

Financial Statements
June 30, 2025

Sisseton School District 54-2

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Independent Auditor's Report

To the School Board
Sisseton School District 54-2
Sisseton, 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 Sisseton School District 54-2 (the School District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary schedules, schedule of employer's share of net pension liability (asset), and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2026, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP".

Aberdeen, South Dakota
March 4, 2026

Sisseton School District 54-2

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 39,769,331	\$ 462,041	\$ 40,231,372
Taxes receivable	2,439,753	-	2,439,753
Accounts receivable	2,882	14,702	17,584
Due from other governments	1,354,719	8,364	1,363,083
Inventories	30,062	32,608	62,670
Net pension asset	11,041	545	11,586
Capital assets			
Land and construction in process	137,534	-	137,534
Other capital assets, net of depreciation	23,135,140	113,688	23,248,828
Total assets	<u>66,880,462</u>	<u>631,948</u>	<u>67,512,410</u>
Deferred Outflows of Resources			
Pension related deferred outflows	2,121,055	104,639	2,225,694
	<u>\$ 69,001,517</u>	<u>\$ 736,587</u>	<u>\$ 69,738,104</u>
Liabilities			
Accounts payable	\$ 92,981	\$ 5,519	\$ 98,500
Other current liabilities	1,081,219	46,918	1,128,137
Deposits payable	-	7,358	7,358
Unearned revenue	-	16,302	16,302
Noncurrent liabilities			
Due within one year	21,886	-	21,886
Due in more than one year	7,139	-	7,139
Total liabilities	<u>1,203,225</u>	<u>76,097</u>	<u>1,279,322</u>
Deferred Inflows of Resources			
Pension related deferred inflows	1,395,948	68,866	1,464,814
Taxes levied for future period	2,807,026	-	2,807,026
Total deferred inflows of resources	<u>4,202,974</u>	<u>68,866</u>	<u>4,271,840</u>
Net Position			
Net investment in capital assets	23,272,674	113,688	23,386,362
Restricted for			
Capital outlay	10,364,035	-	10,364,035
Special education	1,416,816	-	1,416,816
SDRS benefits	736,148	36,318	772,466
Unrestricted	27,805,645	441,618	28,247,263
Total net position	<u>63,595,318</u>	<u>591,624</u>	<u>64,186,942</u>
	<u>\$ 69,001,517</u>	<u>\$ 736,587</u>	<u>\$ 69,738,104</u>

Sisseton School District 54-2
Statement of Activities
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
Primary Government							
Governmental activities							
Instruction	\$ 7,765,637	\$ 115,532	\$ 2,552,460	\$ 3,361,165	\$ (1,736,480)	\$ -	\$ (1,736,480)
Support services	6,122,837	-	-	-	(6,122,837)	-	(6,122,837)
Community services	7,763	-	-	-	(7,763)	-	(7,763)
Nonprogrammed charges	29,025	-	-	-	(29,025)	-	(29,025)
Co-curricular activities	803,870	176,673	-	-	(627,197)	-	(627,197)
Total governmental activities	<u>14,729,132</u>	<u>292,205</u>	<u>2,552,460</u>	<u>3,361,165</u>	<u>(8,523,302)</u>	<u>-</u>	<u>(8,523,302)</u>
Business-type activities							
Food service	782,399	172,744	527,021	-	-	(82,634)	(82,634)
Preschool	81,903	36,842	-	-	-	(45,061)	(45,061)
Driver's education	3,837	7,750	-	-	-	3,913	3,913
After school programs	81,681	55,378	1,167	-	-	(25,136)	(25,136)
Total business-type activities	<u>949,820</u>	<u>272,714</u>	<u>528,188</u>	<u>-</u>	<u>-</u>	<u>(148,918)</u>	<u>(148,918)</u>
Total primary government	<u>\$ 15,678,952</u>	<u>\$ 564,919</u>	<u>\$ 3,080,648</u>	<u>\$ 3,361,165</u>	<u>(8,523,302)</u>	<u>(148,918)</u>	<u>(8,672,220)</u>
General Revenues							
Taxes							
Property taxes					5,652,890	-	5,652,890
Other taxes					453,395	-	453,395
Revenue from state sources							
State aid					4,295,582	-	4,295,582
Revenue from federal sources					5,202,177	-	5,202,177
Unrestricted investment earnings					1,054,851	12,326	1,067,177
Other general revenues					357,716	-	357,716
Gain on sale of capital assets					6,467	-	6,467
Transfers					(60,328)	60,328	-
Total general revenues and transfers					<u>16,962,750</u>	<u>72,654</u>	<u>17,035,404</u>
Change in Net Position					8,439,448	(76,264)	8,363,184
Net Position - Beginning					55,155,870	667,888	55,823,758
Net Position - Ending					<u>\$ 63,595,318</u>	<u>\$ 591,624</u>	<u>\$ 64,186,942</u>

See Notes to Financial Statements

Sisseton School District 54-2
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 27,970,860	\$10,231,021	\$ 1,567,450	\$ 39,769,331
Taxes receivable - current	921,640	773,273	559,195	2,254,108
Taxes receivable - delinquent	103,013	47,751	34,881	185,645
Accounts receivable	2,882	-	-	2,882
Due from other governments	881,969	307,999	164,751	1,354,719
Inventory	30,062	-	-	30,062
	<u>\$ 29,910,426</u>	<u>\$11,360,044</u>	<u>\$ 2,326,277</u>	<u>\$ 43,596,747</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 56,430	\$ 27,353	\$ 9,198	\$ 92,981
Contracts payable	716,918	-	158,445	875,363
Payroll deductions and withholdings and employer matching payable	164,523	-	41,333	205,856
Total liabilities	<u>937,871</u>	<u>27,353</u>	<u>208,976</u>	<u>1,174,200</u>
Deferred Inflows of Resources				
Taxes levied for future period	1,137,885	968,656	700,485	2,807,026
Unavailable revenue - delinquent property taxes	103,013	47,751	34,881	185,645
Total deferred inflows of resources	<u>1,240,898</u>	<u>1,016,407</u>	<u>735,366</u>	<u>2,992,671</u>
Fund Balances				
Nonspendable				
Inventory	30,062	-	-	30,062
Restricted				
Capital Outlay	-	10,316,284	-	10,316,284
Special Education	-	-	1,381,935	1,381,935
Unassigned	27,701,595	-	-	27,701,595
Total fund balances	<u>27,731,657</u>	<u>10,316,284</u>	<u>1,381,935</u>	<u>39,429,876</u>
	<u>\$ 29,910,426</u>	<u>\$11,360,044</u>	<u>\$ 2,326,277</u>	<u>\$ 43,596,747</u>

Sisseton School District 54-2
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended June 30, 2025

Total Fund Balances - Governmental Funds	\$ 39,429,876
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 funds.	23,272,674
Long-term liabilities, including retirement bonus payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(29,025)
Assets such as taxes receivable (delinquent) and utility taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	185,645
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not available financial resources and, therefore, are not reported in the funds.	<u>736,148</u>
Net Position - Governmental Funds	<u><u>\$ 63,595,318</u></u>

Sisseton School District 54-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
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	\$ 2,257,672	\$ 1,906,712	\$ 1,379,920	\$ 5,544,304
Prior year's ad valorem taxes	27,979	12,238	8,909	49,126
Gross receipts taxes	453,395	-	-	453,395
Penalties and interest on taxes	10,370	5,227	3,807	19,404
Tuition and fees				
Regular day school transportation fees	115,532	-	-	115,532
Earnings on investments and deposits	756,375	256,425	42,051	1,054,851
Co-curricular activities				
Admissions	33,186	-	-	33,186
Rentals	16,730	-	-	16,730
Other pupil activity	126,757	-	-	126,757
Other revenue from local sources				
Refund of prior years' expenditures	10,402	6,565	100	17,067
Charges for services	16,288	-	24,204	40,492
Other	4,801	-	-	4,801
Revenue from intermediate sources				
County sources				
County apportionment	335,848	-	-	335,848
Revenue from state sources				
Grants-in-aid				
Unrestricted grants-in-aid	4,295,582	-	-	4,295,582
Restricted grants-in-aid	8,030	-	-	8,030
Revenue from federal sources				
Grants-in-aid				
Unrestricted grants-in-aid received directly from federal government	5,112,240	89,937	-	5,202,177
Restricted grants-in-aid received directly from federal government	113,367	-	155,184	268,551
Restricted grants-in-aid received from federal government through the state	1,754,692	3,423,008	407,217	5,584,917
Other federal revenue	11,635	-	-	11,635
Total revenues	15,460,881	5,700,112	2,021,392	23,182,385

Sisseton School District 54-2

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

Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures				
Instruction				
Regular programs				
Elementary	1,853,160	-	-	1,853,160
Middle/junior high	1,407,842	4,049	-	1,411,891
High school	1,623,079	17,129	-	1,640,208
Special programs				
Programs for special education	-	-	1,314,889	1,314,889
Culturally different	110,602	-	-	110,602
Educationally deprived	766,336	-	-	766,336
Support services				
Pupils				
Attendance and social work	54,924	-	1,265	56,189
Guidance	235,096	-	-	235,096
Health	97,029	-	-	97,029
Psychological	-	-	216,291	216,291
Speech pathology	-	-	323,358	323,358
Student therapy services	-	-	171,719	171,719
Support services - instructional staff				
Improvement of instruction	129,776	-	2,499	132,275
Educational media	294,621	7,571	-	302,192
Support services - general administration				
Board of Education	108,817	-	-	108,817
Executive administration	255,718	-	-	255,718
Support services - school administration				
Office of the Principal	713,506	2,389	-	715,895
Title I program administration	63,167	-	-	63,167
Other school administrative	1,402	-	-	1,402
Support services - business				
Fiscal services	390,263	-	-	390,263
Facilities acquisition and construction	-	3,777,109	-	3,777,109
Operation and maintenance of plant	1,430,001	162,781	-	1,592,782
Pupil transportation	945,553	178,715	-	1,124,268
Food services	60,665	-	-	60,665
Other	1,537	-	-	1,537
Support services - central				
Staff	4,636	-	-	4,636
Support services - special education				
Administrative costs	-	4,150	79,054	83,204
Transportation costs	-	-	43,981	43,981
Other special education costs	-	4,332	8,431	12,763
Community services				
Recreation	7,763	-	-	7,763
Nonprogrammed charges				
Early retirement payments	10,282	-	-	10,282
Co-curricular activities				
Male activities	113,488	31,704	-	145,192
Female activities	146,425	17,035	-	163,460
Combined activities	218,931	3,861	-	222,792
Total expenditures	<u>11,044,619</u>	<u>4,210,825</u>	<u>2,161,487</u>	<u>17,416,931</u>

Sisseton School District 54-2
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Excess of Revenues over Expenditures	4,416,262	1,489,287	(140,095)	5,765,454
Other Financing Sources (Uses)				
Transfers out	(60,328)	-	-	(60,328)
Proceeds from sale of fixed assets	32	6,435	-	6,467
Total other financing sources (uses)	(60,296)	6,435	-	(53,861)
Net Change in Fund Balances	4,355,966	1,495,722	(140,095)	5,711,593
Fund Balance - Beginning	23,375,691	8,820,562	1,522,030	33,718,283
Fund Balance - Ending	<u>\$ 27,731,657</u>	<u>\$ 10,316,284</u>	<u>\$ 1,381,935</u>	<u>\$ 39,429,876</u>

Sisseton School District 54-2
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 5,711,593
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, amounts are:</p>	
Capital outlay	4,067,516
Depreciation expense	<u>(1,074,414)</u>
	2,993,102
<p>In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from both property and utility tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available." This amount reflects the application of both the application period and "availability criteria."</p>	
	40,056
<p>Payment of principal on long-term liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.</p>	
	(18,743)
<p>Revenues and reduction of expenses related to pensions do not provide current financial resources and, therefore, are not reported in the funds.</p>	
	<u>(286,560)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 8,439,448</u></u>

Sisseton School District 54-2
Statement of Net Position – Proprietary Funds
June 30, 2025

	Other Enterprise Fund	Food Service Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 87,864	\$ 374,177	\$ 462,041
Accounts receivable	9,943	4,759	14,702
Due from state government	3,306	5,058	8,364
Inventory of supplies	-	4,496	4,496
Inventory of stores purchased for resale	-	18,646	18,646
Inventory of donated food	-	9,466	9,466
Total current assets	<u>101,113</u>	<u>416,602</u>	<u>517,715</u>
Noncurrent Assets			
Net pension asset	182	363	545
Capital assets			
Machinery and equipment - local funds	-	417,627	417,627
Accumulated depreciation - machinery and equipment - local funds	-	(303,939)	(303,939)
Total noncurrent assets	<u>182</u>	<u>114,051</u>	<u>114,233</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>34,878</u>	<u>69,761</u>	<u>104,639</u>
	<u>\$ 136,173</u>	<u>\$ 600,414</u>	<u>\$ 736,587</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 614	\$ 4,905	\$ 5,519
Contracts payable	22,169	14,364	36,533
Benefits payable	5,838	4,547	10,385
Deposits payable	7,358	-	7,358
Unearned revenue	2,436	13,866	16,302
Total current liabilities	<u>38,415</u>	<u>37,682</u>	<u>76,097</u>
Total liabilities	<u>38,415</u>	<u>37,682</u>	<u>76,097</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>22,954</u>	<u>45,912</u>	<u>68,866</u>
Total deferred inflows of resources	<u>22,954</u>	<u>45,912</u>	<u>68,866</u>
Net Position			
Net investment in capital assets	-	113,688	113,688
Restricted for SDRS benefits	12,106	24,212	36,318
Unrestricted net position	<u>62,698</u>	<u>378,920</u>	<u>441,618</u>
Total net position	<u>74,804</u>	<u>516,820</u>	<u>591,624</u>
	<u>\$ 136,173</u>	<u>\$ 600,414</u>	<u>\$ 736,587</u>

See Notes to Financial Statements

Sisseton School District 54-2

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2025

	Other Enterprise Fund	Food Service Fund	Total
Operating Revenues			
Tuition and fees			
Student tuition	\$ 99,970	\$ -	\$ 99,970
Food sales			
To pupils	-	143,419	143,419
To adults	-	12,356	12,356
Other charges for goods and services	-	16,969	16,969
Total operating revenues	99,970	172,744	272,714
Operating Expenses			
Salaries	133,624	297,347	430,971
Employee benefits	31,319	79,968	111,287
Purchased services	1,621	2,417	4,038
Supplies	808	22,164	22,972
Cost of sales - purchased food	-	320,778	320,778
Cost of sales - donated food	-	46,087	46,087
Other	49	2,183	2,232
Depreciation - local funds	-	11,455	11,455
Total operating expenses	167,421	782,399	949,820
Operating Loss	(67,451)	(609,655)	(677,106)
Nonoperating Revenues			
Investment earnings	1,195	11,131	12,326
Federal grants	1,167	-	1,167
State sources			
Cash reimbursements	-	1,488	1,488
Federal sources			
Cash reimbursements	-	485,957	485,957
Donated food	-	39,576	39,576
Total nonoperating revenues	2,362	538,152	540,514
Transfers in	55,000	5,328	60,328
Change in Net Position	(10,089)	(66,175)	(76,264)
Net Position - Beginning	84,893	582,995	667,888
Net Position - Ending	\$ 74,804	\$ 516,820	\$ 591,624

Sisseton School District 54-2
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2025

	Other Enterprise Fund	Food Service Fund	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 103,182	\$ 174,077	\$ 277,259
Payments to suppliers	48	(346,397)	(346,349)
Payments to employees	(149,765)	(367,291)	(517,056)
Net Cash used for Operating Activities	<u>(46,535)</u>	<u>(539,611)</u>	<u>(586,146)</u>
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	55,000	5,328	60,328
Operating grants and other income	1,167	487,445	488,612
Net Cash from Noncapital Financing Activities	<u>56,167</u>	<u>492,773</u>	<u>548,940</u>
Cash Flows from Investing Activities			
Interest earnings	1,195	11,131	12,326
Net Cash from Investing Activities	<u>1,195</u>	<u>11,131</u>	<u>12,326</u>
Change in Cash and Cash Equivalents	10,827	(35,707)	(24,880)
Cash and Cash Equivalents, Beginning of Year	<u>77,037</u>	<u>409,884</u>	<u>486,921</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 87,864</u></u>	<u><u>\$ 374,177</u></u>	<u><u>\$ 462,041</u></u>
Reconciliation of Operating Loss to			
Net Cash used for Operating Activities			
Operating loss	\$ (67,451)	\$ (609,655)	\$ (677,106)
Adjustments to reconcile operating loss to			
net cash used for operating activities			
Depreciation expense	-	11,455	11,455
Value of donated commodities used	-	46,087	46,087
Change in assets and liabilities			
Receivables	517	(3,840)	(3,323)
Due from state government	1,356	7,627	8,983
Inventories	-	946	946
Pension asset and deferred outflows	5,436	1,272	6,708
Pension liability and deferred inflows	244	5,873	6,117
Accounts and other payables	2,526	199	2,725
Accrued wages payable	7,715	1,211	8,926
Accrued payroll liabilities	1,783	1,668	3,451
Due to other fund	-	-	-
Unearned revenue	1,339	(2,454)	(1,115)
Net Cash used for Operating Activities	<u><u>\$ (46,535)</u></u>	<u><u>\$ (539,611)</u></u>	<u><u>\$ (586,146)</u></u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ -	\$ 39,576	\$ 39,576

Sisseton School District 54-2
Statement of Fiduciary Net Position
June 30, 2025

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ 60,234
Investments - certificates of deposit	94,376
Investments - annuities	<u>10,329</u>
	<u>\$ 164,939</u>
Net Position	
Net position held in trust for scholarships	<u>\$ 164,939</u>
Total net position	<u>164,939</u>
	<u>\$ 164,939</u>

Sisseton School District 54-2
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and donations	\$ 26,625
Other additions	<u>1,195</u>
Total additions	<u>27,820</u>
Deductions	
Trust deductions for scholarships	<u>20,495</u>
Total deductions	<u>20,495</u>
Change in Net Position	7,325
Net Position - Beginning	<u>157,614</u>
Net Position - Ending	<u><u>\$ 164,939</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Sisseton School District 54-2 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of Sisseton School District 54-2 (the School District) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods 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 School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

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

Governmental Funds

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

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay and Special Education Funds are the special revenue funds maintained by the School District.

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

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

Proprietary Funds

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

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

Other Enterprise Fund – An enterprise fund maintained by the School District to record financial transactions related to the driver's education program, a preschool program, and an after-school program. This fund is financed by user charges. This is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains approximately 10 to 15 private-purpose trust funds, which are used for the purpose of providing scholarships to students.

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 fund types, 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).

Fund Financial Statements – All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues generally are recognized when they become measurable and available. “Available” means resources are collected within the current period or soon enough after the end of the fiscal year that they can be used to pay liabilities of the current period. The accrual period for the School District’s property tax receipts is sixty days. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies. Federal revenue, except impact aid, is recorded in the year which the related expenditure is made. Impact aid revenues are recognized when funds are received. Other revenues are considered available when they are earned. The revenues, which are accrued at June 30, 2025, are due from the counties and state government.

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.

Interfund Eliminations and Reclassifications

Government-Wide Financial Statements – In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at acquisition value which approximates market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General Fund and special revenue funds exist from time to time and consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

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.

Real property assets include related improvements totaling approximately \$34,090,000 for which the School District does not have legal ownership; however, the School District has substantially all the risks and rewards of ownership and anticipates having possession of these assets for perpetuity. Therefore, these assets have been included as a part of the School District's capital assets in the accompanying financial statements and related notes to the financial statements.

Government-Wide Statements – All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Assets held for sale are recorded at the lower of cost or market value.

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

The School District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include the effects of demand, subsequent sales value, and other economic factors. Based on this assessment, there was no impairment at June 30, 2025.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2025, balance of capital assets for governmental activities includes approximately 13% for which the costs were determined by estimates of the original costs. The total June 30, 2025, balance of capital assets for business-type activities includes approximately 40% for which the costs were determined by estimates of the original costs. The estimated original costs for capital assets for governmental activities were based upon the appraisals, and the estimations of capital assets for business-type activities were established by reviewing applicable historical costs and basing the estimations thereon.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land*	All	N/A	N/A
Improvements	\$ 25,000	Straight-line	5 - 50 years
Buildings	25,000	Straight-line	33 - 50 years
Machinery and Equipment	3,500	Straight-line	5 - 20 years
Food Service Equipment	3,500	Straight-line	10 - 20 years

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

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

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 retirement bonus payable.

In the fund financial statements, debt proceeds are reported as 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 derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for Services – These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are, otherwise, directly affected by the services.
2. Program-Specific Operating Grants and 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.

Property Taxes

Property taxes are levied on or before each October 1, attach as an enforceable lien on property as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining 50% is considered to be applied to finance the budget for subsequent years.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and, therefore, is not susceptible to accrual, has been reported as deferred inflows of resources 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."

Proprietary Funds Revenue and Expense Classifications

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Cash, Cash Equivalents, and Investments

The School District pools its cash resources for deposit and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported enterprise fund deposit balances are considered to be cash equivalents for the purpose of the statement of cash flows. For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in external investment pools, are also considered to be cash equivalents.

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

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 (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net assets with constraints 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 assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

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

Application of Net Position

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

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted 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 government would first use committed, then assigned, and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

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

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS), and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, so, will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and, so, will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and other revenue streams on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension asset not included in pension expense reported in the government-wide statement of net position.

Compensated Absences

Employees of the School District are entitled to paid personal and sick days depending on job classification and other factors. A small portion of certain leave types are allowed to be carried over to the next year. Accumulated personal days are not paid upon separation or retirement.

Employees earn sick leave in amounts varying by classification. Unused sick leave accumulates but is not reimbursed upon separation or retirement. In accordance with GASB 101, a liability is recognized when it is probable that employees will use accumulated sick leave. Based on the School District's leave accrual patterns and using a LIFO (last-in, first-out) assumption, the amount of accumulated sick leave expected to result in future absences does not have a significant impact on the School District's financial statements. Accordingly, no liability for personal and sick leave is recognized.

Adoption of New Standards

As of July 1, 2024, the School District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the School District's financial statements as a result of the implementation of this standard.

As of July 1, 2024, the School District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure.

Note 2 - Deposits and Investments Credit Risk, Concentrations of Credit Risk, Interest Rate Risk, and Fair Value Measurements

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

Deposits

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

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

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit income from investments in each respective fund.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may deposit in any one financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District's deposit policy requires deposits in excess of the depository insurance maximums to be 100% collateralized as required by South Dakota Codified Law. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2025, the financial institution that holds the School District's deposits was properly collateralized. South Dakota FIT is not FDIC insured.

The actual bank balances at June 30, 2025, were as follows:

Insured (FDIC/NCUA)	\$ 29,995,457
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	88,862
	<u>\$ 30,084,319</u>

Reconciliation of deposits to the government-wide statement of net position is as follows:

Cash and Cash Equivalents	\$ 40,231,372
Add: Private purpose trust fund cash (not included in government-wide statement of net position)	60,234
Add: Private purpose trust fund CDs (not included in government-wide statement of net position)	94,376
Less: SDFIT deposits included in cash and cash equivalents	<u>(10,321,352)</u>
School District's carrying amount of deposits at June 30, 2025	<u>\$ 30,064,630</u>

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 (c) 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.

The South Dakota Public Fund Investment Trust (SDFIT) Government Cash Reserve Fund (GCR) is an unrated, external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. At June 30, 2025, the School District held \$10,321,352 in the SDFIT GCR.

The net asset value (NAV) of the SDFIT GCR is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. Since the School District has ready access to the cash, it is reported as cash and cash equivalents. The redemption frequency and redemption notice period are 1 day.

The objective of the GCR is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for South Dakota public agencies under South Dakota law. The GCR is authorized by investment policy and statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities, and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities, and that GCR's custodian takes delivery of the collateral either directly or through an authorized custodian.

Custodial Credit Risk Investments: The risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk.

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

Credit Risk: State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2025, the School District's investment in the SDFIT GCR was unrated.

Concentration of Credit Risk: The School District places no limit on the amount that the School District may invest in any one issuer. One hundred percent of the School District's investments are in the SDFIT GCR.

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District invests in non-negotiated certificates of deposit and fixed annuity funds in the private purpose trust funds. The nonnegotiated certificates of deposit are valued at amortized cost, and the fixed annuity fund is valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market rate assumptions, and is classified within Level 2.

The School District has the following recurring fair value measurements as of June 30, 2025.

	Total	Level 1	Level 2	Level 3
RiverSource Fixed Annuity	\$ 10,329	\$ -	\$ 10,329	\$ -
Non-negotiated certificates of deposit (at amortized cost)	94,376	-	-	-
	<u>\$ 104,705</u>	<u>\$ -</u>	<u>\$ 10,329</u>	<u>\$ -</u>

Note 3 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectible receivables have been established. The School District has \$613,220 due from the state and \$268,749 from the county in the General Fund, \$307,999 due from the state in the Capital Outlay Fund, and \$164,751 due from the state in the Special Education Fund as of June 30, 2025.

Note 4 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Capital assets not being depreciated				
Land	\$ 84,143	\$ -	\$ -	\$ 84,143
Construction in process	2,193,901	3,770,109	5,910,619	53,391
Total not being depreciated	<u>2,278,044</u>	<u>3,770,109</u>	<u>5,910,619</u>	<u>137,534</u>
Capital assets being depreciated				
Buildings	20,290,283	-	-	20,290,283
Improvements	7,852,233	5,947,504	-	13,799,737
Machinery and equipment	5,260,190	260,522	134,145	5,386,567
Total being depreciated	<u>33,402,706</u>	<u>6,208,026</u>	<u>134,145</u>	<u>39,476,587</u>
Less accumulated depreciation for				
Buildings	8,584,672	326,730	-	8,911,402
Improvements	2,904,950	497,456	-	3,402,406
Machinery and equipment	3,911,556	250,228	134,145	4,027,639
Total accumulated depreciation	<u>15,401,178</u>	<u>1,074,414</u>	<u>134,145</u>	<u>16,341,447</u>
Total capital assets being depreciated, net	<u>18,001,528</u>	<u>5,133,612</u>	<u>-</u>	<u>23,135,140</u>
Governmental activity capital assets, net	<u>\$ 20,279,572</u>	<u>\$ 8,903,721</u>	<u>\$ 5,910,619</u>	<u>\$ 23,272,674</u>

Depreciation expense was charged to functions as follows:

Governmental activities				
Instruction				\$ 513,990
Support services				267,774
Co-curricular				292,650
				<u> </u>
Total depreciation expense - governmental activities				<u>\$ 1,074,414</u>

<u>Business-Type Activities</u>	<u>Balance 7/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2025</u>
Capital assets being depreciated				
Machinery and equipment	\$ 421,974	\$ -	\$ 4,347	\$ 417,627
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total being depreciated	421,974	-	4,347	417,627
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less accumulated depreciation for				
Machinery and equipment	296,831	11,455	4,347	303,939
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	296,831	11,455	4,347	303,939
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets being depreciated, net	125,143	(11,455)	-	113,688
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activities capital assets, net	\$ 125,143	\$ (11,455)	\$ -	\$ 113,688
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Depreciation expense was charged to functions as follows:

Business-type activities				
Food services				\$ 11,455
				<u> </u>
Total depreciation expense - business-type activities				<u>\$ 11,455</u>

Note 5 - Long-Term Liabilities

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

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>	<u>Due in One Year</u>
Governmental activities					
Retirement bonus	\$ 10,282	\$ 29,025	\$ 10,282	\$ 29,025	\$ 21,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 10,282	\$ 29,025	\$ 10,282	\$ 29,025	\$ 21,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

<u>Year Ending</u>	<u>Retirement Bonus</u>	<u>Total</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 21,886	\$ 21,886	\$ -
2027	7,139	7,139	-
	<u>\$ 29,025</u>	<u>\$ 29,025</u>	<u>\$ -</u>

Note 6 - Retirement Bonus Policy

The School District has a retirement bonus policy in which the employee will receive a benefit calculated based on a standard formula in place based on certain requirements being met. The employee must meet the following criteria: the employee must qualify for state retirement and have served the School District for at least fifteen years. The maximum number of instructional staff recipients approved in any one year shall not exceed five. If more than five employees ask for the bonus, the School Board has the discretion to grant or deny more than five. Those with the greatest number of years of service shall receive first consideration to determine the priority of the recipients.

Note 7 - Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the statement of net position as of June 30:

<u>Fund</u>	<u>Restricted By</u>	<u>2025</u>
Special Education	Law	\$ 1,416,816
Capital Outlay	Law	10,364,035
SDRS Pension Plan	Pension Plan	772,466
Total restricted net position		<u>\$ 12,553,317</u>

Note 8 - Interfund Transfers

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

<u>Transfers From</u>	<u>Transfers To</u>		<u>Total</u>
	<u>Other Enterprise Fund</u>	<u>Food Service Fund</u>	
Major Funds:			
General Fund	\$ 55,000	5,328	\$ 60,328

The transfers from the General Fund to the Other Enterprise Fund and Food Service Fund were made to supplement operations.

Note 9 - Risk Management

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

The School District is a member of the South Dakota School District Health Benefits Fund (SD SDBF). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for a \$1,500 to \$3,500 deductible per person up to \$3,000 to \$7,000 per family, with annual out-of-pocket maximums up to \$6,000 to \$12,500 per family and no lifetime maximum per person.

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

Liability Insurance

The School District purchases liability insurance for risks related to property, general liability, crime, errors and omissions, commercial auto, and cyber liability from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation

The School 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 provided workers' compensation insurance coverage for participating members of the pool. The objective of the pool is to formulate, develop and administer, on behalf of the member organizations, a program of workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program, to give its employees safe and sanitary working conditions, and to promptly report to, and cooperate with, the pool to resolve any workers' compensation claims. The School District pays an annual premium to provide workers' 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 pool members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool-retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk.

The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

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

Unemployment Benefits

The School 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.

Note 10 - Contingencies

From time to time, the School District is involved in various litigation. As of June 30, 2025, there was no outstanding litigation for which there is a probable or reasonably possible likelihood of an unfavorable outcome for the School District.

Amounts received or receivables from federal or state agencies are subject to agency audit and adjustments. Any disallowed costs, including amount already collected, may constitute a liability of the applicable funds. The amounts, if any, of funds which may be disallowed by the agencies cannot be determine at this time. The School District believes, however, that any liability it may incur would not have a material adverse effect on its financial condition or its results of operations.

Note 11 - Pension Plan

Plan Information

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid, defined-benefit plan designed with several defined contribution plan-type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota, 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 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 retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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. The VRAs will receive investment earnings based on investment returns.

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

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5% 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% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% 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 School District's share of contributions to the SDRS for the fiscal years ended June 30, 2025, 2024, and 2023, were \$499,626, \$481,783, and \$433,969, respectively, equal to the required contributions each year.

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

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

Proportionate share of pension liability	\$ 42,698,153
Less proportionate share of net pension restricted for pension benefits	<u>42,709,739</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (11,586)</u></u>

At June 30, 2025, the School District reported a liability (asset) of \$(11,586) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2024, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the School District's proportion was 0.286214%, which is an increase of 0.005803% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized pension expense (reduction of pension expense) of \$299,386. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,072,859	\$ -
Changes in assumption	191,017	1,456,039
Net difference between projected and actual earnings on pension plan investments	436,410	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	25,782	8,775
School District contributions subsequent to the measurement date	<u>499,626</u>	<u>-</u>
Total	<u><u>\$ 2,225,694</u></u>	<u><u>\$ 1,464,814</u></u>

There is \$499,626 reported as deferred outflow of resources related to pensions resulting from School 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) as follows:

<u>Year Ended June 30:</u>	
2026	\$ (396,826)
2027	566,381
2028	57,588
2029	<u>34,111</u>
Total	<u>\$ 261,254</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 COLAs	1.71%

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. 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 Change in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	\$ 5,887,313	\$ (11,586)	\$ (4,838,722)

Pension Plan Fiduciary Net Position

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

Note 12 - Commitments

As of year-end, the School District has committed to a phase III roofing project and a Ben Reifel gymnasium master plan for approximate totals of \$317,759 and \$24,500, respectively, of which \$41,141 and 12,250, respectively, have been accrued at year-end and are included in construction in progress. These will be paid for by local funds. As of year-end, the School District has committed to a bus purchase for an approximate total of \$136,548.

Required Supplementary Information
June 30, 2025

Sisseton School District 54-2

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 2,205,790	\$ 2,205,790	\$ 2,257,672	\$ 51,882
1120 Prior year's ad valorem taxes	25,000	25,000	27,979	2,979
1140 Gross receipts taxes	420,000	420,000	453,395	33,395
1190 Penalties and interest on taxes	10,000	10,000	10,370	370
1300 Tuition and fees				
1360 Regular day school transportation fees	88,500	88,500	115,532	27,032
1500 Earnings on investments and deposits	250	250	756,375	756,125
1700 Co-curricular activities				
1710 Admissions	31,000	31,000	33,186	2,186
1740 Rentals	-	-	16,730	16,730
1790 Other pupil activity	36,000	36,000	126,757	90,757
1900 Other revenue from local sources				
1920 Contributions and donations	14,000	-	-	-
1950 Refund of prior years' expenditures	16,000	16,000	10,402	(5,598)
1960 Judgments	50	50	-	(50)
1970 Charges for services	20,000	20,000	16,288	(3,712)
1990 Other	3,050	3,050	4,801	1,751
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	235,000	235,000	335,848	100,848
2200 Revenue in lieu of taxes	500	500	-	(500)
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	4,219,448	4,219,448	4,295,582	76,134
3120 Restricted grants-in-aid	8,000	8,000	8,030	30
3900 Other state revenue	100	100	-	(100)
4000 Revenue from federal sources				
4100 Grants-in-aid				
4110 Unrestricted grants-in-aid received directly from federal government	2,350,000	2,350,000	5,112,240	2,762,240
4140 Restricted grants-in-aid received directly from federal government	153,646	153,646	113,367	(40,279)
4150-4199 Restricted grants-in-aid received from federal government through the state	5,252,052	2,103,988	1,754,692	(349,296)
4900 Other federal revenue	13,000	13,000	11,635	(1,365)
Total revenues	<u>15,101,386</u>	<u>11,939,322</u>	<u>15,460,881</u>	<u>3,521,559</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	2,772,453	2,933,426	1,853,160	1,080,266
1120 Middle/junior high	1,786,729	1,803,756	1,407,842	395,914
1130 High school	2,100,870	2,137,806	1,623,079	514,727
1200 Special programs				
1220 Programs for special education	2,000	2,000	-	2,000
1250 Culturally different	153,965	153,965	110,602	43,363
1270 Educationally deprived	961,245	961,245	766,336	194,909
1300 Adult continuing education programs	6,675	6,675	-	6,675
2000 Support services				
2100 Pupils				
2110 Attendance and social work	199,807	199,807	54,924	144,883
2120 Guidance	358,250	358,250	235,096	123,154
2130 Health	152,055	152,055	97,029	55,026
2200 Support services - instructional staff				
2210 Improvement of instruction	243,500	243,500	129,776	113,724
2220 Educational media	397,833	425,664	294,621	131,043
2300 Support services - general administration				
2310 Board of Education	177,576	177,576	108,817	68,759
2320 Executive administration	299,920	299,920	255,718	44,202
2400 Support services - school administration				
2410 Office of the Principal	942,924	950,172	713,506	236,666
2440 Title I program administration	-	-	63,167	(63,167)
2490 Other school administrative	9,570	9,570	1,402	8,168
2500 Support services - business				
2520 Fiscal services	483,540	483,540	390,263	93,277
2530 Facilities acquisition and construction	4,905,202	1,483,633	-	1,483,633
2540 Operation and maintenance of plant	2,031,000	2,041,515	1,430,001	611,514
2550 Pupil transportation	1,143,655	1,143,655	945,553	198,102
2560 Food services	1,500	1,500	60,665	(59,165)
2590 Other	42,000	42,000	1,537	40,463
2600 Support services - central				
2640 Staff	1,900	1,900	4,636	(2,736)
3000 Community services				
3200 Recreation	22,715	22,715	7,763	14,952
4000 Non-programmed charges				
4500 Early retirement payments	10,282	10,282	10,282	-
6000 Co-curricular activities				
6100 Male activities	206,440	206,440	113,488	92,952
6200 Female activities	199,625	205,437	146,425	59,012
6900 Combined activities	271,760	278,923	218,931	59,992
7000 Contingencies	25,000	25,000	-	25,000
Amount transferred	-	-	-	-
Total expenditures	<u>19,909,991</u>	<u>16,761,927</u>	<u>11,044,619</u>	<u>5,717,308</u>
Excess of Revenues over (under) Expenditures	<u>(4,808,605)</u>	<u>(4,822,605)</u>	<u>4,416,262</u>	<u>9,238,867</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfers in	250,000	250,000	-	(250,000)
8110 Transfers out	(397,750)	(397,750)	(60,328)	337,422
5130 Sale of surplus property	500	500	32	(468)
Total other financing sources (uses)	<u>(147,250)</u>	<u>(147,250)</u>	<u>(60,296)</u>	<u>86,954</u>
Net Change in Fund Balances	(4,955,855)	(4,969,855)	4,355,966	9,325,821
Fund Balance - Beginning	<u>23,375,691</u>	<u>23,375,691</u>	<u>23,375,691</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 18,419,836</u>	<u>\$ 18,405,836</u>	<u>\$ 27,731,657</u>	<u>\$ 9,325,821</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 1,925,000	\$ 1,925,000	\$ 1,906,712	\$ (18,288)
1120 Prior year's ad valorem taxes	13,000	13,000	12,238	(762)
1190 Penalties and interest on taxes	6,000	6,000	5,227	(773)
1500 Earnings on investments and deposits	25,000	25,000	256,425	231,425
1900 Other revenue:				
1950 Refund of prior years' expenditures		-	6,565	6,565
4000 Revenue from federal sources				
4100 Grants-in-aid				
4110 Unrestricted grants-in-aid received directly from federal government	-	-	89,937	89,937
4150-4199 Restricted grants-in-aid received from federal government through the state	-	3,421,569	3,423,008	1,439
Total revenues	<u>1,969,000</u>	<u>5,390,569</u>	<u>5,700,112</u>	<u>309,543</u>
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	108,634	108,634	-	108,634
1120 Middle school	94,064	89,732	4,049	85,683
1130 High school	41,211	41,211	17,129	24,082
1200 Special programs				
1220 Programs for special education	31,400	31,400	-	31,400
2000 Support services				
2100 Students				
2120 Guidance	2,550	2,550	-	2,550
2130 Health	1,000	1,000	-	1,000
2140 Psychological	1,500	1,500	-	1,500
2150 Speech pathology	3,400	3,400	-	3,400
2170 Student therapy services	850	850	-	850
2200 Support services - instructional staff				
2220 Educational media	23,700	23,700	7,571	16,129
2300 Support services - general administration				
2320 Executive administration	2,500	2,500	-	2,500
2400 Support services - school administration				
2410 Office of the Principal	17,300	17,300	2,389	14,911
2500 Support services - business				
2520 Fiscal services	8,200	8,200	-	8,200
2530 Facilities acquisition and construction	1,546,500	4,968,069	3,777,109	1,190,960
2540 Operation and maintenance of plant	1,325,038	1,325,038	162,781	1,162,257
2550 Transportation	255,000	255,000	178,715	76,285
2560 Food services	5,850	5,850	-	5,850
2700 Support services - special education				
2710 Administrative costs	9,100	9,100	4,150	4,950
2750 Other special education costs	-	4,332	4,332	-
6000 Co-curricular activities				
6100 Male activities	25,250	33,793	31,704	2,089
6200 Female activities	33,300	33,300	17,035	16,265
6900 Combined activities	19,450	10,907	3,861	7,046
Total expenditures	<u>3,555,797</u>	<u>6,977,366</u>	<u>4,210,825</u>	<u>2,766,541</u>
Excess of Revenues over (under) Expenditures	<u>(1,586,797)</u>	<u>(1,586,797)</u>	<u>1,489,287</u>	<u>3,076,084</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
5110 Transfers in	250,000	250,000	-	(250,000)
8110 Transfers out	(250,000)	(250,000)	-	250,000
5130 Sale of surplus property	1,000	1,000	6,435	5,435
Total other financing sources	1,000	1,000	6,435	5,435
Net Change in Fund Balances	(1,585,797)	(1,585,797)	1,495,722	3,081,519
Fund Balance - Beginning	8,820,562	8,820,562	8,820,562	-
Fund Balance - Ending	<u>\$ 7,234,765</u>	<u>\$ 7,234,765</u>	<u>\$ 10,316,284</u>	<u>\$ 3,081,519</u>

Sisseton School District 54-2
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	\$ 1,339,879	\$ 1,339,879	\$ 1,379,920	\$ 40,041
1120 Prior year's ad valorem taxes	9,000	9,000	8,909	(91)
1190 Penalties and interest on taxes	4,500	4,500	3,807	(693)
1300 Tuition and fees				
1500 Earnings on investments and deposits	5,000	5,000	42,051	37,051
1900 Other revenue from local sources				
1950 Refund of prior years' expenditures	-	-	100	100
1970 Charges for services	15,000	15,000	24,204	9,204
3000 Revenue from state sources				
3100 Grants-in-aid				
3120 Restricted grants-in-aid	732,683	732,683	-	(732,683)
4000 Revenue from federal sources				
4100 Grants-in-aid				
4110-4140 Restricted grants-in-aid received directly from federal government	105,000	105,000	155,184	50,184
4150-4199 Restricted grants-in-aid received from federal government through the state	428,383	428,383	407,217	(21,166)
Total revenues	2,639,445	2,639,445	2,021,392	(618,053)
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	2,034,355	2,034,355	1,314,889	719,466
2000 Support services				
2100 Pupils				
2110 Attendance and social work	-	-	1,265	(1,265)
2140 Psychological	218,838	218,838	216,291	2,547
2150 Speech pathology	420,400	420,400	323,358	97,042
2170 Student therapy services	215,440	215,440	171,719	43,721
2200 Support services - instructional staff				
2210 Improvement of instruction	8,095	8,095	2,499	5,596
2700 Support services - special education				
2710 Administration costs	121,939	121,939	79,054	42,885
2730 Transportation costs	25,750	25,750	43,981	(18,231)
2750 Other special education costs	4,000	4,000	8,431	(4,431)
Total expenditures	3,048,817	3,048,817	2,161,487	887,330
Excess of Revenues over (under) Expenditures	(409,372)	(409,372)	(140,095)	269,277
Net Change in Fund Balances	(409,372)	(409,372)	(140,095)	269,277
Fund Balance - Beginning	1,522,030	1,522,030	1,522,030	-
Fund Balance - Ending	<u>\$ 1,112,658</u>	<u>\$ 1,112,658</u>	<u>\$ 1,381,935</u>	<u>\$ 269,277</u>

Note 1 - Basis of Presentation

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. The budgetary comparison schedules have been prepared on the budgetary basis of accounting. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate.

Note 2 - Budgets and Budgetary Accounting

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

1. Prior to the first regular School 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 at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be 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 adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, capital project funds and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and special revenue funds of the School District only.

Schedule of Employer's Share of Net Pension Liability (Asset)

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SDRS	6/30/2025	0.2862%	\$ (11,586)	\$ 8,029,709	-0.1%	100.00%
SDRS	6/30/2024	0.2804%	(27,370)	7,232,812	-0.4%	101.10%
SDRS	6/30/2023	0.2984%	(28,202)	7,125,631	-0.4%	101.10%
SDRS	6/30/2022	0.3025%	(2,316,410)	6,864,047	-33.8%	105.52%
SDRS	6/30/2021	0.3026%	(13,142)	6,641,219	-0.2%	100.04%
SDRS	6/30/2020	0.2976%	(31,538)	6,327,699	-0.5%	100.09%
SDRS	6/30/2019	0.2974%	(6,937)	6,181,663	-0.1%	100.02%
SDRS	6/30/2018	0.2983%	(27,073)	6,061,340	-0.4%	100.10%
SDRS	6/30/2017	0.3071%	1,037,486	5,840,240	17.8%	96.89%
SDRS	6/30/2016	0.3404%	(1,443,647)	6,214,846	-23.2%	104.10%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability (asset) which is June 30 of the preceding fiscal year.

Schedule of Employer's Contributions

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2025	\$ 499,626	\$ 499,626	\$ -	\$ 8,327,084	6.0%
SDRS	6/30/2024	481,783	481,783	-	8,029,709	6.0%
SDRS	6/30/2023	433,969	433,969	-	7,232,812	6.0%
SDRS	6/30/2022	427,538	427,538	-	7,125,631	6.0%
SDRS	6/30/2021	411,843	411,843	-	6,864,047	6.0%
SDRS	6/30/2020	398,473	398,473	-	6,641,219	6.0%
SDRS	6/30/2019	379,662	379,662	-	6,327,699	6.0%
SDRS	6/30/2018	371,021	371,021	-	6,181,663	6.0%
SDRS	6/30/2017	363,681	363,681	-	6,061,340	6.0%
SDRS	6/30/2016	350,415	350,415	-	5,840,240	6.0%

Notes to Required Supplementary Information

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

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



**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***

To the School Board
Sisseton School District 54-2
Sisseton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sisseton School District 54-2 (the School District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated March 4, 2026.

Report on Internal Control over Financial Reporting

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

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs listed as 2025-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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*.

The School District's Response to Findings

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

Purpose of this Report

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



Aberdeen, South Dakota
March 4, 2026



**Independent Auditor’s Report on Compliance for each Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance**

The School Board
Sisseton School District 54-2
Sisseton, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sisseton School District 54-2’s (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2025. The School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Aberdeen, South Dakota
March 4, 2026

Sisseton School District 54-2
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Financial Assistance Listing</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Pass-Through the SD Department of Education Child Nutrition Cluster			
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555	*	\$ 46,087
Cash Assistance			
School Breakfast Program	10.553	2025G-CANS54002	91,657
National School Lunch Program	10.555	2025G-CANS54002	375,672
Supply Chain Assistance	10.555	*	1,512
Fresh Fruit and Vegetable Program	10.582	2025G-FFVP54002	26,047
Summer Food Service Program for Children	10.559	2025G-SFSP54002	17,115
Total for Child Nutrition Cluster			<u>558,090</u>
Total Department of Agriculture			<u>558,090</u>
<u>Department of the Interior</u>			
Pass-Through Roberts County National Wildlife Refuge Fund	15.659	*	4,486
Pass-Through Marshall County National Wildlife Refuge Fund	15.659	*	6,349
Total Department of the Interior			<u>10,835</u>
<u>Department of Labor</u>			
Pass-Through SD Department of Education Registered Apprenticeship	17.285	*	800
<u>Department of Education</u>			
Direct Federal Funding			
Impact Aid	84.041	N/A	2,948,876
Indian Education - Grants to Local Educational Agencies	84.060	N/A	113,367
Pass-Through the Office of Special Education and Rehabilitative Services Rehabilitation Services - Vocational Rehabilitation Grants to States State of SD Department of Human Services	84.126	*	21,747
Total Office of Special Education and Rehabilitative Services			<u>21,747</u>
Pass-Through the SD Department of Education Title I Grants to Local Educational Agencies Special Education Cluster	84.010	2025G-GMS54002	954,373
Special Education - Grants to States	84.027	2025G-GMS54002	363,175
Special Education - Preschool Grants	84.173	2025G-GMS54002	12,449
Total for Special Education Cluster			<u>375,624</u>
Special Education - Grants for Infants and Families	84.181	2025G-GMS54002	6,341
Career and Technical Education - Basic Grants to States	84.048	2025G-GMS54002	30,215
Rural Education	84.358	*	6,457
Improving Teacher Quality State Grants	84.367	*	185,885
Title IV Student Support and Academic Enrichment Program	84.424	2025G-GMS54002	68,286
Student Support and Academic Enrichment Program	84.424F	2024G-173	59,020
Educational Stabilization Fund Elementary and Secondary Schools Emergency Relief Fund ARPA	84.425U	2021G-ARP54002	3,852,088
Total SD Department of Education			<u>5,538,289</u>
Total Department of Education			<u>8,622,279</u>
Total Federal Financial Assistance			<u>\$ 9,192,004</u>

* - Pass Through Number not provided.

See Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Sisseton School District 54-2 (the School District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to, and does not, present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting for all funds. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The School District does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4 - Food Donation

Non-monetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the School District had food commodities totaling \$9,466 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Title I Grants to Local Educational Agencies Educational Stabilization Fund	84.010
COVID-19 - Educational Stabilization Fund Elementary and Secondary Schools Emergency Relief Fund (ARPA)	84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2025-001 Lack of Segregation of Duties

Significant Deficiency

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: Sisseton School District 54-2 (the School District) does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Cause: The School District's system of internal controls is not adequately designed so that duties are appropriately segregated.

Effect: This condition increases the risk that fraud or errors might occur in the financial reporting process and not be detected.

Recommendation: We recommend that the School District consider changes to the system of internal controls so that incompatible duties are appropriately segregated within the revenue, expenditures, and payroll functions. Additionally, we recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.

Finding 2025-002 Preparation of Financial Statements, Footnotes, and Significant Journal Entries

Material Weakness

Criteria: The School District's internal control structure should be designed to provide for the preparation of the financial statements and footnotes, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: Sisseton School District 54-2 requested the external auditors to assist in the preparation of the financial statements and related footnotes for the year ended June 30, 2025. As part of the financial statement preparation process, at times, we propose material audit adjustments that are not identified as a result of the School District's existing internal controls and, therefore, could result in a misstatement to the School District's financial statements.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements and footnotes, and could cause the need for auditors to, at times, propose material journal entries.

Effect: This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None reported.

SISSETON SCHOOL DISTRICT 54-2

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Eric B. Dahl, Activities Director

Cory J. Kranhold, Technology Director

Dr. Jennifer S. Heath, Special Services Director

Dr. Tammy L. Meyer, Superintendent

Lori A. Kuschel, Business Manager

James D. Frederick, HS Principal

Joann F. Curran, MS Principal

Dr. April D. Moen, Elem. Principal

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2025

Prepared by Management of
Sisseton School District 54-2

Financial Statement Findings

Finding 2024-001 Lack of Segregation of Duties

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: The School District does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Status: Ongoing. We will continue to examine and modify our internal control procedures to improve segregation of duties.

Finding 2024-002 Preparation of Financial Statements and Footnotes, Significant Journal Entries and Adjustment to Schedule of Expenditures of Federal Awards

Initial Fiscal Year Finding Occurred: 2016

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements, which included proposing significant journal entries, including restatements of beginning balances.

Status: Partially Resolved. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements but did not have adjustments to the Schedule of Expenditures of Federal Awards in the current year so consider that part resolved.

Financial Statement Findings

Finding 2025-001 Lack of Segregation of Duties

Finding Summary: The School District does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: We will continue to examine and modify our internal control procedures to improve segregation of duties.

Anticipated Completion Date: Ongoing

Finding 2025-002 Preparation of Financial Statements, Footnotes and Significant Journal Entries

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements. The Schedule of Expenditures of Federal Awards was also adjusted to reflect current year expenditures.

Responsible Individuals: Lori Kuschel, Business Manager

Corrective Action Plan: It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date: Ongoing