

NEWELL SCHOOL DISTRICT NO. 9-2

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2025**



NEWELL SCHOOL DISTRICT NO. 9-2

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INDEPENDENT AUDITOR'S REPORT

School Board
Newell School District No. 9-2
Newell, South Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newell School District No. 9-2 (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.

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities of the District as of June 30, 2025, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and 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 Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 unmodified and adverse audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded certain capital assets in the governmental activities and has not recorded depreciation expense on any capital assets of the governmental activities. Accounting principles generally accepted in the United States of America require that capital expenditures be recorded as assets and depreciated, which would increase assets, net position, and change expenses in the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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 other internal control matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis, budgetary comparison schedules, schedule of the District's proportionate share of the net pension asset (liability), and schedule of the District contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



KETEL THORSTENSON, LLP
Certified Public Accountants

NEWELL SCHOOL DISTRICT NO. 9-2

STATEMENT OF NET POSITION
JUNE 30, 2025

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<u>ASSETS</u>			
Cash and Investments	\$ 3,381,328	\$ 34,916	\$ 3,416,244
Taxes Receivable	1,032,542	-	1,032,542
Receivables	208,937	454	209,391
Inventories	-	5,680	5,680
Net Pension Asset	2,587	74	2,661
Capital Assets:			
Land	24,544	-	24,544
Other Capital Assets	11,738,731	-	11,738,731
Equipment, Net of Depreciation	-	22,177	22,177
TOTAL ASSETS	16,388,669	63,301	16,451,970
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Related Deferred Outflows of Resources	490,772	14,044	504,816
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 16,879,441	\$ 77,345	\$ 16,956,786
<u>LIABILITIES</u>			
Accounts Payable and Accrued Expenses	\$ 236,861	\$ 1,006	\$ 237,867
Unearned Revenue	-	15,345	15,345
Long-Term Liabilities:			
Due within One Year	228,668	827	229,495
Due in More than One Year	1,343,584	-	1,343,584
TOTAL LIABILITIES	1,809,113	17,178	1,826,291
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Taxes Levied for Future Period	994,957	-	994,957
Pension Related Deferred Inflows of Resources	325,086	9,303	334,389
TOTAL DEFERRED INFLOWS OF RESOURCES	1,320,043	9,303	1,329,346
<u>NET POSITION</u>			
Net Investment in Capital Assets	10,249,377	22,177	10,271,554
Restricted for:			
Capital Outlay	1,806,379	-	1,806,379
Special Education	267,334	-	267,334
Pension-SDRS	168,273	4,815	173,088
Music, Athletics, and Library	2,446	-	2,446
Athletics and Playground	7,503	-	7,503
Unrestricted	1,248,973	23,872	1,272,845
TOTAL NET POSITION (DEFICIT)	13,750,285	50,864	13,801,149
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 16,879,441	\$ 77,345	\$ 16,956,786

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business- Type Activities	
<i>Governmental Activities:</i>						
Instruction	\$ 2,016,135	\$ -	\$ 583,571	\$ (1,432,564)	\$ -	\$ (1,432,564)
Support Services	1,593,180	-	-	(1,593,180)	-	(1,593,180)
Co-Curricular Activities	190,142	35,142	-	(155,000)	-	(155,000)
Interest on Long-Term Debt *	22,653	-	-	(22,653)	-	(22,653)
Total Governmental Activities	3,822,110	35,142	583,571	(3,203,397)	-	(3,203,397)
<i>Business-Type Activities:</i>						
Food Service	163,011	50,011	64,632	-	(48,368)	(48,368)
Total Primary Government	\$ 3,985,121	\$ 85,153	\$ 648,203	(3,203,397)	(48,368)	(3,251,765)
<i>General Revenues</i>						
Taxes:						
Property Taxes				2,603,900	-	2,603,900
Gross Receipts Taxes				103,119	-	103,119
Revenue from State Sources:						
State Aid				1,242,163	-	1,242,163
Revenue from Federal Sources				49,231	-	49,231
Unrestricted Investment Earnings				67,112	1,091	68,203
Miscellaneous Revenues				87,179	4,519	91,698
Transfers				(112,740)	112,740	-
Total General Revenues				4,039,964	118,350	4,158,314
Change in Net Position				836,567	69,982	906,549
Net Position (Deficit) -- Beginning				12,913,718	(19,118)	12,894,600
Net Position -- Ending				\$ 13,750,285	\$ 50,864	\$ 13,801,149

* 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.

NEWELL SCHOOL DISTRICT NO. 9-2

**GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2025**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,321,768	\$ 1,796,047	\$ 263,513	\$ 3,381,328
Taxes Receivable -- Current	332,907	449,573	223,969	1,006,449
Taxes Receivable -- Delinquent	16,631	6,168	3,294	26,093
Due from State Government	172,177	-	34,668	206,845
Other Receivable	2,092	-	-	2,092
Total Assets	\$ 1,845,575	\$ 2,251,788	\$ 525,444	\$ 4,622,807
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 196,624	\$ -	\$ 36,256	\$ 232,880
Due to Other Government	3,981	-	-	3,981
Total Liabilities	200,605	-	36,256	236,861
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for Future Periods	327,694	445,409	221,854	994,957
Unavailable Revenue - Property Taxes	16,631	6,168	3,294	26,093
Total Deferred Inflows of Resources	344,325	451,577	225,148	1,021,050
FUND BALANCES				
Restricted - Capital Outlay	-	1,800,211	-	1,800,211
Restricted - Special Education	-	-	264,040	264,040
Restricted - Music, Athletics, and Library	2,446	-	-	2,446
Restricted - Athletics and Playground	7,503	-	-	7,503
Assigned - Wood and Metal, Fine Arts, and Library	6,573	-	-	6,573
Unassigned	1,284,123	-	-	1,284,123
Total Fund Balances	1,300,645	1,800,211	264,040	3,364,896
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,845,575	\$ 2,251,788	\$ 525,444	\$ 4,622,807

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balances - Governmental Funds \$ 3,364,896

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 11,763,275

Long-term liabilities, including capital outlay certificates payable, unamortized premium on certificates, and accrued leave payable, are not due in the current period and therefore are not reported in the funds. (1,572,252)

Assets, such as taxes receivable, that are not available to pay for current period expenditures are deferred in the funds. 26,093

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 2,587

Pension related deferred outflows are components of pension asset and therefore are not reported in the funds. 490,772

Pension related deferred inflows are components of pension asset and therefore are not reported in the funds. (325,086)

Net Position - Governmental Funds \$ 13,750,285

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
<i>1000 Revenue from Local Sources:</i>				
1110 Ad Valorem Taxes	\$ 932,210	\$ 1,048,062	\$ 593,534	\$ 2,573,806
1120 Prior Years' Ad Valorem Taxes	18,413	10,938	7,623	36,974
1140 Gross Receipts Taxes	103,119	-	-	103,119
1190 Penalties and Interest on Taxes	5,727	2,343	1,558	9,628
1500 Earnings on Investments and Deposits	21,925	38,346	6,841	67,112
<i>1700 Cocurricular Activities:</i>				
1710 Admissions	8,970	-	-	8,970
1740 Cocurricular Activities	2,675	-	-	2,675
1790 Other Pupil Activity	23,497	-	-	23,497
<i>1900 Other Revenue from Local Sources:</i>				
1910 Rentals	300	-	-	300
1920 Contributions and Donations	153	-	-	153
1990 Other	21,917	-	13,536	35,453
2110 County Apportionment	47,573	-	-	47,573
<i>3000 Revenue from State Sources:</i>				
3110 Unrestricted Grants-in-Aid	1,242,163	-	-	1,242,163
<i>4000 Revenue from Federal Sources:</i>				
4120 Unrestricted Grants-in-Aid Received from Federal Government Through State	49,231	-	-	49,231
4150-4199 Restricted Grants-in-Aid Received from Federal Government through State	294,840	198,359	90,372	583,571
Total Revenues	2,772,713	1,298,048	713,464	4,784,225

Expenditures:

<i>1100 Instruction - Regular Programs:</i>				
1110 Elementary	454,440	7,310	-	461,750
1120 Middle/Junior High	231,516	2,365	-	233,881
1130 High School	354,396	109,342	-	463,738
1140 Preschool	54,413	-	-	54,413
<i>1200 Instruction - Special Programs:</i>				
1220 Programs for Special Education	-	-	592,232	592,232
1273 Educationally Deprived	167,000	-	-	167,000
<i>2100 Support Services - Pupils:</i>				
2120 Guidance	39,394	-	-	39,394
2130 Health	-	-	36,422	36,422
2170 Student Therapy Services	-	-	45,295	45,295
<i>2200 Support Services - Instructional Staff:</i>				
2210 Improvement of Instruction	41,755	-	-	41,755
2220 Educational Media	86,154	3,868	-	90,022
<i>2300 Support Services - General:</i>				
2310 Board of Education	202,214	-	-	202,214
2320 Executive Administration	77,789	-	-	77,789
<i>2400 Support Services - School:</i>				
2410 Office of the Principal	177,112	-	-	177,112

NEWELL SCHOOL DISTRICT NO. 9-2

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
<i>2500 Support Services - Business:</i>				
2520 Fiscal Services	107,721	15,745	-	123,466
2530 Facilities Acquisition and Construction	-	44,011	-	44,011
2540 Operation and Maintenance of Plant	425,600	-	-	425,600
2550 Pupil Transportation	144,462	-	-	144,462
2560 Food Services	9,929	-	-	9,929
2570 Internal Services	-	14,384	-	14,384
<i>2700 Support Services - Special Education:</i>				
2730 Transportation Costs	-	-	16,335	16,335
2750 Other Special Education Costs	-	-	83,625	83,625
5000 Debt Service	-	389,127	-	389,127
<i>6000 Cocurricular Activities:</i>				
6900 Combined Activities	177,162	11,547	-	188,709
7000 Capital Outlay	-	62,316	-	62,316
Total Expenditures	2,751,057	660,015	773,909	4,184,981
Excess of Revenues over (under) Expenditures	21,656	638,033	(60,445)	599,244
Other Financing Sources				
5130 Sale of Surplus Property	3,700	-	-	3,700
8110 Net Transfers In (Out)	246,159	(335,500)	-	(89,341)
Total Other Financing Sources	249,859	(335,500)	-	(85,641)
Net Change in Fund Balances	271,515	302,533	(60,445)	513,603
Fund Balances - Beginning	1,029,130	1,497,678	324,485	2,851,293
Fund Balances -- Ending	\$ 1,300,645	\$ 1,800,211	\$ 264,040	\$ 3,364,896

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Total Governmental Funds \$ 513,603

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 should be allocated over their estimated useful lives and reported as depreciation expense.

Transfer to Proprietary Funds 62,316
(23,399)

38,917

The fund financial statement property tax accruals differ from the government wide statement property tax accruals as the fund financial statements require the amounts to be "available." (16,508)

Governmental funds recognize expenditures for amounts of compensated absences with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the governmental funds. In the Statement of Activities, expenses for these benefits are recognized when the employees earn leave credits. 3,788

Payment of principal on long-term debt is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Government-wide statements. 358,275

Premium on bond issue is a revenue in the fund statements but is capitalized and recognized as interest expense in the Statement of Activities. 8,199

Changes in the pension related deferred outflows/inflows and pension asset, and related pension expenses/revenues. (69,707)

Change in Net Position of Governmental Activities \$ 836,567

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS BALANCE SHEET
JUNE 30, 2025

	Food Service Fund	Weight Room Fund	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash	\$ 32,106	\$ 2,810	\$ 34,916
Accounts Receivable	454	-	454
Inventory of Supplies	2,404	-	2,404
Inventory of Food Purchased for Resale	2,525	-	2,525
Inventory of Donated Food	751	-	751
Total Current Assets	38,240	2,810	41,050
Noncurrent Assets:			
Net Pension Asset	74	-	74
Capital Assets:			
Equipment	82,410	-	82,410
Less Accumulated Depreciation	(60,233)	-	(60,233)
Total Noncurrent Assets	22,251	-	22,251
TOTAL ASSETS	60,491	2,810	63,301
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	14,044	-	14,044
TOTAL ASSETS	\$ 74,535	\$ 2,810	\$ 77,345
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 113	-	\$ 113
Payroll Deductions and Withholdings	893	-	893
Accrued Leave Payable	827	-	827
Unearned Revenue	15,345	-	15,345
Total Liabilities	17,178	-	17,178
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	9,303	-	9,303
NET POSITION			
Net Investment in Capital Assets	22,177	-	22,177
Restricted Pension	4,815	-	4,815
Unrestricted Net Position	21,062	2,810	23,872
Total Net Deficit	48,054	2,810	50,864
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 74,535	\$ 2,810	\$ 77,345

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2025

	Food Service Fund	Weight Room Fund	Total Proprietary Funds
Operating Revenue			
<i>Sales:</i>			
To Pupils	\$ 46,547	\$ -	\$ 46,547
To Adults	3,464	-	3,464
Total Operating Revenue	50,011	-	50,011
Operating Expenses			
Cost of Sales - Purchased Food	64,251	-	64,251
Salaries	65,298	-	65,298
Purchased Services	8,006	-	8,006
Employee Benefits	11,033	-	11,033
Cost of Sales - Donated Food	9,467	-	9,467
Supplies	2,623	-	2,623
Depreciation - Local Funds	2,333	-	2,333
Total Operating Expenses	163,011	-	163,011
Operating Loss	(113,000)	-	(113,000)
Nonoperating Revenue			
<i>Local Sources:</i>			
Interest Earnings	1,091	-	1,091
<i>Federal Sources:</i>			
Cash Reimbursements	55,525	-	55,525
Donated Food	9,107	-	9,107
Other Revenue	4,269	250	4,519
Total Nonoperating Revenue	69,992	250	70,242
Income Before Transfers	(43,008)	250	(42,758)
Capital Contributions	23,399	-	23,399
Transfers In	86,781	2,560	89,341
Change in Net Position	67,172	2,810	69,982
Net Deficit -- Beginning	(19,118)	-	(19,118)
Net Position -- Ending	\$ 48,054	\$ 2,810	\$ 50,864

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Food Service Fund	Weight Room Fund	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 59,491	\$ -	\$ 59,491
Payments to Suppliers	(76,090)	-	(76,090)
Payments to Employees	(79,659)	-	(79,659)
Net Cash Used in Operating Activities	(96,258)	-	(96,258)
Cash Flows Provided by Noncapital Financing Activities			
Operating Subsidies	59,794	250	60,044
Internal Activity, Net	15,000	2,560	17,560
Total Cash Flows Provided by Noncapital Financing Activities	74,794	2,810	77,604
Cash Flows Provided by Investing Activities			
Cash Received for Interest	1,091	-	1,091
Net Change in Cash	(20,373)	2,810	(17,563)
Cash -- Beginning	52,479	-	52,479
Cash -- Ending	\$ 32,106	\$ 2,810	\$ 34,916
Reconciliation of Operating Loss to Net Cash Flows Used in Operating Activities			
Operating Loss	\$ (113,000)	-	\$ (113,000)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:</i>			
Cost of Sales - Donated Food	9,467	-	9,467
Depreciation - Local Funds	2,333	-	2,333
<i>Change in Assets and Liabilities:</i>			
Due from Other Government	11,221	-	11,221
Inventories	(1,323)	-	(1,323)
Accounts Payable	113	-	113
Pension Asset	109	-	109
Pension Related Deferred Inflows and Outflows	1,582	-	1,582
Accrued Leave and Payroll Deductions Payable	(5,019)	-	(5,019)
Unearned Revenue	(1,740)	-	(1,740)
Net Cash Used in Operating Activities	\$ (96,258)	\$ -	\$ (96,258)
Noncash Investing, Capital and Financing Activities			
Value of Commodities Received	\$ 9,107	\$ -	\$ 9,107
Capital Contributions	23,399	-	23,399

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

	Private-Purpose Trust Fund	Custodial Funds
<u>ASSETS</u>		
Cash and Investments	\$ 10,667	\$ 46,041
<u>NET POSITION</u>		
Restricted:		
Individuals and Organizations	\$ -	\$ 46,041
Scholarships	10,667	-

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

	Private- Purpose Trust Fund	Custodial Funds
ADDITIONS		
Contributions	\$ -	\$ 87,187
DEDUCTIONS		
Payments to Individuals and Organizations	-	88,210
Change in Net Position	-	(1,023)
Net Position - Beginning	10,667	47,064
Net Position - Ending	\$ 10,667	\$ 46,041

The accompanying notes are an integral part of this statement.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Financial Reporting Entity

The reporting entity of 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 funds included in this report are controlled by or dependent upon the District's Board of Education. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments.

Use of Estimates

The preparation of the financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of certain financial statement balances. Actual results could vary from the estimates used.

Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all financial and capital resources in a balance sheet form (assets equal liabilities plus 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 are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. 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 it meets the following criteria:

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Fund Financial Statements:

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

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district. The General Fund is always a major fund. It is used to account for all financial resources except those accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are restricted or committed to expenditure for specific purposes. Fund equity of these funds is restricted by law.

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

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

Proprietary Funds:

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

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

Food Service Fund – A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund and is the only enterprise fund maintained by the District.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Basis of Presentation

Weight Room Fund – A fund used to record financial transactions related to the operation of the School’s weight room facilities. This fund is financed by user charges and related revenues. This is a major enterprise fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Funds – Private-purpose trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District maintains one private-purpose trust fund, which is a scholarship fund that was established by a donation made to the District for payment of scholarships to District 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 organizations.

Measurement Focus and Basis of Accounting

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

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-wide Financial Statements:

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the District, the length of that cycle is 60 days. Reported deferred inflows of resources are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

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

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

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

Capital Assets

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

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

Government-wide Financial Statements:

The District does not have subsidiary records to support its governmental capital asset balance. In addition, capital asset additions and deletions have not been consistently or accurately recorded since 1994. No accumulated depreciation or depreciation expense is recorded in the government-wide statements for governmental activities.

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 the proprietary fund operations are accounted for on the accrual basis.

The estimated useful lives of equipment reported in the proprietary funds are 5 to 15 years.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Long-Term Liabilities

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences payable, energy efficient notes payable, capital outlay certificates, and related premiums.

In the governmental 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 in the fund statements as in the government-wide statements.

Program Revenues

In the government-wide Statement of Activities, reported program revenues are derived 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:

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

Proprietary Funds Revenue and Expense Classifications

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

Cash and Cash Equivalents

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Inventory

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

Inventory in the enterprise fund consists of food and supplies held for consumption. Inventory is recorded at the time individual inventory items are purchased and expensed when consumed.

There are no significant amounts of governmental supplies inventory maintained by the District.

Deposits and Investments

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

Deposits – The 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 better, 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 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’s cash and investments consisted of checking accounts and non-negotiable certificates of deposit. The bank balances at June 30, 2025 are as follows:

	<u>Bank Balance</u>
Insured - FDIC	\$ 250,000
Uninsured, collateralized in accordance with SDCL 4-6A-3	3,215,287
<u>Total Deposits</u>	<u>\$ 3,465,287</u>

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.

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.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Deposits and Investments

Custodial Credit Risk:

The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2025, none of the District's deposits were exposed to custodial credit risk.

State law allows income from deposits 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 to the fund making the investment.

Deferred Inflows and Outflows of Resources

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources consist primarily of property taxes and pension activity.

Pensions

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

Equity Classifications

Government-wide Statements:

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

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and related debt.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups, such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Equity Classifications

Fund Financial Statements:

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

Governmental fund equity is classified as fund balance and is classified as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

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

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board, Superintendent and Business Manager.

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

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Adopted Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, which expands the disclosure requirements for risks related to a government's vulnerabilities due to certain concentrations or constraints. The disclosure criteria should be assessed for the primary government reporting unit and all other reporting units that report a liability for revenue debt. A disclosure shall be made in the notes to the financial statements if all of the following criteria are met: a concentration or constraint is known, the concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact, and an event related to the concentration or constraint that could have a substantial impact has occurred or is expected to occur within twelve months of the date the financial statements are issued.

These standards did not have a significant impact on the District's financial statements.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(1) Summary of Significant Accounting Policies

Emerging Accounting Standards

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, which improves key components of the financial reporting model to enhance its effectiveness in providing information to the users of the financial statements. The statement redefines the information to be included in management's discussion and analysis, clarifies operating vs. nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses and changes in fund net position, provides guidance on the presentation of unusual or infrequent items, updates the requirements of presentation of major component unit information, and changes the presentation of the budgetary comparison schedules. The statement is effective for the District's year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain information regarding capital assets to be presented by major class. This includes lease assets, intangible right-to-use assets under public-private and public-public partnerships, subscription assets, and certain other intangible assets. In addition, new disclosures surrounding capital assets held for sale are required. The statement is effective for the District's year ending June 30, 2026.

The District is currently evaluating the impact these statements will have on the financial statements.

Subsequent Events

Subsequent events were evaluated through April 13, 2026, which is the date which the financial statements were available to be issued.

(2) Property Taxes

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 they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations and therefore is not susceptible to accrual, has been reported as deferred inflows 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 fiscal period or within the "availability period."

(3) Due from State Government

Amounts due from state governments include grant reimbursements and gross receipts taxes due from the State of South Dakota.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(4) Changes in Capital Assets

Changes in capital assets used in governmental activities were as follows (see Note 1):

	Balance		Transfers/	Balance
	June 30, 2024	Additions	Retirements	June 30, 2025
Governmental Activities				
Land	\$ 24,544	\$ -	\$ -	\$ 24,544
Buildings	4,809,495	-	-	4,809,495
Improvements Other than Building	4,852,532	-	-	4,852,532
Equipment -- Local Funds	1,285,202	-	-	1,285,202
Equipment -- Federal Funds	752,585	38,917	-	791,502
Governmental Activities Capital Assets	\$ 11,724,358	\$ 38,917	\$ -	\$ 11,763,275

Changes in capital assets used in business-type activities were as follows:

	Balance		Transfers/	Balance
	June 30, 2024	Additions	Retirements	June 30, 2025
Business-Type Activities				
Equipment	\$ 59,011	\$ 23,399	\$ -	\$ 82,410
Less Accumulated Depreciation	(57,900)	(2,333)	-	(60,233)
Business -Type Activities Capital Assets, Net	\$ 1,111	\$ 21,066	\$ -	\$ 22,177

(5) Long-Term Debt

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

	Balance			Balance	Due Within
	June 30, 2024	Additions	Reductions	June 30, 2025	One Year
Governmental Activities					
Capital Outlay Certificates	\$ 1,595,000	\$ -	\$ (195,000)	\$ 1,400,000	\$ 190,000
Premium on Refunding					
Certificates	69,007	-	(8,199)	60,808	8,199
Notes Payable	216,365	-	(163,275)	53,090	13,275
Compensated Absences Payable*	62,142	-	(3,788)	58,354	17,194
Governmental Activities Long-Term Liabilities	\$ 1,942,514	\$ -	\$ (370,262)	\$ 1,572,252	\$ 228,668
Business-Type Activities					
Compensated Absences Payable*	\$ 490	\$ 337	\$ -	\$ 827	\$ 827

*The change in compensated absences liability is presented as a net change. The governmental compensated absences will be paid from the General Fund and Special Education Fund.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(5) Long-Term Debt

Long-term liabilities are comprised of the following at June 30, 2025:

Capital Outlay Certificates:

Limited Tax General Obligation Capital Outlay Refunding Certificates, Series 2020, due in variable payments, including interest at 2.00 percent through December 2033; paid from the Capital Outlay Fund. \$ 1,400,000

Unamortized deferred premium on Limited Tax General Obligation Capital Outlay Refunding Certificates, Series 2020	60,808
Total Capital Outlay Certificates	1,460,808

Notes Payable:

South Dakota Energy Efficiency School Loan, requires variable annual installments, is non-interest bearing through July 2029; paid from the Capital Outlay Fund.	53,090
Total Notes Payable	53,090

Compensated Absences Payable	58,354
	\$ 1,572,252

The annual requirements to amortize all debt outstanding as of June 30, 2025, excluding compensated absences and unamortized bond premiums, are as follows:

Year Ending June 30,	Capital Outlay Certificates		Notes Payable	Total Principal	Total Interest
	Principal	Interest	Principal		
2026	190,000	26,100	13,275	203,275	26,100
2027	200,000	22,200	13,275	213,275	22,200
2028	205,000	18,150	13,275	218,275	18,150
2029	125,000	14,850	13,265	138,265	14,850
2030	130,000	12,300	-	130,000	12,300
2031-2033	550,000	22,200	-	550,000	22,200
	\$ 1,400,000	\$ 115,800	\$ 53,090	\$ 1,453,090	\$ 115,800

(6) Donor Restrictions

The restricted fund balance in the General Fund at June 30, 2025 of \$9,949 is restricted for music, athletics, library, and playground in accordance with donor restrictions.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(7) 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:

Property/Liability Insurance

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

Workmen's Compensation

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

Health Insurance

The District joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. During the year ended June 30, 2025, the coverage provided a deductible of \$1,000 per person up to \$5,000 per family. The plan also provides for coinsurance of 80 percent up to \$10,000. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

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

Unemployment Benefits

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

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

(8) Pension Plan

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

NEWELL SCHOOL DISTRICT NO. 9-2

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

(8) Pension Plan

Benefits Provided:

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

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

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

Legislation enacted in 2017 established the current Cost-of-Living Adjustment (COLA) process. At each valuation date:

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

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the COLA.

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 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions to the SDRS for the fiscal years ended June 30, 2025, 2024, and 2023 were \$114,335, \$105,821, and \$106,768, respectively, equal to the required contributions each year.

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(8) Pension Plan

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

At June 30, 2024, SDRS is 100.00 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2025 are as follows:

Proportionate Share of Net Position Restricted for Pension Benefits	\$ 9,808,583
Less: Proportionate Share of Total Pension Asset	9,805,922
Proportionate Share of Net Pension Asset	\$ 2,661

At June 30, 2025, the District reported an asset of \$2,661 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024 and the total pension asset used to calculate the net pension asset was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the District's proportion was 0.0657310 percent, which is a decrease of 0.0045450 percent from its proportion measured at June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$190,555. 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	\$ 246,389	\$ -
Changes in Assumption	43,868	334,389
Net Difference between Projected and Actual Earnings on Pension Plan Investments	100,224	-
District Contributions Subsequent to the Measurement Date	114,335	-
Total	\$ 504,816	\$ 334,389

Deferred outflows of resources include \$114,335 resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense/(revenue) by the Plan as follows:

2026	\$ (93,227)
2027	128,232
2028	13,083
2029	8,004
	<u>\$ 56,092</u>

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

(8) Pension Plan

Actuarial Assumptions:

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

Inflation	2.50 percent
Salary Increases	Graded by years of service, from 7.66 percent at entry to 3.15 percent after 25 years of service.
Discount Rate	6.50 percent, net of pension plan investment expense. This is composed of an average inflation rate of 2.50 percent and real returns of 4.00 percent.
Future COLAs	1.71 percent

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

NEWELL SCHOOL DISTRICT NO. 9-2

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

(8) Pension Plan

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>
Global Equity	56.3%	3.8%
Fixed Income	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50 percent. 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 Asset to Changes in the Discount Rate:

The following presents the District’s proportionate share of net pension (asset)/liability, calculated using the discount rate of 6.50 percent, as well as what the District’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (5.50 percent) or 1-percentage point higher (7.50 percent) 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)	\$ 1,352,062	\$ (2,661)	\$ (1,111,246)

Pension Plan Fiduciary Net Position:

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

OTHER REPORTS



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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
Newell School District No. 9-2
Newell, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Newell School District No. 9-2 (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 April 13, 2026 in which an adverse opinion was expressed on the governmental activities and an unmodified opinion on the business-type activities, each major fund, and the aggregate remaining fund information. The governmental activities are adverse due to a lack of recording certain capital assets and depreciation expense.

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 preceding paragraph 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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as #2025-001 through #2025-005, that we consider to be material weaknesses.

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 determination of financial statement amounts. 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*.

School Board
Newell School District No. 9-2

District'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. 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.



KETEL THORSTENSON, LLP
Certified Public Accountants

April 13, 2026

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS
JUNE 30, 2025**

Material Weaknesses

2025-001 FINDING: Internal Controls

Condition/Cause: Monthly check registers are not produced by the software system. No one reviews validity or check number sequence, manual journal entries, and disbursement purchases are not consistently approved by a supervisor. Additionally, the monthly bank reconciliation we selected to walkthrough was not reviewed by the Superintendent.

Criteria and Effect: Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated. The effectiveness of the internal control system relies on enforcement by management.

Repeat Finding from Prior Year: Yes, partially repeated from prior year finding 2024-001.

Recommendation: The superintendent, secretary, or a School Board member should review the monthly check registers produced from the software system for validity and check number sequence, all manual journal entries, and disbursements from teachers/staff. Additionally, they should review the bank reconciliation and statement for accuracy and reasonableness every month. Sign-offs indicating authorization should be included.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2025-002 FINDING: Capital Asset Records

Condition and Cause: Capital asset records were not properly maintained to support the amounts reported for governmental activities capital assets, resulting in lack of control over public assets and inaccurate financial statements.

Criteria and Effect: Accounting principles generally accepted in the United States of America require that capital assets be recorded as assets and depreciated. These conditions result in unreliable data being reported for capital assets for governmental activities and lack of safeguards for these assets. As a result, the District's audit report for governmental activities expresses an adverse opinion.

Repeat Finding from Prior Year: Yes, prior year finding 2024-002.

Recommendation: The District should establish and maintain adequate capital assets accounting records. The general ledger capital asset balance should be reconciled to the accounting records.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

NEWELL SCHOOL DISTRICT NO. 9-2

**SCHEDULE OF FINDINGS
JUNE 30, 2025**

Material Weaknesses

2025-003 FINDING: Preparation of Financial Statements

Condition and Cause: As a matter of practicality and efficiency, we have assisted in drafting the financial statements, in both form and content, based on information provided by management during the audit.

Criteria and Effect: Management and those charged with governance are ultimately responsible for preparing and presenting the financial statements in accordance with the applicable financial reporting framework. The auditor's responsibility for the financial statements is to express an opinion on them based on the audit evidence obtained.

Repeat Finding from Prior Year: Yes, prior year finding 2024-003.

Recommendation: Management and if applicable, governance, should review the financial statements for accuracy of account balances and context of note disclosures. Management and governance should inquire of the auditors about any balances or disclosures which management does not understand or cannot reconcile to internal records prior to signing the management representation letter.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2025-004 FINDING: Audit Adjustments

Condition and Cause: During our engagement, we assisted with adjusting SDRS pension activity and we proposed material audit adjustments. The adjustments included:

- a. Adjusting pension activity to actual.
- b. Adjusting fund balance.
- c. Adjusting interfund loan.
- d. Adjusting amortization of reoffering premium.
- e. Adjusting debt to actual.
- f. Adjusting capital asset activity.
- g. Adjusting accrued leave and assistance with implementation of GASB 101.
- h. Adjusting grant funding, receivables, and revenue.
- i. Adjusting current year property tax receivable and deferred revenue.
- j. Adjusting employee payroll deductions.

Other entries were proposed as part of the audit but were not recorded due to the overall insignificance on the financial statements.

Criteria and Effect: These adjustments were not identified through the District's existing internal controls, and therefore, resulted in a material misstatement of the District's financial statements. As in past audits, these adjustments were made by us as part of our audit process.

Repeat Finding from Prior Year: Yes, prior year finding 2024-004.

Recommendation: We recommend management adjust all significant accounts at year end. This will provide the District with accurate financial information. Specifically:

- a. Property tax receivable and related revenues should be monitored and adjusted at least annually.
- b. Capital expenditures should be capitalized and depreciated over the useful life of the asset.
- c. Accounts payable and accrued liability balances should be monitored and recorded on an annual basis.
- d. Amortization on refunding bonds should be recorded over the life of the bond.
- e. Federal revenue and receivables should be recorded at year end to reflect federal expenditures not yet reimbursed.
- f. Fund balances should be rolled forward each year to ensure audit adjustments were made correctly.
- g. Management should record an adjustment to reconcile accrued payroll tax liabilities and related payroll tax expense to the actual amounts incurred for the period.

NEWELL SCHOOL DISTRICT NO. 9-2

SCHEDULE OF FINDINGS

JUNE 30, 2025

Material Weaknesses

2025-004 FINDING: Audit Adjustments

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

2025-005 FINDING: Missing Checks

Condition and Cause: The check register includes gaps in the numerical sequence of check numbers due to the use of ACH payments. The current system and procedures do not provide a mechanism to document and verify that all check and ACH transactions are recorded and that the check register is complete.

Criteria and Effect: The School should maintain a complete and sequential record of all payment instruments (including checks and ACH transactions) and perform periodic reconciliations to identify missing or unrecorded items. Without controls to ensure the completeness of the check register, there is an increased risk that unauthorized, unrecorded, or duplicate disbursements could occur and not be detected in a timely manner.

Repeat Finding from Prior Year: Yes, prior year finding 2024-005.

Recommendation: We recommend performing and documenting reconciliations between the bank statements (including ACH activity) and the check register to confirm that all disbursements are recorded.

Response/Corrective Action Plan: The District agrees with the above finding. See Corrective Action Plan.

MANAGEMENT RESPONSE

OFFICE OF BUSINESS MANAGER
NEWELL SCHOOL DISTRICT #9-2
P.O. BOX 99
NEWELL SD 57760
Phone: 605-456-2393
Fax: 605-456-2395

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025

Newell School District No. 9-2 (the District) respectfully submits the following summary schedule of prior audit findings from the June 30, 2024 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2024 Schedule of Findings.

2024-001 FINDING: Internal Controls

Status: The District made efforts to implement better internal controls as it related to segregation of duties, however there are still segregation of duties issues.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Due to the limited staff at the District's business office, it is difficult to achieve complete segregation of duties. Comment is revised and repeated in 2025. See Corrective Action Plan.

2024-002 FINDING: Capital Asset Records

Status: The District did not track capital assets in the current year.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Due to turnover within the business office capital assets were not tracked. Comment is repeated in 2025. See Corrective Action Plan.

2024-003 FINDING: Preparation of Financial Statements

Status: It is more cost effective for the District to hire Ketel Thorstenson, LLP, a public accounting firm, to prepare the full disclosure financial statements and schedule of expenditures of federal awards as a part of the annual audit process. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements and the schedule of expenditures of federal awards.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: Management is satisfied that appropriate actions have been taken to allow them to take responsibility for the financial statements prepared by the auditors. The finding will be repeated in 2025, see Corrective Action Plan.

2024-004 FINDING: Audit Adjustments

Status: The District made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reason for Recurrence and Corrective Action Plan: The finding is altered based on specific audit adjustments each year, and is repeated in the Schedule of Findings. See Corrective Action Plan.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025

2024-005 FINDING: Missing Checks

Status: The District made efforts to better track the status of all checks, but several missing checks were identified.

Initial Year Report: Originally issued in the prior year.

Reason for Recurrence and Corrective Action Plan: Due to the turnover at the District's business office, it is difficult to obtain status of missing checks. Comment is revised and repeated in 2025. See Corrective Action Plan.

2024-006 FINDING: Federal Expenditure Reimbursements

Status: The District started tracking expenditures via individual program account codes to ensure classification of program expenditures in the correct period for the correct program. Therefore, this finding is not repeated.

Initial Year Report: No.

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CORRECTIVE ACTION PLAN
JUNE 30, 2025

Newell School District No. 9-2 (the District) respectfully submits the following corrective action plan regarding findings from the June 30, 2025 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

2025-001 FINDING: Internal Controls

Responsible Individuals: Amy Williams, Business Manager

Corrective Action Plan: The District agrees with the above finding and will have the Superintendent review the monthly check registers produced from the software, manual journal entries, and bank reconciliations. Additionally, the Superintendent and School Board are emailed the information in with the bank reconciliation that shows the check register for the SUI software as part of the monthly board packet.

Anticipated Completion Date: December 2026

2025-002 FINDING: Capital Asset Records

Responsible Individuals: Amy Williams, Business Manager

Corrective Action Plan: Due to record keeping in the 1990s, the District will continue to have this finding. The District will work to improve the capital asset records going forward.

Anticipated Completion Date: Ongoing

2025-003 FINDING: Preparation of Financial Statements

Responsible Individuals: Amy Williams, Business Manager

Corrective Action Plan: The District agrees with the above finding, and the District has accepted the risk associated with the auditor's preparing of the financial statements. The District has designated a member of management to review the draft financial statements and accompanying notes to the financial statements.

Anticipated Completion Date: Ongoing

2025-004 FINDING: Audit Adjustments

Responsible Individuals: Amy Williams, Business Manager

Corrective Action Plan: The District agrees with the above finding and will make the audit adjustments per the auditor's recommendations.

Anticipated Completion Date: Ongoing

2025-005 FINDING: Missing Checks

Responsible Individuals: Amy Williams, Business Manager

Corrective Action Plan: The District agrees with the above finding and will have the Superintendent review the monthly check registers for completeness.

Anticipated Completion Date: December 2026.