Financial Statements
June 30, 2025

Warner School District 6-5

Independent Auditor's Report

To the School Board
Warner School District 6-5
Warner, 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, and each major fund of the Warner School District 6-5 (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, and each major fund 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.

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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 schedule of changes in the School District's total OPEB liability and related ratios, budgetary comparison 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 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, 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.

Eide Bailly LLP

Aberdeen, South Dakota
June 3, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 2,056,867	$ 6,881	$ 2,063,748
Investments	387,890	-	387,890
Taxes receivable	761,195	-	761,195
Due from other governments	84,411	-	84,411
Inventories	-	4,937	4,937
Net pension asset	2,635	97	2,732
Internal balances	46,978	(46,978)	-
Other assets	111,041	-	111,041
Capital assets			
Land and land improvements	43,728	-	43,728
Right-to-use leased assets, net of amortization	18,304	-	18,304
Other capital assets, net of depreciation	8,927,642	26,336	8,953,978
Total assets	12,440,691	(8,727)	12,431,964
Deferred Outflows of Resources			
OPEB related deferred outflows	65,451	-	$ 65,451
Pension related deferred outflows	503,725	18,507	522,232
	$ 13,009,867	$ 9,780	$ 13,019,647
Liabilities			
Accounts payable	$ 43,006	$ 6,551	$ 49,557
Other current liabilities	310,023	16,225	326,248
Noncurrent liabilities			
Due in more than one year - OPEB	122,060	-	122,060
Due within one year	125,691	-	125,691
Due in more than one year	1,212,878	-	1,212,878
Total liabilities	1,813,658	22,776	1,836,434
Deferred Inflows of Resources			
OPEB related deferred inflows	7,646	-	7,646
Pension related deferred inflows	331,475	12,178	343,653
Taxes levied for future period	904,051	-	904,051
Total deferred inflows of resources	1,243,172	12,178	1,255,350
Net Position			
Net investment in capital assets	7,651,105	26,336	7,677,441
Restricted for			
Capital Outlay	1,021,029	-	1,021,029
Special Education	261,641	-	261,641
Capital Projects	92,931	-	92,931
SDRS Benefits	174,885	6,426	181,311
Bond Redemption	32,815	-	32,815
Northern High Tech Consortium	1,559	-	1,559
Unrestricted	717,072	(57,936)	659,136
Total net position	9,953,037	(25,174)	9,927,863
	$ 13,009,867	$ 9,780	$ 13,019,647

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
Instruction	$ 2,327,364	$ 7,548	$ 479,598	$ 2,074	$ (1,838,144)	$ -	$ (1,838,144)
Support services	1,630,985	1,587	-	-	(1,629,398)	-	(1,629,398)
*Interest on long-term debt	39,674	-	-	-	(39,674)	-	(39,674)
Co-curricular activities	415,829	37,872	-	-	(377,957)	-	(377,957)
Total governmental activities	4,413,852	47,007	479,598	2,074	(3,885,173)	-	(3,885,173)
Business-type activities							
Food service	236,573	150,772	-	-	-	(85,801)	(85,801)
Preschool	2,842	2,930	-	-	-	88	88
Drivers education	6,550	6,575	-	-	-	25	25
Total business-type activities	245,965	160,277	-	-	-	(85,688)	(85,688)
Total primary government	$ 4,659,817	$ 207,284	$ 479,598	$ 2,074	(3,885,173)	(85,688)	(3,970,861)
General Revenues							
Taxes							
Property taxes					1,772,280	-	1,772,280
Gross receipts taxes					35,272	-	35,272
Revenue from state sources							
State aid					2,102,196	-	2,102,196
Other					-	502	502
Revenue from federal sources					964	47,885	48,849
Unrestricted investment earnings					12,185	40	12,225
Other general revenues					259,843	-	259,843
Total general revenues, transfers, and sale of surplus property					4,182,740	48,427	4,231,167
Change in Net Position					297,567	(37,261)	260,306
Net Position - Beginning					9,655,470	12,087	9,667,557
Net Position - Ending					$ 9,953,037	$ (25,174)	$ 9,927,863

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

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Funds
Assets							
Cash and cash equivalents	$ 592,456	$ 1,102,730	$ 319,491	$ 42,132	$ 58	$ -	$ 2,056,867
Investments	387,890	-	-	-	-	-	387,890
110 Taxes receivable - current	249,962	310,679	148,753	47,814	-	-	757,208
112 Taxes receivable - delinquent	1,527	1,526	680	254	-	-	3,987
120 Accounts receivable, net	-	-	-	-	-	93,173	93,173
130 Due from (to) other funds	47,220	-	-	-	-	(242)	46,978
140 Due from other government	82,879	-	31	-	1,501	-	84,411
192 Prepaid insurance expense	17,125	-	743	-	-	-	17,868
	$ 1,379,059	$ 1,414,935	$ 469,698	$ 90,200	$ 1,559	$ 92,931	$ 3,448,382
Liabilities							
402 Accounts payable	$ 20,424	$ 22,189	$ 393	$ -	$ -	$ -	$ 43,006
404 Contracts payable	226,431	-	17,271	-	-	-	243,702
450 Payroll deductions, withholdings, and employer matching payable	57,698	-	8,623	-	-	-	66,321
Total liabilities	304,553	22,189	26,287	-	-	-	353,029
Deferred Inflows of Resources							
551 Unavailable revenue - delinquent property taxes	1,527	1,526	680	254	-	-	3,987
551 Taxes levied for a future period	293,179	371,717	181,770	57,385	-	-	904,051
559 Other	-	-	-	-	-	93,173	93,173
Total deferred inflows of resources	294,706	373,243	182,450	57,639	-	93,173	1,001,211
Fund Balances							
710 Non-spendable	17,125	-	743	-	-	-	17,868
720 Restricted for							
Capital Outlay	-	1,019,503	-	-	-	-	1,019,503
Special Education	-	-	260,218	-	-	-	260,218
Northern High Tech Consortium	-	-	-	-	1,559	-	1,559
Debt Service	-	-	-	32,561	-	-	32,561
Capital Projects	-	-	-	-	-	-	-
760 Unassigned	762,675	-	-	-	-	(242)	762,433
Total fund balances (deficit)	779,800	1,019,503	260,961	32,561	1,559	(242)	2,094,142
	$ 1,379,059	$ 1,414,935	$ 469,698	$ 90,200	$ 1,559	$ 92,931	$ 3,448,382

Total Fund Balances - Governmental Funds	$ 2,094,142
Amounts Reported for Governmental Activities in the Statement of Net Position is Different Because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	8,989,674
Long-term liabilities, including bonds payable, direct financing obligations and finance leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,338,569)
Assets such as delinquent taxes receivable and amounts due that are not available to pay for current period expenditures are deferred in the funds.	3,987
Assets such as pledges receivable are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	93,173
OPEB obligations, related deferred outflows/inflows of resources, and OPEB related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	(64,255)
Net pension asset/liability, pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	174,885
Net Position - Governmental Funds	$ 9,953,037

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Governmental Funds
Revenues							
1000 Revenue from local sources							
1100 Taxes							
1110 Ad valorem taxes	$ 581,164	$ 722,436	$ 344,451	$ 114,132	$ -	$ -	$ 1,762,183
1120 Prior year's ad valorem taxes	5,026	3,113	1,370	514	-	-	10,023
1140 Utility taxes	35,272	-	-	-	-	-	35,272
1190 Penalties and interest on taxes	881	737	334	120	-	-	2,072
1300 Tuition and fees	7,548	-	-	-	-	-	7,548
1500 Earnings on investments and deposits	10,647	1,094	378	53	13	-	12,185
1700 Co-curricular activities							
1710 Admissions	34,998	-	-	-	-	-	34,998
1740 Rentals	539	-	-	-	-	-	539
1790 Other pupil activity income	2,335	-	-	-	-	-	2,335
1900 Other revenue from local sources							
1920 Contributions and donations	667	2,000	-	-	10,500	59,079	72,246
1970 Charges for services	1,587	-	-	-	-	-	1,587
1990 Other	227,571	4,220	31	-	-	-	231,822
2000 Revenue from intermediate sources							
2100 County sources							
2110 County apportionment	15,863	-	-	-	-	-	15,863
2200 Revenue in lieu of taxes	41	75	35	12	-	-	163
3000 Revenue from state sources							
3100 Grants-in-aid							
3110 Unrestricted grants-in-aid	2,102,196	-	-	-	-	-	2,102,196
4000 Revenue from federal sources							
4100 Grants-in-aid							
4140 Restricted grants-in-aid received directly from federal government	-	177,137	-	-	-	-	177,137
4150-4199 Restricted grants-in-aid received from federal government through the state	102,029	154,230	-	-	35,035	-	291,294
4900 Other federal revenue	964	-	-	-	-	-	964
Total revenues	3,129,328	1,065,042	346,599	114,831	45,548	59,079	4,760,427

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Governmental Funds
Expenditures							
1000 Instruction							
1100 Regular programs							
1110 Elementary	695,629	2,320	-	-	-	-	697,949
1120 Middle school	346,363	3,680	-	-	-	-	350,043
1130 High school	720,446	10,486	-	-	45,603	-	776,535
1200 Special programs							
1220 Programs for special education	-	-	235,884	-	-	-	235,884
1270 Educationally deprived	55,542	-	-	-	-	-	55,542
2000 Support services							
2100 Pupils							
2120 Guidance	53,469	-	-	-	-	-	53,469
2130 Health	492	-	-	-	-	-	492
2140 Psychological	-	-	8,315	-	-	-	8,315
2150 Speech pathology	-	-	21,543	-	-	-	21,543
2170 Student therapy services	-	-	36,710	-	-	-	36,710
2200 Support services - instructional staff							
2210 Improvement of instruction	10,433	-	-	-	-	-	10,433
2220 Educational media	99,219	29,875	-	-	-	-	129,094
2300 Support services - general administration							
2310 Board of Education	36,438	-	-	-	-	-	36,438
2320 Executive administration	97,289	-	-	-	-	-	97,289
2400 Support services - school administration							
2410 Office of the Principal	215,988	-	-	-	-	-	215,988
2500 Support services - business							
2520 Fiscal services	100,568	9,868	-	-	-	-	110,436
2530 Facilities acquisition and construction	-	106,370	-	-	-	-	106,370
2540 Operation and maintenance of plant	415,783	12,995	-	-	-	-	428,778
2550 Pupil transportation	107,606	-	-	-	-	-	107,606
2600 Support services - central							
2640 Staff	400	-	-	-	-	-	400
2700 Support services - special education							
2710 Administrative costs	-	-	19,889	-	-	-	19,889
2730 SPED transportation costs	-	-	2,180	-		-	2,180

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Northern High Tech Consortium	Capital Project Fund	Total Governmental Funds
5000 Debt services	-	317,735	-	113,685	-	61,079	492,499
6000 Co-curricular activities							
6100 Male activities	94,668	4,034	-	-	-	-	98,702
6200 Female activities	74,275	1,226	-	-	-	-	75,501
6900 Combined activities	30,624	-	-	-	-	-	30,624
7500 Capital outlay	-	358,355	-	-	-	-	358,355
Total expenditures	3,155,232	856,944	324,521	113,685	45,603	61,079	4,557,064
Excess of Revenue over (under) Expenditures	(25,904)	208,098	22,078	1,146	(55)	(2,000)	203,363
Other Financing Sources (Uses)							
5140 Insurance Recoveries	-	11,995	-	-	-	-	11,995
Total other financing sources (uses)	-	11,995	-	-	-	-	11,995
Net Change in Fund Balances	(25,904)	220,093	22,078	1,146	(55)	(2,000)	215,358
Fund Balance (Deficit) - Beginning	805,704	799,410	238,883	31,415	1,614	1,758	1,878,784
Fund Balance (Deficit) - Ending	$ 779,800	$ 1,019,503	$ 260,961	$ 32,561	$ 1,559	$ (242)	$ 2,094,142

Net Change in Fund Balances - Total Governmental Funds	$ 215,358
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays of $358,355 was exceeded by depreciation of $585,788 in the current period.	(227,433)
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount by which current-year amortization exceeded the amount of premiums issued in the current period.	5,277
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	438,918
Finance lease payments are expenditures in the governmental funds, when due, but repayments reduce long-term liabilities in the statement of net position.	8,630
The accrual of OPEB costs is not reflected in governmental funds, but the statement of activities reflects the changes in this liability and related deferred outflows/inflows of resources from one year to the next.	(12,303)
The fund financial statement governmental fund property tax differs from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available."	(1,997)
Revenues not in the statement of activities that provide current financial resources are reported as revenues in the funds.	(59,005)
Changes in the pension-related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(69,878)
Change in Net Position of Governmental Activities	$ 297,567

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	$ -	$ 6,881	$ 6,881
Inventory of supplies	1,140	-	1,140
Inventory of stores purchased for resale	3,797	-	3,797
Total current assets	4,937	6,881	11,818
Noncurrent Assets			
Net pension asset	94	3	97
Capital assets			
Machinery and equipment - local funds	107,332	-	107,332
Less accumulated depreciation	(80,996)	-	(80,996)
Total noncurrent assets	26,430	3	26,433
Deferred Outflows of Resources			
Pension related deferred outflows	17,880	627	18,507
	$ 49,247	$ 7,511	$ 56,758
Liabilities and Net Position			
Current Liabilities			
Accounts payable	$ -	$ 6,551	$ 6,551
Contracts payable	6,731	-	6,731
Due to General Fund	46,635	343	46,978
Payroll deductions, withholdings, and employer matching payable	830	9	839
Deposits payable	8,655	-	8,655
Total current liabilities	62,851	6,903	69,754
Deferred Inflows of Resources			
Pension related deferred inflows	11,766	412	12,178
Net Position (Deficit)			
Net investment in capital assets	26,336	-	26,336
Restricted for SDRS benefits	6,208	218	6,426
Unrestricted	(57,914)	(22)	(57,936)
Total net position (deficit)	(25,370)	196	(25,174)
	$ 49,247	$ 7,511	$ 56,758

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue			
Student tuition	$ -	$ 6,575	$ 6,575
Food sales	150,772	-	150,772
Daycare services	-	2,930	2,930
Total operating revenue	150,772	9,505	160,277
Operating Expenses			
100 Salaries	81,011	8,861	89,872
200 Employee benefits	13,604	531	14,135
300 Purchased services	634	-	634
400 Supplies	5,026	-	5,026
461 Cost of sales - purchased	113,639	-	113,639
462 Cost of sales - donated	17,061	-	17,061
600 Other	2,611	-	2,611
900 Depreciation	2,987	-	2,987
Total operating expenses	236,573	9,392	245,965
Operating Income (Loss)	(85,801)	113	(85,688)
Nonoperating Revenue			
Local sources			
1510 Investment earnings	38	2	40
State sources			
3810 Cash reimbursements	502	-	502
Federal sources			
4810 Cash reimbursements	36,182	-	36,182
4820 Donated food	11,703	-	11,703
Total nonoperating revenue	48,425	2	48,427
Income (Loss) Before Contributions, Special Items, Extraordinary Items, and Transfers	(37,376)	115	(37,261)
Change in Net Position	(37,376)	115	(37,261)
Net Position - Beginning	12,006	81	12,087
Net Position (Deficit) - Ending	$ (25,370)	$ 196	$ (25,174)

	Enterprise		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from (used for) Operating Activities			
Cash receipts from customers	$ 151,578	$ 9,505	$ 161,083
Cash payments to employees for services	(91,578)	(9,177)	(100,755)
Cash payments to suppliers of goods or services	(127,319)	6,551	(120,768)
Net Cash from (used for) Operating Activities	(67,319)	6,879	(60,440)
Cash Flows from Noncapital Financing Activities			
Operating subsidies	36,684	-	36,684
Short-term borrowings from the General Fund	30,597	-	30,597
Net Cash Flows from Noncapital Financing Activities	67,281	-	67,281
Cash Flows from Investing Activities			
Cash received for interest	38	2	40
Net Cash from Investing Activities	38	2	40
Net Change in Cash and Cash Equivalents	-	6,881	6,881
Cash and Cash Equivalents, Beginning of Year	-	-	-
Cash and Cash Equivalents, End of Year	$ -	$ 6,881	$ 6,881
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating income (loss)	$ (85,801)	$ 113	$ (85,688)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Depreciation expense	2,987	-	2,987
Value of donated commodities used	17,061	-	17,061
Change in assets and liabilities			
Inventories	(5,409)	-	(5,409)
Pension assets and deferred outflows	3,221	389	3,610
Pension deferred inflows	(441)	(175)	(616)
Accounts and other payables	257	6,552	6,809
Deposits payable	806	-	806
Net Cash from (used for) Operating Activities	$ (67,319)	$ 6,879	$ (60,440)
Noncash Investing, Capital and Financing Activities			
Value of commodities received	$ 11,703	$ -	$ 11,703

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Warner School District 6-5 conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The reporting entity of Warner School District 6-5 (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 School District); 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 School District'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 one component unit, Northern High Tech Consortium, which is presented as a blended component unit.

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

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 School District 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, 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;
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 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 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.

> 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 and grants. 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 property taxes. This is a major fund.

Northern High Tech Consortium – A fund established to provide technological equipment to member school districts. This fund is financed by grants. This is a major fund.

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

Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

Capital Projects Funds – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Project Fund related to the Field Turf Project is the only capital projects fund maintained by the School District. 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 (Driver's Education and Preschool) – A fund used to record financial transactions related to driver's education and preschool operations. This fund is financed by student tuition charges. This is a major fund.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to governmental funds types, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary 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 funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected, or to be collected, soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle and, for the School District, the length of that cycle is 60 days.

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

Fund Financial Statements

Current portions of interfund receivables (reported in “Due from” asset accounts) are considered “available spendable resources” and are reported in the appropriate fund balance category.

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 estimated market value based on USDA price list at the date of receipt. In the government-wide 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 fund financial statements, inventories in the General Fund and the special revenue funds 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 nonspendable fund balance amounts which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

Capital Assets

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

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

Government-Wide 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.

For governmental activities, construction-period interest is not capitalized along with other capital asset costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All Land Values	N/A	N/A
Improvements	$ 10,000	Straight-Line	10 - 50 years
Buildings	20,000	Straight-Line	20 - 50 years
Equipment	3,000	Straight-Line	3 - 20 years
Library books	All Values	Straight-Line	5 years
Food service equipment	500	Straight-Line	5 - 12 years

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

Right-to-use leased assets are recognized at the lease commencement date and represent the School District's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Fund Financial Statements

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

Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the proceeds 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 capital outlay certificates and related premiums, lease obligations and OPEB liabilities.

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

Lease liabilities represent the School District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the School District.

Compensated Absences

Eligible employees of the School District earn sick days in varying amounts. Sick leave accumulates but is not paid out upon termination. In accordance with GASB 101, *Compensated Absences*, a liability is recognized when it is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Based on the School District's leave accrual patterns and historical usage of sick leave, utilizing a LIFO (last-in, first-out) assumption, the amount of accumulated sick leave more likely than not to be used for time off is insignificant and does not have a significant impact on the School District's financial statements. Therefore, no liability has been recognized for accumulated sick leave.

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(s) and, so, will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has three 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, changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position, and changes in the total OPEB liability included in health insurance 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(s) and, so, will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes 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. Another item is changes in the net pension liability (asset) not included in pension expense reported in the government-wide statement of net position. The final item is changes in the total OPEB liability included in health insurance expense reported in the government-wide statement of net position.

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 attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1, and are payable in two installments on or before April 30 and October 31 of the following year. Approximately 50% is considered to be applied to finance the budget of the current fiscal year, and the remaining percentage (50%) is considered to be applied to finance the budget for the subsequent year. The county bills and collects the School District's taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations.

Current year property taxes receivable, which are not available as a resource that can be used to finance the current year's appropriations and, therefore, are not susceptible to accrual, have been reported as unavailable revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the availability period.

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 depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. All reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months and 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 position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance, and is distinguished between nonspendable, restricted, committed, assigned, or unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

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 balance 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 restraints.
- 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, which is the School Board, 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.

Nonspendable fund balance is composed of prepaid insurance.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as grant agreements 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 government does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Grants and Property Taxes
Special Education Fund	Property Taxes
Northern High Tech Consortium	Grants

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. School District contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

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. There was not a significant effect on the School District's financial statements as a result of the implementation of this standard.

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

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

Deposits

The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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.

Custodial Credit Risk-Deposits – 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 Federal Depository Insurance Corporation (FDIC) 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 institutions that hold the School District's deposits were properly collateralized.

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

Insured (FDIC/NCUA)	$ 500,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	2,014,920
	$ 2,514,920
The School District's carrying amount of deposits at June 30, 2025	$ 2,451,638

Reconciliation of deposits to government-wide statement of net position

Cash and cash equivalents	$ 2,063,748
Add: Investments (Certificates of Deposit)	387,890
	$ 2,451,638

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 deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The School District holds certificates of deposit as investments which are valued at amortized cost.

Custodial Credit Risk – 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. The School District’s certificates of deposit mature within one year.

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

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

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

Note 3 - Receivables and Payables

Receivables and payables are aggregated in the government-wide financial statements. However, the fund financial statements present the receivable and payable information in a non-aggregated format. The School District expects all receivables, including pledge receivables, to be collected within one year. Based on the nature of the receivables, no allowance for uncollectible amounts have been established. As of June 30, 2025, the School District has amounts due from other governments, which consists of amounts due from state sources, of $82,879 in the General Fund, $31 is the Special Education Fund and $1,501 in the Northern High Tech Consortium.

Note 4 - Changes in Capital Assets

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

Primary Government	Balance 7/1/24	Increases	Decreases	Balance 6/30/25
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 43,728	$ -	$ -	$ 43,728
Total not being depreciated	43,728	-	-	43,728
Capital assets, being depreciated				
Improvements	4,711,870	70,796	-	4,782,666
Buildings	7,671,405	-	-	7,671,405
Equipment	1,669,070	281,761	-	1,950,831
Library books	120,709	5,798	3,430	123,077
Total being depreciated	14,173,054	358,355	3,430	14,527,979
Less accumulated depreciation for				
Improvements	1,086,082	265,639	-	1,351,721
Buildings	2,892,692	147,898	-	3,040,590
Equipment	923,157	163,145	-	1,086,302
Library books	123,923	1,231	3,430	121,724
Total accumulated depreciation	5,025,854	577,913	3,430	5,600,337
Total capital assets being depreciated, net	9,147,200	(219,558)	-	8,927,642
Right-to-use leased assets being amortized				
Right-to-use leased equipment	39,377	-	-	39,377
Less accumulated amortization for				
Right-to-use leased equipment	13,198	7,875	-	21,073
Total right-to-use leased assets, net	26,179	(7,875)	-	18,304
Governmental activity capital assets, net	$ 9,217,107	$ (227,433)	$ -	$ 8,989,674

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities	
Instruction	$ 154,419
Support services	222,709
Co-curricular activities	208,660
Total depreciation/amortization expense - governmental activities	$ 585,788

	Balance 7/1/24	Increases	Decreases	Balance 6/30/25
Business-Type Activities				
Capital assets, being depreciated				
Equipment	$ 107,332	$ -	$ -	$ 107,332
Total being depreciated	107,332	-	-	107,332
Total accumulated depreciation	78,009	2,987	-	80,996
Total capital assets being depreciated, net	29,323	(2,987)	-	26,336
Business-type activity capital assets, net	$ 29,323	$ (2,987)	$ -	$ 26,336

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Food service	$ 2,987
Total depreciation expense - business-type activities	$ 2,987

Note 5 - Long-Term Liabilities

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

Purpose	Amounts Outstanding 7/1/24	Issued	Retired	Refinanced	Amounts Outstanding 6/30/25	Due in One Year
General Obligation Bonds - 2009	$ 110,000	$ -	$ 110,000	$ -	$ -	$ -
Capital Outlay Certificates - 2021	1,385,000	-	115,000	-	1,270,000	115,000
Direct Financing Obligation	213,918	-	213,918	-	-	-
Unamortized premium	58,047	-	5,277	-	52,770	5,277
	$ 1,766,965	$ -	$ 444,195	$ -	$ 1,322,770	$ 120,277

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

Capital Outlay Certificates	
Capital Outlay Certificates 2021, interest ranges from .35% to 3.0%, maturity dates August 1, 2022, to August 1, 2034, paid by the Capital Outlay Fund.	$ 1,270,000
Unamortized premium	52,770
	$ 1,322,770

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

Year Ending June 30,	Capital Outlay Certificates Principal	Capital Outlay Certificates Interest	Total Principal	Total Interest
2026	$ 115,000	$ 27,275	$ 115,000	$ 27,275
2027	120,000	23,750	120,000	23,750
2028	125,000	20,075	125,000	20,075
2029	120,000	17,000	120,000	17,000
2030	125,000	14,550	125,000	14,550
2031-2035	665,000	33,750	665,000	33,750
	$ 1,270,000	$ 136,400	$ 1,270,000	$ 136,400

Note 6 - Lease Liabilities

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

Purpose	Amounts Outstanding 7/1/24	Issued	Retired	Amounts Outstanding 6/30/25	Due in One Year
Century Business Products					
Finance Lease - 2021	$ 4,762	$ -	$ 4,070	$ 692	$ 692
Finance Lease - 2023	19,667	-	4,560	15,107	4,722
	$ 24,429	$ -	$ 8,630	$ 15,799	$ 5,414

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

Other Long-Term Liabilities	
Copier lease with Century Business Products, Inc., 3.5% interest rate, monthly payments of $348, ending September 1, 2025, paid from Capital Outlay Fund.	$ 692
Copier lease with Century Business Products, Inc., 3.5% interest rate, monthly payments of $431, ending July 31, 2028, paid from Capital Outlay Fund.	15,107
	$ 15,799

The annual lease service requirements to maturity for all other long-term liabilities outstanding as of June 30, 2025, are as follows:

	Century Business Products Finance Lease - 2021		Century Business Products Finance Lease - 2023	
Year Ending June 30,	Principal	Interest	Principal	Interest
2026	$ 692	$ 3	$ 4,722	$ 453
2027	-	-	4,890	286
2028	-	-	5,064	112
2029	-	-	431	1
	$ 692	$ 3	$ 15,107	$ 852

Note 7 - Restricted Net Position

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

Purpose	Restricted By	Amount
Capital Outlay	Law	$ 1,021,029
Special Education	Law	261,641
SDRS Pension Purposes	Law	181,311
Capital Projects	Donors	92,931
Northern High Tech Consortium	Federal Regulation	1,559
Bond Redemption	Debt Agreement	32,815
		$ 1,591,286

Note 8 - Joint Ventures

The School District participates in the following joint venture:

North Central Special Education Cooperative, a multi-district cooperative service unit (Co-op) formed for the purpose of providing special education services to the member school districts. All members participate equally. Members of the Co-op are as follows:

Edmunds Central School District	Doland School District
Frederick Area School District	Leola School District
Groton Area School District	Hitchcock-Tulare School District
Langford Area School District	Warner School District
Northwestern Area School District	

The North Central Special Education Cooperative's governing board is composed of one representative from each member school district. The board is responsible for adopting the Co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity interest in the net position of the Co-op, but does have a responsibility to fund deficits of the Co-op in proportion to the relative participation described above. At June 30, 2025, the North Central Special Education Cooperative had a net position of $601,782 and no long-term debt. Financial statements are available by contacting the North Central Special Education Cooperative.

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:

Employee Health Insurance

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

Liability Insurance

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

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 provides workers' compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. 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. For the year ended June 30, 2025, 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. There was no additional assessment charged to pool members for the year ended June 30, 2025.

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 over the past three years.

Unemployment Benefits

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

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

Note 10 - Interfund Transactions

During 2025, there were no transfers between funds.

Note 11 - Pension Plan

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, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

Members 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% of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5% 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 $115,723, $113,625 and $109,529, respectively, equal to the required contributions each year.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

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

Proportionate share of pension liability	$ 10,069,976
Less proportionate share of net pension restricted for pension benefits	10,072,708
Proportionate share of net pension asset	$ (2,732)

At June 30, 2025, the School District reported an asset of $(2,732) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, and the total pension asset used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the School District's proportion was 0.06750100%, which is a decrease of 0.0031950% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the School District recognized a reduction of pension expense of $5,514. 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	$ 253,024	$ -
Changes in assumption	45,050	343,394
Net difference between projected and actual earnings on pension plan investments	102,923	-
Changes in proportion and difference between School District contributions and proportionate share of contributions	5,512	259
School District contributions subsequent to the measurement date	115,723	-
Total	$ 522,232	$ 343,653

There is $115,723 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, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	Amount
2026	$ (93,888)
2027	133,239
2028	14,872
2029	8,633
Total	$ 62,856

Actuarial Assumptions

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

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

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, 2024, (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 asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$ 1,388,470	$ (2,732)	$ (1,141,169)

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 and Contingencies

Litigation

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

Note 13 - Post Employment Healthcare Plan

Plan Description

The Warner School District Retiree Medical Plan is a single-employer, defined-benefit healthcare plan administered by the School District. The plan provides medical insurance benefits to eligible retirees and their spouses as permitted by SDCL 6-1-16 and 13-10-3. Benefit provisions were established and may be amended during the negotiated agreement process between district-certified staff and the governing board. The health plan does not issue separately stated stand-alone financial statements.

Benefits Provided

The contribution requirements of plan members and the School District are established and may be amended during the negotiated agreement process between district-certified staff and the governing board. An employee hired on or before June 30, 2017, (Foundation) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 55 with 3 years of service. An employee hired after June 30, 2017, (Generational) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 57 with 3 years of service. Medical benefits continue until age 65. Future retirees are not eligible for benefits.

Employees Covered by Benefit Terms

At the valuation date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	43
	43

Total OPEB Liability

The School District's total OPEB liability of $122,060 as of June 30, 2025, was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date. There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	See SDRS Actuarial Assumptions
Salary increases	See SDRS Actuarial Assumptions
Discount rate	3.93 percent*
Healthcare cost trend rate	6.7% grading to 3.7% over 50 years

*Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

The plan has not had a formal actuarial experience study performed.

Other Assumptions

Mortality	PubT-2010 Mortality Table projected generationally with MP-2021. 108% of mortality rates for current retirees age 65 and older.	
Disability	See SDRS Actuarial Assumptions	
Withdrawal	See sample rates	
Retirement	See SDRS Actuarial Assumptions	
Age Difference	Spouses same age as participants	
Retiree Plan Participation	Future Retirees Electing Coverage: Current Retirees Electing Coverage:	25% Actual
Percent of Retirees Electing Family Coverage	Future Retirees Electing Coverage: Current Retirees Electing Coverage:	25% Actual

Changes in the Total OPEB Liability

Balance at June 30, 2024	$ 112,569
Changes from the Prior Year	
Service cost	9,647
Interest cost	4,445
Effect of assumption changes or inputs	(3,706)
Benefit payments	(895)
Total Changes	9,491
Balance at June 30, 2025	$ 122,060

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.65%	3.93%	4.65%
Total OPEB Liability	$ 136,002	$ 122,060	$ 109,936

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total OPEB liability	$ 104,296	$ 122,060	$ 143,992

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the School District recognized a increase of health insurance expense of approximately $12,203 due to OPEB. At June 30, 2025, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 7,118
Changes of assumptions	65,451	528
	$ 65,451	$ 7,646

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2026	$ 6,518
2027	6,518
2028	6,518
2029	6,518
2030	6,518
Thereafter	25,215
	$ 57,805

Note 14 - Net Position and Fund Balance Deficits

At June 30, 2025, the School District has a deficit fund balance in the Capital Project Fund. The fund will recover the deficit with future receipts on pledge receivables. The School District also has a deficit net position in the Food Service Fund, which they will recover from future revenues or a transfer from the General Fund.

Note 15 - Subsequent Events

Subsequent to year-end, the School District entered into a contract to design and build a new bathroom at the school athletic complex for approximately $1,000,000 which will be funded with capital outlay cash on hand. The project is expected to be completed in the Fall of 2026.

Required Supplementary Information
June 30, 2025

Warner School District 6-5

	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	$ 554,515	$ 554,515	$ 581,164	$ 26,649
1120 Prior year's ad valorem taxes	2,000	2,000	5,026	3,026
1140 Gross receipts taxes	38,000	38,000	35,272	(2,728)
1190 Penalties and interest on taxes	1,100	1,100	881	(219)
1300 Tuition and fees	13,000	13,000	7,548	(5,452)
1500 Earnings on investments and deposits	1,500	1,500	10,647	9,147
1700 Co-curricular activities				
1710 Admissions	26,000	26,000	34,998	8,998
1740 Rentals	375	375	539	164
1790 Other pupil activity income	2,000	2,000	2,335	335
1900 Other revenue from local sources				
1920 Contributions and donations	1,000	1,000	667	(333)
1970 Charges for services	1,500	1,500	1,587	87
1990 Other	301,655	301,655	227,571	(74,084)
2000 Revenue from intermediate sources				
2100 County sources				
2110 County apportionment	13,000	13,000	15,863	2,863
2200 Revenue in lieu of taxes	50	50	41	(9)
3000 Revenue from state sources				
3100 Grants-in-aid				
3110 Unrestricted grants-in-aid	2,114,207	2,114,207	2,102,196	(12,011)
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	100,779	103,029	102,029	(1,000)
4900 Other federal revenue	-	-	964	964
Total revenues	3,170,681	3,172,931	3,129,328	(43,603)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	704,041	704,041	695,629	8,412
1120 Middle school	375,724	375,724	346,363	29,361
1130 High school	768,596	768,596	720,446	48,150
1200 Special programs				
1270 Educationally deprived	55,529	55,529	55,542	(13)
2000 Support Services				
2100 Pupils				
2120 Guidance	40,366	40,366	53,469	(13,103)
2130 Health	430	430	492	(62)
2200 Support services - instructional staff				
2210 Improvement of instruction	9,000	9,000	10,433	(1,433)
2220 Educational media	109,170	109,170	99,219	9,951
2300 Support services - general administration				
2310 Board of Education	32,625	32,625	36,438	(3,813)
2320 Executive administration	95,074	95,074	97,289	(2,215)
2400 Support services - school administration				
2410 Office of the Principal	210,146	210,146	215,988	(5,842)
2500 Support services - business				
2520 Fiscal services	104,423	104,423	100,568	3,855
2540 Operation and maintenance of plant	368,967	425,352	415,783	9,569
2550 Pupil transportation	123,176	123,176	107,606	15,570
2600 Support services - business				
2640 Staff	500	500	400	100
6000 Co-curricular activities				
6100 Male activities	84,861	84,861	94,668	(9,807)
6200 Female activities	67,468	67,468	74,275	(6,807)
6900 Combined activities	28,039	28,039	30,624	(2,585)
Total expenditures	3,178,135	3,234,520	3,155,232	79,288
Excess of Revenue over (under) Expenditures	(7,454)	(61,589)	(25,904)	35,685
Other Financing Sources (Uses)				
5130 Sale of surplus property	600	600	-	(600)
Total other financing sources (uses)	600	600	-	(600)
Net Change in Fund Balances	(6,854)	(60,989)	(25,904)	35,085
Fund Balance - Beginning	805,704	805,704	805,704	-
Fund Balance - Ending	$ 798,850	$ 744,715	$ 779,800	$ 35,085

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Revenues				
1000 Revenue from local sources				
1100 Taxes				
1110 Ad valorem taxes	$ 737,092	$ 737,092	$ 722,436	$ (14,656)
1120 Prior year's ad valorem taxes	2,000	2,000	3,113	1,113
1190 Penalties and interest on taxes	350	350	737	387
1500 Earnings on investments and deposits	700	700	1,094	394
1900 Other revenue and local sources				
1920 Contribution and donations	5,000	5,000	2,000	(3,000)
1990 Other	12,000	12,000	4,220	(7,780)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	75	75	75	-
4000 Revenue from federal sources				
4100 Grants-in-aid				
4140 Restricted grants-in-aid received directly from federal government	209,767	221,973	177,137	(44,836)
4150-4199 Restricted grants-in aid received from federal government through the state	-	154,230	154,230	-
Total revenues	966,984	1,133,420	1,065,042	(68,378)
Expenditures				
1000 Instruction				
1100 Regular programs				
1110 Elementary	31,000	31,000	2,320	28,680
1120 Middle school	16,000	16,000	3,680	12,320
1130 High school	20,200	22,607	10,486	12,121
2000 Support services				
2200 Support services - instructional staff				
2220 Educational media	54,068	54,068	35,673	18,395
2500 Support services - business				
2520 Fiscal services	11,500	11,500	9,868	1,632
2530 Facilities acquisition and construction	467,352	629,465	347,677	281,788
2540 Operation and maintenance of plant	-	11,995	12,995	(1,000)
2550 Pupil transportation	90,000	90,000	91,500	(1,500)
5000 Debt services	192,801	354,863	317,735	37,128
6000 Co-curricular activities				
6100 Male activities	7,300	7,300	13,909	(6,609)
6200 Female activities	5,300	5,300	11,101	(5,801)
Total expenditures	895,521	1,234,098	856,944	377,154
Excess of Revenue over (under) Expenditures	71,463	(100,678)	208,098	308,776
Other Financing Sources (Uses)				
5140 Insurance Recoveries	-	11,995	11,995	-
Total other financing sources (uses)	-	11,995	11,995	-
Net Change in Fund Balances	71,463	(88,683)	220,093	308,776
Fund Balance - Beginning	799,410	799,410	799,410	-
Fund Balance - Ending	$ 870,873	$ 710,727	$ 1,019,503	$ 308,776

	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	$ 334,415	$ 334,415	$ 344,451	$ 10,036
1120 Prior year's ad valorem taxes	800	800	1,370	570
1190 Penalties and interest on taxes	350	350	334	(16)
1500 Earnings on investments and deposits	400	400	378	(22)
1900 Other revenue from local sources				
1990 Other	2,000	2,000	31	(1,969)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	25	25	35	10
Total revenues	337,990	337,990	346,599	8,609
Expenditures				
1000 Instruction				
1200 Special programs				
1220 Programs for special education	245,328	245,328	235,884	9,444
2000 Support services				
2100 Pupils				
2140 Psychological	8,755	8,755	8,315	440
2150 Speech pathology	22,683	22,683	21,543	1,140
2170 Student therapy services	30,000	30,000	36,710	(6,710)
2700 Support services - special education				
2710 Administrative costs	19,889	19,889	19,889	-
2730 Transportation costs	300	300	2,180	(1,880)
2740 Mileage to parents	300	300	-	300
Total expenditures	327,255	327,255	324,521	2,734
Net Change in Fund Balances	10,735	10,735	22,078	11,343
Fund Balance - Beginning	238,883	238,883	238,883	-
Fund Balance - Ending	$ 249,618	$ 249,618	$ 260,961	$ 11,343

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Revenues				
1000 Revenue from local sources				
1500 Earnings on investments and deposits	$ 50	$ 50	$ 13	$ (37)
1900 Other revenue from local sources				
1920 Contributions and donations	-	-	10,500	10,500
4000 Revenue from federal sources				
4100 Grants-in-aid				
4150-4199 Restricted grants-in-aid received from federal government through the state	35,036	35,036	35,035	(1)
Total revenues	35,086	35,086	45,548	10,462
Expenditures				
1000 Instruction				
1100 Regular programs				
1130 High school	12,200	12,200	45,603	(33,403)
2000 Support services				
2500 Support services - business	31,447	31,447	-	31,447
Total expenditures	43,647	43,647	45,603	(1,956)
Excess of Revenues over Expenditures	(8,561)	(8,561)	(55)	8,506
Net Change in Fund Balances	(8,561)	(8,561)	(55)	8,506
Fund Balance - Beginning	1,614	1,614	1,614	-
Fund Balance - Ending	$ (6,947)	$ (6,947)	$ 1,559	$ 8,506

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared on the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function while the governmental funds statement of revenues, expenditures, and changes in fund balance presents capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

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 trust and agency funds.

6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in Number 8.

7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% 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.

8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when monies are available to increase legal spending authority.

9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.

10. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

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 (Asset)
SDRS	6/30/2025	0.0675%	$ (2,732)	$ 1,893,744	-0.1%	100.00%
SDRS	6/30/2024	0.0707%	(6,900)	1,825,475	-0.4%	100.10%
SDRS	6/30/2023	0.0705%	(6,663)	1,683,411	-0.4%	101.10%
SDRS	6/30/2022	0.0716%	(548,372)	1,624,938	-33.7%	105.52%
SDRS	6/30/2021	0.0740%	(3,215)	1,624,567	-0.2%	100.04%
SDRS	6/30/2020	0.0758%	(8,032)	1,596,171	-0.5%	100.09%
SDRS	6/30/2019	0.0761%	(1,774)	1,581,664	-0.1%	100.02%
SDRS	6/30/2018	0.0763%	(6,929)	1,551,708	-0.4%	100.1%
SDRS	6/30/2017	0.0718%	242,540	1,365,316	-17.8%	96.9%
SDRS	6/30/2016	0.0701%	(297,184)	1,279,271	-23.2%	104.1%

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.

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	$ 115,723	$ 115,723	$ -	$ 1,928,707	6.0%
SDRS	6/30/2024	113,625	113,625	-	1,893,744	6.0%
SDRS	6/30/2023	109,529	109,529	-	1,825,475	6.0%
SDRS	6/30/2022	101,005	101,005	-	1,683,411	6.0%
SDRS	6/30/2021	97,497	97,497	-	1,624,938	6.0%
SDRS	6/30/2020	97,474	97,474	-	1,624,567	6.0%
SDRS	6/30/2019	95,771	95,771	-	1,596,171	6.0%
SDRS	6/30/2018	94,900	94,900	-	1,581,664	6.0%
SDRS	6/30/2017	93,103	93,103	-	1,551,708	6.0%
SDRS	6/30/2016	81,919	81,919	-	1,365,316	6.0%

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 aluation.

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.

	2025	2024	2023	2022
Service cost	$ 9,647	$ 10,937	$ 13,666	$ 13,244
Interest	4,445	5,609	3,783	3,621
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains or losses	-	8,610	-	-
Effect of assumption changes or inputs	(3,706)	(55,273)	(23,084)	864
Benefit payments	(895)	(9,616)	(7,014)	(6,648)
Net change in total OPEB liability	9,491	(39,733)	(12,649)	11,081
Total OPEB liability - beginning	112,569	152,302	164,951	153,870
Total OPEB liability - ending	$ 122,060	$ 112,569	$ 152,302	$ 164,951
Covered-employee payroll	N/A	N/A	N/A	N/A
District's total OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Plan Assets

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Changes in Benefits

An employee hired on or before June 30, 2017, (Foundation) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 55 with 3 years of service. An employee hired after June 30, 2017, (Generational) is eligible to elect medical coverage upon retiring under the South Dakota Retirement System at age 57 with 3 years of service. Medical benefits continue until age 65. Future retirees are not eligible for benefits.

Changes in Assumptions

The discount rate has been updated based on applicable GASB 75 standards. Estimated claim costs were updated to reflect anticipated experience pursuant to a review of the medical provisions and current premiums. The medical trend rates were changed to reflect anticipated experience under the most recent Getzen model application. The mortality tables, withdrawal rates, retirement rates, disability rates, and salary scale were updated based on an actuarial experience study done for the period July 1, 2016, through June 30, 2021, for the South Dakota Retirement System.

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*

The School Board
Warner School District 6-5
Warner, 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, and each major fund of Warner School District 6-5 (the School District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Warner School District 6-5's basic financial statements and have issued our report thereon dated June 3, 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and as items 2025-001 and 2025-002, that we consider to be material weaknesses.

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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*.

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 responses. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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.

Eide Bailly LLP

Aberdeen, South Dakota
June 3, 2026

Current Audit Findings and Recommendations

Finding 2025-001 - Preparation of Financial Statements and Footnotes, Material Proposed Adjustments to the Financial Statements

Material Weakness

Criteria: An organization's internal control structure should provide for the recording of all necessary material adjustments and the preparation of financial statements and footnotes in accordance with generally accepted accounting principles.

Condition: Warner School District 6-5 does not have an internal control system designed to provide for the preparation of the financial statements being audited, including required footnotes and disclosures and all necessary material audit adjustments, in accordance with generally accepted accounting principles.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements and footnotes and causes 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. It may also affect the condition of financial information throughout the year being used by management in analysis and decision making and increase the risk that potential misstatements remain present 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.

Views of Responsible Officials: Management agrees with the finding.

Finding 2025-002 - Lack of Segregation of Duties

Material Weakness

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: Warner School District 6-5 has a limited number of office personnel and, accordingly, does not have adequate internal accounting controls in expenditures and payroll functions because of a lack of segregation of duties.

Cause: The School District has insufficient number of staff to adequately separate duties in all areas.

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

Recommendation: Although it is recognized that the number of office staff may not be large enough to permit an adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the School Board exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding.