u>
TOTAL NET POSITION	<u>\$ 73,621</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Revenues, Expenses, and Changes in Fund
Net Position - Proprietary Fund
For the Year Ended June 30, 2025

	Food Service Fund
OPERATING REVENUE	
Sales to Pupils	\$ 60,333
Sales to Adults	2,541
Other Revenue	170
Total Operating Revenue	<u>63,044</u>
OPERATING EXPENSES	
Salaries	73,728
Employee Benefits	27,869
Purchased Services	3,052
Supplies	6,156
Cost of Sales - Purchased Food	48,365
Cost of Sales - Donated Food	22,468
Depreciation	5,726
Total Operating Expenses	<u>187,364</u>
OPERATING LOSS	<u>(124,320)</u>
NONOPERATING REVENUE	
Investment Earnings	25
State Sources:	
Cash Reimbursements	314
Federal Sources:	
Federal Grants	9,343
Cash Reimbursements	45,532
Donated Food	16,365
Total Nonoperating Revenue	<u>71,579</u>
LOSS BEFORE TRANSFERS	<u>(52,741)</u>
Transfers In	<u>20,000</u>
CHANGE IN NET POSITION	(32,741)
NET POSITION - BEGINNING	<u>106,362</u>
NET POSITION - ENDING	<u><u>\$ 73,621</u></u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2025

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 50,927
Payments to Suppliers	(57,224)
Payments to Employees	<u>(98,179)</u>
Net Cash Used by Operating Activities	<u>(104,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	(1,502)
Interest Received	<u>25</u>
Net Cash Used by Investing Activities	<u>(1,477)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies	<u>43,139</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,814)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>89,122</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 26,308</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (124,320)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,726
Cost of Sales - Donated Food	22,468
Change in Assets and Liabilities:	
Accounts Receivable	(184)
Unearned Revenue	(11,933)
Inventory	329
Contracts Payable	575
Payroll Deductions and Employer Matching Payable	687
Accounts Payable	20
Accrued Leave Payable	1,083
Pension Activity	<u>1,073</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (104,476)</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Value of Commodities Received	<u><u>\$ 16,365</u></u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Statement of Net Position - Fiduciary Funds
June 30, 2025

	Private- Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 58,595
Certificates of Deposit	<u>18,724</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,724</u>	<u>\$ 58,595</u>
NET POSITION		
Restricted for Individuals	<u>\$ 18,724</u>	<u>\$ 58,595</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
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	\$ -	\$ 127,181
Interest Earnings	<u>893</u>	<u>-</u>
Total Additions	<u>893</u>	<u>127,181</u>
DEDUCTIONS		
Payments for Student Activities	-	111,567
Scholarships Awarded	<u>1,300</u>	<u>-</u>
Total Deductions	<u>1,300</u>	<u>111,567</u>
CHANGE IN NET POSITION	(407)	15,614
NET POSITION - BEGINNING	<u>19,131</u>	<u>42,981</u>
NET POSITION - ENDING	<u>\$ 18,724</u>	<u>\$ 58,595</u>

The accompanying notes are an integral part of this statement.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The reporting entity of New Underwood School District No. 51-3 (the District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

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

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

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

Governmental Funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District's special revenue funds are as follows:

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

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

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.)

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Fiduciary Funds:

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

Private-purpose Trust Funds - Private-purpose trust funds are used to account for all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains the following private-purpose trust funds: the C.L. Jacoby Scholarship, the Elaine Tisdale Scholarship, and the Leroy Moldenhauer Scholarship. The purpose of these funds is to provide scholarships to qualifying students.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting

Government-wide Financial Statements:

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or will be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 debt, which are recognized when due.

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

C. CASH AND CASH EQUIVALENTS

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

E. INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out for enterprise fund inventories and average cost for governmental fund inventories.

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

Inventory in the governmental funds and governmental activities consists of expendable supplies held for consumption. In the government-wide financial statements and in the enterprise fund, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed. In the governmental funds, the cost of inventory purchased is recorded as an expenditure at the time inventory items are purchased. Inventories reported in the governmental fund financial statements are equally offset by a nonspendable fund balance unless included in accounts payable, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. As of June 30, 2025, there was no inventory reported in governmental funds.

F. RESTRICTED ASSETS

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CAPITAL ASSETS

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

The accounting treatment 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.

Fund Financial Statements:

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

Government-wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition 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. Interest costs incurred during the construction of general capital assets are not capitalized.

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Land	All	-----
Buildings	\$ 50,000	100 years
Equipment/Improvements (Government-wide)	5,000	10 - 23 years
Equipment/Improvements (Proprietary Funds)	1,000	10 - 23 years
Intangible Lease Assets	30,000	1 - 5 years
Intangible Subscription Assets	25,000	1 - 5 years

Depreciation/amortization expense is calculated using the straight-line and composite methods. All depreciation/amortization of exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities. Land is an inexhaustible capital asset and is not depreciated/amortized.

H. LONG-TERM LIABILITIES

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

Government-wide Financial Statements:

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

Compensated Absences - Accrued leave payable is accounted for using the methods described below related to long-term liabilities. Vacation leave is earned by 12-month employees at varying rates depending on years of service. Sick leave is earned by the employees based on their contracts. Upon termination, employees are entitled to receive compensation for their accrued vacation. All unused days earned as of the end of the year will be added to the employee's sick leave reserve, not to exceed 60 days. Unused sick leave over and above 60 days accumulated will be paid at a rate of \$60 per day at the end of the school year. Accrued leave payable balances, which require an accrual in the financial statements, are reported in Note 5 as compensated absences. For employees normally paid out of the governmental funds, these amounts are charged as an expenditure at the time of separation. Compensated absences for governmental activities typically have been liquidated from the General Fund and Special Education Fund.

I. LEASES

Lessee

The District may be a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$30,000 or more. The District is a lessee of copiers.

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

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

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lessor

The District may be a lessor for a noncancellable lease of property, although as of June 30, 2025, the District was not a lessor of a noncancellable lease.

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

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

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

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

J. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District may enter into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided technology, although as of June 30, 2025, the District had no SBITAs. The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$25,000 or more.

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

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

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

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

New Underwood School District No. 51-3
Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

L. NET POSITION AND FUND BALANCE

Government-wide Financial Statements:

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

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

Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

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

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

Fund Financial Statements:

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

Nonspendable - Includes fund balance amounts that cannot be spent because they are either not in spendable form or 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.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 do not lapse at year-end.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board and management have the authority to assign fund balances.

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

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

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

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

M. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

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

N. PROGRAM REVENUES

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

Charges for Services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.

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

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

O. PENSIONS

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose various restrictions on deposits and investments. These restrictions are summarized below:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts that exceed deposit insurance, such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA", or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

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

As of June 30, 2025, the District did not have any investments.

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

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

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

Concentration of Credit Risk - The District places no limit on the amount that may be deposited with any one financial institution. The District's deposits are with one financial institution.

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments included in the fund financial statements consisted of \$87,715 due from the State of South Dakota.

NOTE 4 - CHANGES IN CAPITAL ASSETS

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

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 34,500	\$ 72,885	\$ -	\$ 107,385
Construction in Progress	1,089,487	439,534	(1,300,817)	228,204
Total Capital Assets Not Being Depreciated	1,123,987	512,419	(1,300,817)	335,589
Capital Assets Being Depreciated:				
Buildings	2,789,574	1,300,817	-	4,090,391
Equipment	1,261,870	147,293	(50,317)	1,358,846
Total Capital Assets Being Depreciated	4,051,444	1,448,110	(50,317)	5,449,237
Less Accumulated Depreciation for:				
Buildings	1,453,990	27,896	-	1,481,886
Equipment	800,987	101,158	(42,272)	859,873
Total Accumulated Depreciation	2,254,977	129,054	(42,272)	2,341,759
Total Capital Assets Being Depreciated, Net	1,796,467	1,319,056	(8,045)	3,107,478
Net Capital Assets	<u>\$ 2,920,454</u>	<u>\$ 1,831,475</u>	<u>\$ (1,308,862)</u>	<u>\$ 3,443,067</u>
Business-type Activities:				
Equipment	\$ 71,310	\$ 1,502	\$ -	\$ 72,812
Less Accumulated Depreciation	17,231	5,726	-	22,957
Net Capital Assets	<u>\$ 54,079</u>	<u>\$ (4,224)</u>	<u>\$ -</u>	<u>\$ 49,855</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 86,040
Support Services	26,011
Cocurricular Activities	15,306
Other	1,697
	<u>\$ 129,054</u>

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 4 - CHANGES IN CAPITAL ASSETS (CONTINUED)

During the year ended June 30, 2025, the District began work on an annex construction project. The project is projected to have total costs of \$1,876,000. The project will be completed in FY26 with estimated costs to completion of \$1,647,796. The project is being funded with grant funds and the Capital Outlay Certificate.

NOTE 5 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025	Amounts Due Within 1 Year
Governmental Activities:					
Bus Loan	\$ 29,085	\$ -	\$ 14,405	\$ 14,680	\$ 14,680
C.O. Certificate Series 2022	2,060,000	-	75,000	1,985,000	80,000
Related Bond Premiums	106,571	-	5,922	100,649	-
C.O. Certificate Series 2025	-	720,000	-	720,000	70,000
Other Liabilities:					
Compensated Absences	20,181	41,437	23,274	38,344	38,344
Total Governmental Activities	2,215,837	761,437	118,601	2,858,673	203,024
Business-type Activities:					
Compensated Absences	2,241	1,801	718	3,324	3,324
Total Long-term Liabilities	\$ 2,218,078	\$ 763,238	\$ 119,319	\$ 2,861,997	\$ 206,348

The annual debt service requirements to maturity for all long-term debt outstanding as of June 30, 2025, excluding compensated absences, are as follows:

Ending June 30,	C.O. Certificates		Bus Loan		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 150,000	\$ 113,192	\$ 14,680	\$ 519	\$ 164,680	\$ 113,711
2027	150,921	118,872	-	-	150,921	118,872
2028	155,921	112,781	-	-	155,921	112,781
2029	160,921	106,903	-	-	160,921	106,903
2030	170,921	100,115	-	-	170,921	100,115
2031-2035	954,605	713,875	-	-	954,605	713,875
2036-2040	714,605	123,750	-	-	714,605	123,750
2041-2045	347,755	16,750	-	-	347,755	16,750
	<u>\$ 2,805,649</u>	<u>\$ 1,406,238</u>	<u>\$ 14,680</u>	<u>\$ 519</u>	<u>\$ 2,820,329</u>	<u>\$ 1,406,757</u>

Compensated absences liability includes the amount owed by the District to employees for their accrued leave balances, including the District's share of payroll deductions.

Compensated absence payments for governmental activities typically have been liquidated from the General Fund and Special Education Fund. Compensated absence payments for business-type activities have been liquidated from the Food Service Fund.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Bus Loan - The loan was issued on March 5, 2021 in the amount of \$69,475, with an interest rate of 3.49%, and a maturity date of March 1, 2026. The loan requires annual principal and interest payments of \$15,378 each March, starting in 2022, and continuing until maturity.

Capital outlay certificates at June 30, 2025 are comprised of the following individual issues:

Series 2022 Capital Outlay Certificates. Bearing interest ranging from 3.25% to 5.00%. Due 6/30/2043. Payment is made by the Capital Outlay Fund. Annual payments	\$ 1,985,000
Related premiums on debt issued, amortized over 20 years	100,649
Series 2025 Capital Outlay Certificates. Bearing interest at 4.40%. Due 6/30/2035. Payment is made by the Capital Outlay Fund. Annual payments	720,000
	<u>\$ 2,805,649</u>

NOTE 6 - RESTRICTED NET POSITION

The following table shows restricted net position for the year ended June 30, 2025 as shown on the Statement of Net Position:

<u>Purpose</u>	<u>Restricted By</u>	
Governmental Activities		
Capital Outlay	Law	\$ 2,980,930
Special Education	Law	368,027
SDRS Pension Purposes	Law	<u>156,144</u>
Total Governmental Activities -		
Restricted Net Position		<u>\$ 3,505,101</u>
Business-type Activities		
SDRS Pension Purposes	Law	<u>\$ 6,075</u>

NOTE 7 - PROPERTY TAX

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 8 - PENSION PLAN

Plan Information

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

Benefits Provided

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

Members who were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation judicial members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members, where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members, where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 8 - PENSION PLAN (CONTINUED)

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2025, 2024, and 2023 was \$114,468, \$104,850, and \$92,729, 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 100.03% funded and accordingly has a net pension liability (asset). The proportionate share of the components of the net pension liability (asset) of the South Dakota Retirement System for the District as of the measurement period ending June 30, 2024 and reported by the District as of June 30, 2025 is as follows:

Proportionate Share of Pension Liability	\$ 9,292,287
Less: Proportionate Share of Net Pension Restricted for Pension Benefits	<u>9,294,808</u>
Proportionate Share of Net Pension Liability (Asset)	<u>\$ (2,521)</u>

At June 30, 2025, the District reported a liability (asset) of \$(2,521) 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 District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the District's proportion was 0.06228800% which is an increase of 0.0017990% from its proportion measured as of June 30, 2023.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 8 - PENSION PLAN (CONTINUED)

For the year ended June 30, 2025, the District recognized pension expense (reduction of pension expense) of \$57,545. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 233,484	\$ -
Changes in Assumption	41,571	316,874
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	94,975	-
Changes in Proportion and Difference Between District Contributions and Proportionate Share of Contributions	1,434	9,360
District Contributions Subsequent to the Measurement Date	114,468	-
	<u>\$ 485,932</u>	<u>\$ 326,234</u>

Deferred revenues in the amount of \$114,468 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2026	\$ (90,134)
2027	119,093
2028	10,910
2029	5,361
2030	-
Thereafter	-
	<u>\$ 45,230</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	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLA	1.71%

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 8 - PENSION PLAN (CONTINUED)

Mortality Rates

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

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries: PubG-2010 contingent survivor mortality table

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed-income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	<u>100%</u>	

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 8 - PENSION PLAN (CONTINUED)

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,281,240	\$ (2,521)	\$ (1,053,038)

Pension Plan Fiduciary Net Position

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

NOTE 9 - RISK MANAGEMENT

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

Employee Health Insurance

The District participates in the Black Hills Educational Benefits Plan, a cooperative educational service unit formed for the purpose of providing health and welfare benefits. The District pays an annual premium to the Cooperative to provide coverage for health insurance.

Under this agreement, the Cooperative provides coverage for up to a maximum of \$100,000 per individual per policy year. There is no lifetime limit. The Cooperative has purchased additional insurance coverage for claims in excess of the above coverage.

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

Unemployment Benefits

The District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 9 - RISK MANAGEMENT (CONTINUED)

Liability Insurance

The District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk-sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The District pays an annual premium to provide liability coverage detailed below under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The District pays an annual premium to the pool to provide coverage for property, boiler and machinery, general liability, automobile, crime, and employee benefits.

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$9,883,628 limit for property, a \$5,000,000 aggregate limit for general liability, a \$5,000,000 limit for automobile, a \$5,000,000 limit for employee benefits liability, a \$5,000,000 limit for School Board errors, various limits for crime, and a \$1,000,000 limit for employee theft. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit for general liability, automobile, employee benefits liability, School Board errors, and \$10,000 for crime. The District carries a \$10,000 deductible for School Board errors and employee theft and a \$1,000 deductible for crime coverage.

The ASBSD-PLF also provides an excess aggregate property coverage which will provide an additional \$300,000,000 in excess of the \$9,883,628 primary limit for property. The property, boiler, and machinery coverage is \$300,000,000 with a boiler and machinery limit of \$100,000,000 and a deductible of \$2,500 for property and \$1,000 for the boiler.

Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 9 - RISK MANAGEMENT (CONTINUED)

The District pays an annual premium to provide worker's compensation coverage for its employees under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based on each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance, which covers up to \$1,000,000 per individual per incident.

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

NOTE 10 - JOINT VENTURE

The District participates in a joint venture known as the Black Hills Educational Benefits Plan, a cooperative education service unit (cooperative) formed for the purpose of providing health insurance services to the employees of its member school districts.

The members of the cooperative and their relative percentage participation in the cooperative are as follows:

Belle Fourche School District	23.72%
Custer School District	17.46%
New Underwood School District	2.84%
Oelrichs School District	3.80%
Wall School District 6.	45%
Black Hills Special Services Cooperative	45.73%

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

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

Separate financial statements for this joint venture are available from the Black Hills Educational Benefits Plan.

At June 30, 2025, this joint venture had unaudited total assets of \$7,037,847, total liabilities of \$1,761,138, and net position of \$5,276,709.

The District paid \$9,970 for a contract for services with the cooperative during the year ended June 30, 2025.

NOTE 11 - CONCENTRATIONS

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

New Underwood School District No. 51-3
Notes to the Financial Statements
June 30, 2025

NOTE 12 - INTERFUND TRANSFERS

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

Transfers from:	Transfers to:		
	Food Service Fund	General Fund	Total
General Fund	\$ 20,000	\$ -	\$ 20,000
Capital Outlay Fund	-	42,319	42,319
Special Education Fund	-	9,451	9,451
	<u>\$ 20,000</u>	<u>\$ 51,770</u>	<u>\$ 71,770</u>

The transfers from the General fund to the Food Service Fund were made to ensure all end-of-year payroll and expenses are covered. The transfers from the Capital Outlay Fund and Special Education Fund to the General Fund were made to transfer the interest earned in all the funds' cash accounts to the General Fund Cash account.

NOTE 13 - SUBSEQUENT EVENTS

After the year ended June 30, 2025, the District purchased land for \$95,000. The District plans to use this land for additional parking.

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

REQUIRED SUPPLEMENTARY INFORMATION

New Underwood School District No. 51-3
Budgetary Comparison Schedule - General Fund -
Budgetary Basis
For the Year Ended June 30, 2025

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUE				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 426,895	\$ 426,895	\$ 456,109	\$ 29,214
Gross Receipts Taxes	30,012	30,012	54,295	24,283
Penalties and Interest on Taxes	1,600	1,600	1,892	292
Tuition - Adult Education	(6,000)	(6,000)	-	6,000
Cocurricular Activities	14,000	14,000	14,932	932
Support Services Charges	3,150	3,150	-	(3,150)
Earnings on Deposits	20,200	20,200	21,143	943
Other Local Revenue	<u>16,500</u>	<u>16,500</u>	<u>19,470</u>	<u>2,970</u>
Total Revenue from Local Sources	<u>506,357</u>	<u>506,357</u>	<u>567,841</u>	<u>61,484</u>
Revenue from Intermediate Sources:				
County Sources	<u>13,950</u>	<u>13,950</u>	<u>10,396</u>	<u>(3,554)</u>
Revenue from State Sources:				
Unrestricted Grants-in-aid	2,027,952	2,027,952	2,149,480	121,528
Restricted Grants-in-aid	<u>500</u>	<u>500</u>	<u>5,759</u>	<u>5,259</u>
Total Revenue from State Sources	<u>2,028,452</u>	<u>2,028,452</u>	<u>2,155,239</u>	<u>126,787</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	2,530	2,530	32,334	29,804
Restricted Grants-in-aid	<u>104,273</u>	<u>114,789</u>	<u>92,614</u>	<u>(22,175)</u>
Total Revenue from Federal Sources	<u>106,803</u>	<u>117,319</u>	<u>124,948</u>	<u>7,629</u>
TOTAL REVENUE	<u>2,655,062</u>	<u>2,665,578</u>	<u>2,858,424</u>	<u>187,087</u>

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

New Underwood School District No. 51-3
Budgetary Comparison Schedule - General Fund -
Budgetary Basis (Continued)
For the Year Ended June 30, 2025

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	1,384,430	1,384,430	1,213,969	170,461
Special Programs	<u>158,365</u>	<u>158,365</u>	<u>154,751</u>	<u>3,614</u>
Total Instructional Services	<u>1,542,795</u>	<u>1,542,795</u>	<u>1,368,720</u>	<u>174,075</u>
Support Services:				
Pupils	3,450	3,450	1,832	1,618
Instructional Staff	193,280	193,280	138,314	54,966
General Administration	356,400	356,400	367,030	(10,630)
School Administration	220,860	220,860	202,389	18,471
Business	719,360	719,360	671,220	48,140
Central	<u>14,200</u>	<u>14,200</u>	<u>14,192</u>	<u>8</u>
Total Support Services	<u>1,507,550</u>	<u>1,507,550</u>	<u>1,394,977</u>	<u>112,573</u>
Cocurricular Activities:				
Activity Transportation	45,180	45,180	39,775	5,405
Combined Activities	<u>182,175</u>	<u>182,175</u>	<u>180,562</u>	<u>1,613</u>
Total Cocurricular Activities	<u>227,355</u>	<u>227,355</u>	<u>220,337</u>	<u>7,018</u>
TOTAL EXPENDITURES	<u>3,277,700</u>	<u>3,277,700</u>	<u>2,984,034</u>	<u>293,666</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(622,638)	(612,122)	(125,610)	486,512
OTHER FINANCING SOURCES (USES)				
Transfers In	55,000	55,000	51,770	(3,230)
Transfers Out	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
NET CHANGE IN FUND BALANCE	(567,638)	(557,122)	(93,840)	463,282
FUND BALANCE - BEGINNING	<u>951,226</u>	<u>951,226</u>	<u>951,226</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 383,588</u>	<u>\$ 394,104</u>	<u>\$ 857,386</u>	<u>\$ 463,282</u>

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

New Underwood School District No. 51-3
Budgetary Comparison Schedule - Capital Outlay Fund -
Budgetary Basis
For the Year Ended June 30, 2025

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 473,045	\$ 473,045	\$ 467,759	\$ (5,286)
Penalties and Interest on Taxes	500	500	1,652	1,152
Earnings on Deposits	1,130,000	1,130,000	68,596	(1,061,404)
Other Local Revenue	25,400	8,000	200,000	192,000
Total Revenue from Local Sources	<u>1,628,945</u>	<u>1,611,545</u>	<u>738,007</u>	<u>(873,538)</u>
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	<u>100</u>	<u>100</u>	<u>572</u>	<u>472</u>
Revenue from Federal Sources:				
Restricted Grants-in-aid	98,310	106,810	31,810	(75,000)
Other Federal Reimbursement	-	-	75,000	75,000
Total Revenue from Federal Sources	<u>98,310</u>	<u>106,810</u>	<u>106,810</u>	<u>-</u>
TOTAL REVENUE	<u>1,727,355</u>	<u>1,718,455</u>	<u>845,389</u>	<u>(873,066)</u>
EXPENDITURES				
Instructional Services:				
Regular Programs	<u>64,660</u>	<u>61,715</u>	<u>57,834</u>	<u>3,881</u>
Support Services:				
Instructional Staff	193,605	197,650	160,375	37,275
General Administration	600	600	910	(310)
School Administration	1,200	1,200	9,952	(8,752)
Business	628,431	635,431	656,645	(21,214)
Total Support Services	<u>823,836</u>	<u>834,881</u>	<u>827,882</u>	<u>6,999</u>
Cocurricular Activities:				
Combined Activities	<u>315,200</u>	<u>345,200</u>	<u>29,970</u>	<u>315,230</u>
Debt Service	<u>263,730</u>	<u>173,350</u>	<u>206,445</u>	<u>(33,095)</u>
TOTAL EXPENDITURES	<u>1,467,426</u>	<u>1,415,146</u>	<u>1,122,131</u>	<u>293,015</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>259,929</u>	<u>303,309</u>	<u>(276,742)</u>	<u>(580,051)</u>

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

New Underwood School District No. 51-3
Budgetary Comparison Schedule - Capital Outlay Fund -
Budgetary Basis (Continued)
For the Year Ended June 30, 2025

	Budgeted Original	Budgeted Final	Actual (Budgetary Basis)	Variance Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Compensation for Loss of Capital Assets	-	-	191	191
General Long-term Debt Issued	-	-	720,000	720,000
Transfers Out	-	-	(42,319)	(42,319)
TOTAL OTHER FINANCING SOURCES	-	-	677,872	677,872
NET CHANGE IN FUND BALANCE	259,929	303,309	401,130	97,821
FUND BALANCE - BEGINNING	2,585,325	2,585,325	2,585,325	-
FUND BALANCE - ENDING	<u>\$ 2,845,254</u>	<u>\$ 2,888,634</u>	<u>\$ 2,986,455</u>	<u>\$ 97,821</u>

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

New Underwood School District No. 51-3
Budgetary Comparison Schedule - Special Education Fund -
Budgetary Basis
For the Year Ended June 30, 2025

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUE				
Revenue from Local Sources:				
Taxes:				
Ad Valorem Taxes	\$ 273,500	\$ 273,500	\$ 283,306	\$ 9,806
Penalties and Interest on Taxes	300	300	1,043	743
Earnings on Deposits	5,000	5,000	9,452	4,452
Other Local Revenue	<u>500</u>	<u>500</u>	<u>674</u>	<u>174</u>
Total Revenue from Local Sources	<u>279,300</u>	<u>279,300</u>	<u>294,475</u>	<u>15,175</u>
Revenue from Intermediate Sources:				
Revenue in Lieu of Taxes	<u>150</u>	<u>150</u>	<u>346</u>	<u>196</u>
Revenue from Federal Sources:				
Unrestricted Grants-in-aid	300	300	579	279
Restricted Grants-in-aid	<u>62,693</u>	<u>62,693</u>	<u>65,430</u>	<u>2,737</u>
Total Revenue from Federal Sources	<u>62,993</u>	<u>62,993</u>	<u>66,009</u>	<u>3,016</u>
TOTAL REVENUE	<u>342,443</u>	<u>342,443</u>	<u>360,830</u>	<u>18,387</u>
EXPENDITURES				
Instructional Services:				
Special Programs	<u>243,910</u>	<u>261,851</u>	<u>253,537</u>	<u>8,314</u>
Support Services:				
Pupils	88,000	104,888	104,862	26
Special Education	<u>14,315</u>	<u>14,485</u>	<u>13,404</u>	<u>1,081</u>
Total Support Services	<u>102,315</u>	<u>119,373</u>	<u>118,266</u>	<u>1,107</u>
TOTAL EXPENDITURES	<u>346,225</u>	<u>381,224</u>	<u>371,803</u>	<u>9,421</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(3,782)	(38,781)	(10,973)	27,808
OTHER FINANCING USES				
Transfers Out	<u>(100)</u>	<u>(100)</u>	<u>(9,451)</u>	<u>(9,351)</u>
NET CHANGE IN FUND BALANCE	(3,882)	(38,881)	(20,424)	18,457
FUND BALANCE - BEGINNING	<u>391,873</u>	<u>391,873</u>	<u>391,873</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 387,991</u>	<u>\$ 352,992</u>	<u>\$ 371,449</u>	<u>\$ 18,457</u>

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

**New Underwood School District No. 51-3
Schedule of the District's Proportionate Share
of the Net Pension Liability (Asset)
South Dakota Retirement System**

Year*	District's Proportion of Net Pension Liability/Asset	District's Proportionate Share of Net Pension Liability (Asset) (a)	District's Covered Payroll (b)	District's Proportionate Share of the Net Pension Liability /Asset as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Pension as a Percentage of its Total Pension Liability/Asset
2025	.0622880%	\$ (2,521)	\$ 1,748,393	0.14%	100.03%
2024	.0604890%	\$ (5,904)	\$ 1,545,481	0.38%	100.07%
2023	.0568970%	\$ (5,377)	\$ 1,358,608	0.40%	100.10%
2022	.0592180%	\$ (453,509)	\$ 1,377,847	32.91%	105.52%
2021	.0564231%	\$ (2,450)	\$ 1,238,313	0.20%	100.04%
2020	.0546416%	\$ (5,791)	\$ 1,161,791	0.50%	100.09%
2019	.0620511%	\$ (1,443)	\$ 1,289,982	0.11%	100.02%
2018	.0749395%	\$ (6,801)	\$ 1,522,609	0.45%	100.10%
2017	.0805874%	\$ 272,216	\$ 1,532,368	17.76%	96.89%
2016	.0789599%	\$ (334,891)	\$ 1,440,630	23.25%	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 6/30 of previous year.

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

New Underwood School District No. 51-3
Schedule of Pension Contributions
South Dakota Retirement System

Year	Contractually- required Contribution (a)	Contributions in Relation to the Contractually- required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2025	\$ 114,468	\$ 114,468	\$ -	\$ 1,907,797	6.00%
2024	\$ 104,850	\$ 104,850	\$ -	\$ 1,748,393	6.00%
2023	\$ 92,729	\$ 92,729	\$ -	\$ 1,545,481	6.00%
2022	\$ 81,517	\$ 81,517	\$ -	\$ 1,358,608	6.00%
2021	\$ 82,671	\$ 82,671	\$ -	\$ 1,377,847	6.00%
2020	\$ 69,708	\$ 69,708	\$ -	\$ 1,161,791	6.00%
2019	\$ 77,399	\$ 77,399	\$ -	\$ 1,289,982	6.00%
2018	\$ 91,357	\$ 91,357	\$ -	\$ 1,522,609	6.00%
2017	\$ 91,942	\$ 91,942	\$ -	\$ 1,532,368	6.00%
2016	\$ 86,495	\$ 86,495	\$ -	\$ 1,441,590	6.00%

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

New Underwood School District No. 51-3
Notes to the Required Supplementary Information
June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in 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 in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets when monies are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
11. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See independent auditor's report.

New Underwood School District No. 51-3
Notes to the Required Supplementary Information
June 30, 2025

NOTE 3 - PENSION PLAN

Changes from Prior Valuation

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

The details of 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 an FVFR equal to or exceeding 100%.

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

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

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

See independent auditor's report.

OTHER INFORMATION

**New Underwood School District No. 51-3
School District Officials
For the Year Ended June 30, 2025**

BOARD MEMBERS

President - David Flint
Vice President - Britney VanderMay
Chuck Branum
Laurel Venhuizen
Jodi Richter

SUPERINTENDENT

Katie Albers

BUSINESS MANAGER

Amanda Trople

See independent auditor's report.