

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1

GAYVILLE, SOUTH DAKOTA

FINANCIAL REPORT

FOR THE ONE YEAR ENDING JUNE 30, 2025

WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
GAYVILLE, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING JUNE 30, 2025

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# **INDEPENDENT AUDIT SERVICES, PC**

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School Board  
Gayville-Volin School District No. 63-1  
Gayville, South Dakota

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Opinions:**

I have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Gayville-Volin School District No. 63-1 (School District), Gayville, South Dakota as of June 30, 2025, and for the year ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Gayville-Volin School District No. 63-1 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:**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standard applicable to financial audits contained in Government Auditing Standards (*Government Auditing Standards*), issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the School District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Management's Responsibilities for the Financial Statements:**

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements:

My 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 my 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 generally accepted auditing standards (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 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*, I:

- > 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

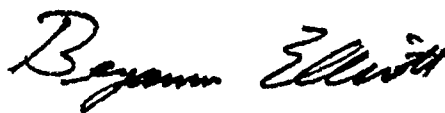
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (page 4 to 13), the Budgetary Comparison Schedules (page 43 to 46), and the School District's Pension Schedules (page 47 to 48) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Gayville-Volin School District No. 63-1  
Independent Auditor's Report -- Page Three

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated March 30, 2026 (page 49) on my consideration of the School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of my 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.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota  
March 30, 2026



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Gayville-Volin School District 63-1's annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

During the year, the Gayville-Volin School District generated revenue of \$3,896,852 from taxes and other revenue sources of the governmental fund activities and had a total expense of \$3,797,488 of the governmental fund activities resulting in a net increase of \$99,364 after a transfer to business-type funds of \$35,000. There was a total of \$331,107 of revenue generated in the business-type funds and a transfer in from the governmental fund of \$35,000, with \$371,500 of expense of the business-type fund activities. There was a net decrease of \$5,393 between the Food Service fund and the Enterprise fund resulting in a total net position of \$200,394.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Figure A-1

# Required Components of Gayville-Volin School's Annual Financial Report

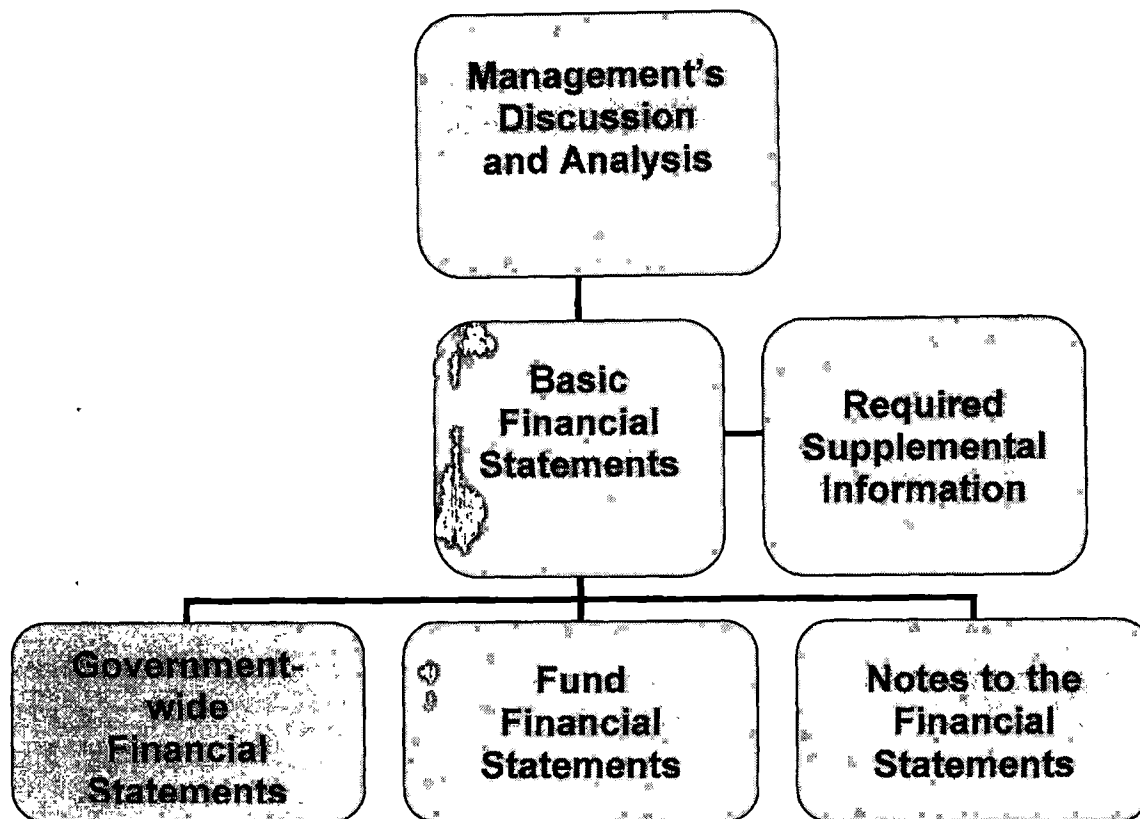


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

## Major Features of Gayville-Volin School's Government-wide and Fund Financial Statements

|                               | Government-wide                                        |  | Fund Statements                                                                                                                              |                                                                                                                          |                                                                         |
|-------------------------------|--------------------------------------------------------|--|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
|                               | Statements                                             |  | Governmental Funds                                                                                                                           | Proprietary Funds                                                                                                        | Fiduciary Funds                                                         |
| Required Financial Statements |                                                        |  | The statement of net position, balance sheet, statement of revenues, expenditures and changes in fund balances, and statement of cash flows. | The statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. | The statement of net position and statement of changes in net position. |
|                               | *Statement of Net Position<br>*Statement of Activities |  | *Balance Sheet<br>*Statement of Revenues, Expenditures and Changes in Fund Balances                                                          | *Statement of Net Position<br>*Statement of Revenues, Expenses and Changes in Net Position<br>*Statement of Cash Flows   | *Statement of Net Position<br>*Statement of Changes in Net Position     |

| Type of Asset/Liability Information                                                  | Modular Approach                                                                                                                                                          | Traditional Accounting and Economic Resources Focus                                  |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included                                            | All assets and liabilities, both financial and capital, and short-term and long-term |
|                                                                                      | Depreciation expense is recorded at the end of the year, except in the case of capital assets that have been received and payment made during the year or soon thereafter | All interest and expenses during the year are recorded or paid                       |

## Government-wide Statements

The government-wide statements report information about the Gayville-Volin School as a whole using the accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Gayville-Volin School's Net Position and how they have changed. Net Position – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

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

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, drama, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot breakfast and lunch services to all students. The school also charges a fee to the students to help cover some of the cost of the driving portion of Driver's Ed and tuition is charged at the Raider Academy, Childcare Center.

## Fund Financial Statements

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

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Custodial Fund).

The Gayville-Volin School has three kinds of funds:

- Governmental Funds – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service and Enterprise Fund (types of proprietary fund) are the only proprietary funds maintained by the School.
- Fiduciary Funds – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

# FINANCIAL ANALYSIS OF THE GAYVILLE-VOLIN SCHOOL DISTRICT AS A WHOLE

## Net Position

The Gayville-Volin School's combined Net Position increased, as follows:

TABLE A-1  
GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
STATEMENT OF NET POSITION

|                                                   | Governmental Activities |                 | Primary Government Business-Type Activities |               | Total           |                 |
|---------------------------------------------------|-------------------------|-----------------|---------------------------------------------|---------------|-----------------|-----------------|
|                                                   | FY2024                  | FY2025          | FY2024                                      | FY2025        | FY2024          | FY2025          |
| Current and Other Assets                          | 4562361                 | 4608524         | 71967                                       | 19381         | 4634328         | 4627905         |
| Capital Assets                                    | 5994886                 | 5836766         | 135027                                      | 174492        | 6129913         | 6011258         |
| <b>Total Assets</b>                               | <b>10557247</b>         | <b>10445290</b> | <b>206994</b>                               | <b>193873</b> | <b>10764241</b> | <b>10639163</b> |
| OPEB Related Deferred Outflows                    | 0                       | 0               |                                             |               | 0               | 0               |
| Pension Related Deferred Outflows                 | 604548                  | 514235          | 51148                                       | 43327         | 655,696         | 557562          |
| <b>Total Deferred Outflows of Resources</b>       | <b>604548</b>           | <b>514235</b>   | <b>51148</b>                                | <b>43327</b>  | <b>655,696</b>  | <b>557562</b>   |
| Long-Term Debt Outstanding                        | 1814078                 | 1614542         | 0                                           | 0             | 1814078         | 1614542         |
| Other Liabilities                                 | 590827                  | 541608          | 22646                                       | 8871          | 613473          | 550479          |
| <b>Total Liabilities</b>                          | <b>2404905</b>          | <b>2156150</b>  | <b>22646</b>                                | <b>8871</b>   | <b>2427551</b>  | <b>2165021</b>  |
| Pension Related Deferred Inflows                  | 351172                  | 331586          | 29709                                       | 27935         | 380881          | 359521          |
| OPEB Related Deferred Inflows                     | 0                       | 0               |                                             |               | 0               | 0               |
| Taxes Levied for a Future Period                  | 552478                  | 554185          | 0                                           | 0             | 552478          | 554185          |
| <b>Total Deferred Inflows of Resources</b>        | <b>903650</b>           | <b>885771</b>   | <b>29709</b>                                | <b>27935</b>  | <b>933359</b>   | <b>913706</b>   |
| Net Position:                                     |                         |                 |                                             |               |                 |                 |
| Net Investment in Capital Assets                  | 3982020                 | 4022688         | 135027                                      | 174492        | 4117047         | 4197180         |
| Restricted                                        | 3051226                 | 3101017         | 22033                                       | 11586         | 3073259         | 3112603         |
| Unrestricted                                      | 819994                  | 793899          | 48727                                       | 14316         | 868721          | 808215          |
| <b>Total Net Position</b>                         | <b>7853240</b>          | <b>7917604</b>  | <b>205787</b>                               | <b>200394</b> | <b>8059027</b>  | <b>8117998</b>  |
| Increase (Decrease) in Net Position               | 506052                  | 64364           | -45315                                      | -5393         | 460737          | 58971           |
| Beginning Net Position                            | 7347188                 | 7853240         | 251102                                      | 205787        | 7598290         | 8059027         |
| Ending Net Position                               | 7853240                 | 7917604         | 205787                                      | 200394        | 8059027         | 8117998         |
| Percentage of Increase (Decrease) in Net Position | 6.89%                   | 0.82%           | -18.05%                                     | -2.62%        | 6.06%           | 0.73%           |

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

The long-term liabilities of the school, consisting of compensated absences payable, early retirement benefits payable and capital outlay certificates payable have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its Net Position.

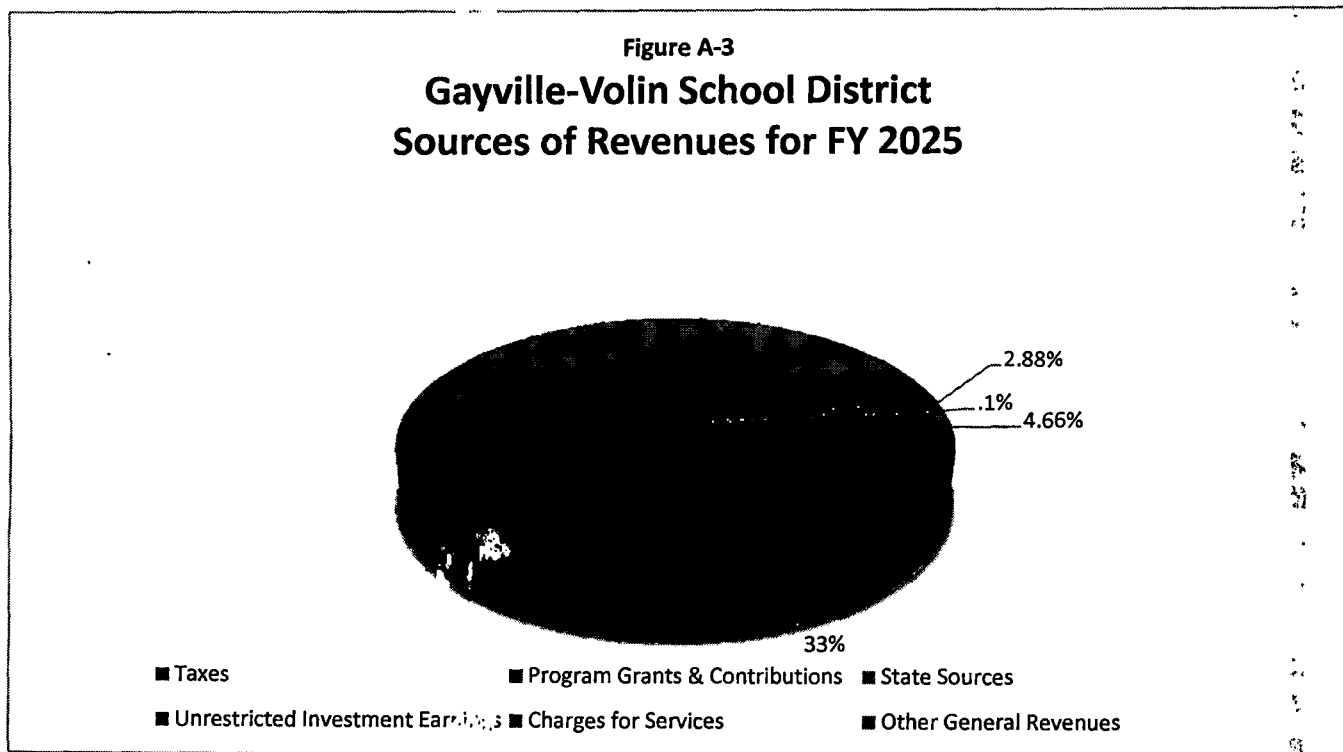
## Changes in Net Position

This section will show the financial comparison of revenues and expenses and provide explanations for significant differences.

See attached Table A-2

## GOVERNMENTAL ACTIVITIES

The Gayville-Volin School's total revenues (excluding special items) totaled \$3,863,243. (See Table A-2.) Approximately 33% of the School's revenue comes from property and other taxes, with another 54% of the School's revenue coming from State Aid. (See Figure A-3)



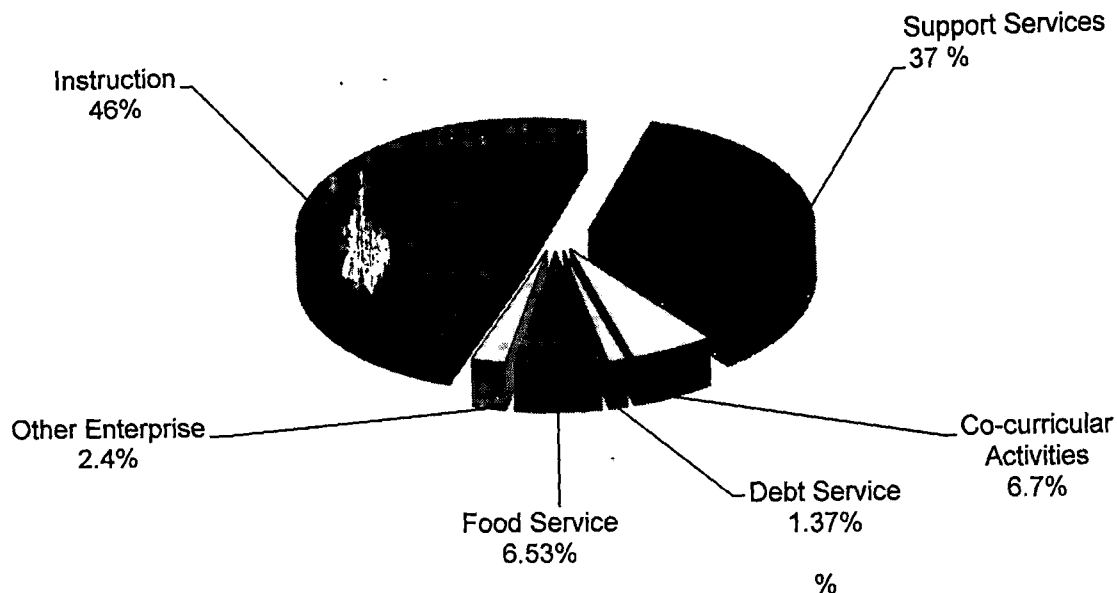
The Gayville-Volin School's total expenses were \$4,168,988 (See Table A-2) Here is the breakdown of the expenses. The Gayville-Volin School's expenses cover a range of services, encompassing instruction at 46% and support services at 37%. Food Service, Enterprise, Co-curricular, Non-Program Charges and Debt Service make up the other 17.1%. (See Figure A-4)

**TABLE A-2**  
**GAYVILLE-VOLIN SCHOOL DISTRICT 63-1**  
**Changes in Net Position**

|                                            | <b>Total Governmental Activities</b> |                            | <b>Total Business-Type Activities</b> |                          | <b>Total</b>               |                            |
|--------------------------------------------|--------------------------------------|----------------------------|---------------------------------------|--------------------------|----------------------------|----------------------------|
|                                            | <b><u>FY2024</u></b>                 | <b><u>FY2025</u></b>       | <b><u>FY2024</u></b>                  | <b><u>FY2025</u></b>     | <b><u>FY2024</u></b>       | <b><u>FY2025</u></b>       |
| <b>Revenues</b>                            |                                      |                            |                                       |                          |                            |                            |
| Program Revenues                           |                                      |                            |                                       |                          |                            |                            |
| Charges for Services                       | 29,191.00                            | 38,083.00                  | 139,513.00                            | 135,615.00               | 168,704.00                 | 173,698.00                 |
| Operating Grants and Contributions         | 391,620.00                           | 207,213.00                 | 133,282.00                            | 180,694.00               | 524,902.00                 | 387,907.00                 |
| Capital Grants                             | -                                    | -                          | -                                     | 1,178.00                 | -                          | 1,178.00                   |
| General Revenues                           |                                      |                            |                                       |                          |                            |                            |
| Taxes                                      | 1,271,951.00                         | 1,291,055.00               |                                       |                          | 1,271,951.00               | 1,291,055.00               |
| Revenue State Sources                      | 2,126,774.00                         | 2,148,301.00               |                                       |                          | 2,126,774.00               | 2,148,301.00               |
| Other General Revenue                      | 32,428.00                            | 22,058.00                  | -                                     | -                        | 32,428.00                  | 22,058.00                  |
| Insurance Proceeds for damaged property    |                                      | 15,272.00                  |                                       | 11,034.00                |                            | 26,306.00                  |
| Sale of Surplus Property                   | 3,000.00                             | 2,000.00                   |                                       | 2,500.00                 | 3,000.00                   | 4,500.00                   |
| Donations                                  | 107,617.00                           | 61,685.00                  |                                       |                          | 107,617.00                 | 61,685.00                  |
| Unrestricted Investment Earnings           | 106,148.00                           | 111,185.00                 | 1,100.00                              | 86.00                    | 107,248.00                 | 111,271.00                 |
| <b>Total Revenues</b>                      | <b><u>4,068,729.00</u></b>           | <b><u>3,896,852.00</u></b> | <b><u>273,895.00</u></b>              | <b><u>331,107.00</u></b> | <b><u>4,342,624.00</u></b> | <b><u>4,227,959.00</u></b> |
| <b>Expenses</b>                            |                                      |                            |                                       |                          |                            |                            |
| Instruction                                | 1,871,127.00                         | 1,912,127.00               |                                       |                          | 1,871,127.00               | 1,912,127.00               |
| Support Services                           | 1,328,279.00                         | 1,541,903.00               |                                       |                          | 1,328,279.00               | 1,541,903.00               |
| Nonprogrammed Charges                      | 34,890.00                            | 20,081.00                  |                                       |                          | 34,890.00                  | 20,081.00                  |
| Debt Services                              | 46,853.00                            | 43,545.00                  |                                       |                          | 46,853.00                  | 43,545.00                  |
| Cocurricular Activities                    | 267,218.00                           | 279,832.00                 |                                       |                          | 267,218.00                 | 279,832.00                 |
| Food Service                               |                                      |                            | 228,617.00                            | 272,438.00               | 228,617.00                 | 272,438.00                 |
| Enterprise                                 |                                      |                            | 104,903.00                            | 99,062.00                | 104,903.00                 | 99,062.00                  |
| <b>Total Expenses</b>                      | <b><u>3,548,367.00</u></b>           | <b><u>3,797,488.00</u></b> | <b><u>333,520.00</u></b>              | <b><u>371,500.00</u></b> | <b><u>3,881,887.00</u></b> | <b><u>4,168,988.00</u></b> |
| Excess (Deficiency) Before                 |                                      |                            |                                       |                          |                            |                            |
| Special Items and Transfers                | 520,362.00                           | 99,364.00                  | (59,625.00)                           | (40,393.00)              | 460,737.00                 | 58,971.00                  |
| Transfers                                  | -                                    | -                          | 14,310.00                             | 35,000.00                | 14,310.00                  | 35,000.00                  |
| Transfers Out                              | (14,310.00)                          | (35,000.00)                |                                       |                          | (14,310.00)                | (35,000.00)                |
| <b>Increase (Decrease) in Net Position</b> | <b><u>506,052.00</u></b>             | <b><u>64,364.00</u></b>    | <b><u>(45,315.00)</u></b>             | <b><u>(5,393.00)</u></b> | <b><u>460,737.00</u></b>   | <b><u>58,971.00</u></b>    |
| <b>Net Position - ENDING</b>               | <b><u>7,553,240.00</u></b>           | <b><u>7,917,604.00</u></b> | <b><u>205,787.00</u></b>              | <b><u>200,394.00</u></b> | <b><u>8,059,027.00</u></b> | <b><u>8,117,998.00</u></b> |

Figure A-4

## Gayville-Volin School District Functional Expenses for FY2025



### BUSINESS-TYPE ACTIVITIES

The School District provides food service including breakfast and lunch in both the Elementary School and the Junior/Senior High Schools. The School district also has an Enterprise Fund.

### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund had an decrease of \$26,812 in its fund balance for fiscal year 2025. The ending fund balance for General Fund was \$787,177. The Capital Outlay Fund Balance increased by \$165,502 with an ending fund balance of \$2,380,165. The Special Education Fund decreased by \$56,536 with an ending fund balance of \$146,094.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the Gayville-Volin School Board revised the School budget. These amendments could fall into one of the following categories:

- Contingency transfers approved for unanticipated, yet necessary expenses to provide for items necessary for the education program of this district.
- Grants that became available or changed in amount.

## CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2025, the School's Governmental Net Capital Assets decreased \$158,121 due to depreciation. The Business Type Net Capital Assets increased by \$39,465 due to purchases of food service equipment. (See Table A-3)

Table A-3  
GAYVILLE-VOLIN SCHOOL DISTRICT 63-1 - CAPITAL ASSETS

|                                  | Governmental Activities |                    |                         | Business-Type Activities |                  |                         |
|----------------------------------|-------------------------|--------------------|-------------------------|--------------------------|------------------|-------------------------|
|                                  | FY2024                  | FY2025             | Increase/<br>(Decrease) | FY2024                   | FY2025           | Increase/<br>(Decrease) |
| Land                             | 58,118                  | 58,118             | -                       | 9,000                    | 9,000            | -                       |
| Construction Work in Progress    | -                       | -                  | -                       | -                        | -                | -                       |
| Buildings                        | 7,253,455               | 7,273,616          | 20,161                  | 108,746                  | 108,747          | 1                       |
| Improvements other than Building | 1,185,749               | 1,208,285          | 22,536                  |                          |                  |                         |
| Machinery and Equipment          | 1,337,758               | 1,472,922          | 135,164                 | 137,964                  | 188,693          | 50,729                  |
| Library Books                    | 67,472                  | 67,472             | -                       | -                        | -                | -                       |
| Copier/Printer Lease             | 78,428                  | 78,428             | -                       |                          |                  |                         |
| Total Capital Assets             | <u>9,980,980</u>        | <u>10,158,841</u>  | <u>177,861</u>          | <u>255,710</u>           | <u>306,440</u>   | <u>50,730</u>           |
| Accumulated Depreciation         | <u>(3,986,093)</u>      | <u>(4,322,075)</u> | <u>(335,982)</u>        | <u>(120,683)</u>         | <u>(131,948)</u> | <u>(11,265)</u>         |
| Net Capital Assets               | <u>5,994,887</u>        | <u>5,836,766</u>   | <u>(158,121)</u>        | <u>135,027</u>           | <u>174,492</u>   | <u>39,465</u>           |

## LONG-TERM DEBT

At year-end the Gayville-Volin School had \$29,167 in Capital Outlay Certificates, \$1,745,000 in General Obligation Bonds, \$39,911 in copier leases, \$6,750 in accrued leave liabilities and \$335,322 in other long-term obligations. This is a decrease of 10.34% as shown on Table A-4 below

Table A-4  
GAYVILLE-VOLIN SCHOOL DISTRICT 63-1  
Outstanding Debt and Obligations

|                                    | Governmental Activities |                     | Total<br>%<br>Change | Business-Type Activities |                 | Total<br>%<br>Change |
|------------------------------------|-------------------------|---------------------|----------------------|--------------------------|-----------------|----------------------|
|                                    | FY2024                  | FY2025              |                      | FY 2024                  | FY 2025         |                      |
| Capital Outlay Certificates        | 58,334.00               | 29,167.00           | -50.00%              |                          |                 |                      |
| Financing (Acquisition) Lease      | 54,532.00               | 39,911.00           | -26.81%              |                          |                 |                      |
| Compensated Absences               | 6,000.00                | 6,750.00            | 12.50%               |                          |                 |                      |
| General Obligation Refunding Bonds | 1,900,000.00            | 1,745,000.00        | -8.16%               |                          |                 |                      |
| Other Obligations                  | <u>386,039.00</u>       | <u>335,322.00</u>   | <u>-13.14%</u>       | <u>22,646.00</u>         | <u>8,871.00</u> | <u>-60.83%</u>       |
| Total Long-Term Liabilities        | <u>2,404,905.00</u>     | <u>2,156,150.00</u> |                      | <u>22,646.00</u>         | <u>8,871.00</u> |                      |
| Net Increase (Decrease)            |                         |                     | -10.34%              |                          |                 |                      |

The Gayville-Volin School is liable for the accrued vacation leave payable to the 12-month employees (the business manager, superintendent and full-time custodians).

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

One of the primary sources of revenue to the School is calculated on our number of students based on the state aid fall enrollment count divided by the target student/certified staff FTE ratio. That number, plus our overhead costs is our need for the 2025-26 school year. That will be provided to the school in taxes and state aid. We will base our next year's budgets on the tax valuation and state aid.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and students' families with a general overview of the Gayville-Volin School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Alice Hight, Business Manager, Gayville-Volin School District 63-1, 100 Kingsbury Street, PO Box 158, Gayville, South Dakota 57031.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2025

|                                         | Primary Government         |                                 |            |
|-----------------------------------------|----------------------------|---------------------------------|------------|
|                                         | Governmental<br>Activities | Business-<br>Type<br>Activities | Total      |
| <b>ASSETS</b>                           |                            |                                 |            |
| Current assets:                         |                            |                                 |            |
| Cash and cash equivalents               | 823,389                    | 2,107                           | 825,496    |
| Certificates of deposit                 | 3,108,972                  | 0                               | 3,108,972  |
| Advanced to trust & agency imprest      | 8,000                      |                                 | 8,000      |
| Receivables:                            |                            |                                 |            |
| Property taxes - current                | 554,185                    |                                 | 554,185    |
| Property taxes - delinquent             | 42,076                     |                                 | 42,076     |
| Due from other governments              | 53,548                     | 2,494                           | 56,042     |
| Accounts                                | 10,076                     | 2,293                           | 12,369     |
| Inventory                               | 5,639                      | 12,265                          | 17,904     |
| Total current assets                    | 4,605,885                  | 19,159                          | 4,625,044  |
| Capital assets:                         |                            |                                 |            |
| Land                                    | 58,118                     | 9,000                           | 67,118     |
| Buildings                               | 7,273,616                  | 108,746                         | 7,382,362  |
| Improvements                            | 1,208,285                  |                                 | 1,208,285  |
| Equipment                               | 1,472,922                  | 188,693                         | 1,661,615  |
| Library books                           | 67,472                     |                                 | 67,472     |
| Intangible copier/printer lease         | 33,612                     |                                 | 33,612     |
| Accumulated depreciation/amortization   | -4,277,259                 | -131,947                        | -4,409,206 |
| Total capital assets                    | 5,836,766                  | 174,492                         | 6,011,258  |
| Other assets:                           |                            |                                 |            |
| Net pension assets                      | 2,639                      | 222                             | 2,861      |
| Total assets                            | 10,445,290                 | 193,873                         | 10,639,163 |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>    |                            |                                 |            |
| Pension related deferred outflows       | 514,235                    | 43,327                          | 557,562    |
| Total deferred outflow of resources     | 514,235                    | 43,327                          | 557,562    |
| <b>LIABILITIES</b>                      |                            |                                 |            |
| Current liabilities:                    |                            |                                 |            |
| Accounts payable                        | 72,048                     | 1,200                           | 73,248     |
| Contracts payable                       | 205,125                    | 2,786                           | 207,911    |
| Payroll deductions payable              | 58,149                     | 213                             | 58,362     |
| Revenue received in advance             |                            | 4,672                           | 4,672      |
| Noncurrent liabilities due in one year: |                            |                                 |            |
| 2013 Capital Outlay certificates        | 29,167                     |                                 | 29,167     |
| 2021 GO Refunding bonds                 | 155,000                    |                                 | 155,000    |
| Copier/printer leases                   | 15,369                     |                                 | 15,369     |
| Accrued leave                           | 6,750                      |                                 | 6,750      |
| Total current liabilities               | 541,608                    | 8,871                           | 550,479    |
| Noncurrent liabilities:                 |                            |                                 |            |
| 2021 GO Refunding bonds                 | 1,590,000                  |                                 | 1,590,000  |
| Copier/printer leases                   | 24,542                     |                                 | 24,542     |
| Total noncurrent liabilities            | 1,614,542                  | 0                               | 1,614,542  |
| Total liabilities                       | 2,156,150                  | 8,871                           | 2,165,021  |
| <b>DEFERRED INFLOW OF RESOURCES</b>     |                            |                                 |            |
| Taxes levied for a future period        | 554,185                    |                                 | 554,185    |
| Pension related deferred inflows        | 331,586                    | 27,935                          | 359,521    |
| Total deferred inflow of resources      | 885,771                    | 27,935                          | 913,706    |
| <b>NET POSITION</b>                     |                            |                                 |            |
| Net invested in capital assets          | 4,022,688                  | 174,492                         | 4,197,180  |
| Restricted for:                         |                            |                                 |            |
| Capital outlay                          | 2,393,791                  |                                 | 2,393,791  |
| Special education                       | 153,298                    |                                 | 153,298    |
| Debt service                            | 368,640                    |                                 | 368,640    |
| SDRS pension purposes                   | 185,288                    | 11,586                          | 196,874    |
| Unrestricted                            | 793,899                    | 14,316                          | 808,215    |
| Total net position                      | 7,917,604                  | 200,394                         | 8,117,998  |

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2025

| Functions/Programs:                 | Program Revenues |                                               |                                          |                                        | Net Revenue (Expense) and<br>Changes in Net Position |                             |            |
|-------------------------------------|------------------|-----------------------------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|------------|
|                                     | Expenses         | Charges for<br>Services and<br>Reimbursements | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-type<br>Activities | Totals     |
| Primary government:                 |                  |                                               |                                          |                                        |                                                      |                             |            |
| Governmental activities:            |                  |                                               |                                          |                                        |                                                      |                             |            |
| Instruction                         | 1,912,127        |                                               | 207,213                                  |                                        | -1,704,914                                           |                             | -1,704,914 |
| Support services                    | 1,541,903        | 10,661                                        |                                          |                                        | -1,531,242                                           |                             | -1,531,242 |
| Non-program charges                 | 20,081           |                                               |                                          |                                        | -20,081                                              |                             | -20,081    |
| Cocurricular activities             | 279,832          | 27,422                                        |                                          |                                        | -252,410                                             |                             | -252,410   |
| Interest and fees on debt (all)     | 43,545           |                                               |                                          |                                        | -43,545                                              |                             | -43,545    |
| Total governmental activities       | 3,797,488        | 38,083                                        | 207,213                                  | 0                                      | -3,552,192                                           | 0                           | -3,552,192 |
| Business-type activities:           |                  |                                               |                                          |                                        |                                                      |                             |            |
| Food service                        | 272,438          | 78,895                                        | 176,179                                  | 1,178                                  |                                                      | -16,186                     | -16,186    |
| Child care                          | 99,062           | 56,720                                        | 4,515                                    |                                        |                                                      | -37,827                     | -37,827    |
| Total primary government            | 4,168,988        | 173,698                                       | 387,907                                  | 1,178                                  | -3,552,192                                           | -54,013                     | -3,606,205 |
|                                     |                  |                                               |                                          |                                        |                                                      |                             |            |
| General revenue:                    |                  |                                               |                                          |                                        |                                                      |                             |            |
| Property taxes                      |                  |                                               |                                          |                                        | 1,254,787                                            |                             | 1,254,787  |
| Gross receipts tax                  |                  |                                               |                                          |                                        | 36,268                                               |                             | 36,268     |
| Revenue from state sources:         |                  |                                               |                                          |                                        |                                                      |                             |            |
| State aid                           |                  |                                               |                                          |                                        | 2,098,953                                            |                             | 2,098,953  |
| Other                               |                  |                                               |                                          |                                        | 49,348                                               |                             | 49,348     |
| Revenue from counties               |                  |                                               |                                          |                                        | 19,437                                               |                             | 19,437     |
| Interest earnings                   |                  |                                               |                                          |                                        | 111,185                                              | 86                          | 111,271    |
| Donations                           |                  |                                               |                                          |                                        | 61,685                                               |                             | 61,685     |
| Other general revenues              |                  |                                               |                                          |                                        | 2,621                                                |                             | 2,621      |
| Sale of surplus property            |                  |                                               |                                          |                                        | 2,000                                                | 2,500                       | 4,500      |
| Compensation for damages            |                  |                                               |                                          |                                        | 15,272                                               | 11,034                      | 26,306     |
| Transfers                           |                  |                                               |                                          |                                        | -35,000                                              | 35,000                      | 0          |
| Total general revenue and transfers |                  |                                               |                                          |                                        | 3,616,556                                            | 48,620                      | 3,665,176  |
| Change in net position              |                  |                                               |                                          |                                        | 64,364                                               | -5,393                      | 58,971     |
| Net position, July 1, 2024          |                  |                                               |                                          |                                        | 7,853,240                                            | 205,787                     | 8,059,027  |
| Net position, June 30, 2025         |                  |                                               |                                          |                                        | 7,917,604                                            | 200,394                     | 8,117,998  |

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2025

|                                                                             | General<br>Fund  | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Debt<br>Service<br>Fund | Total<br>Governmental<br>Funds |
|-----------------------------------------------------------------------------|------------------|---------------------------|------------------------------|-------------------------|--------------------------------|
| <b>ASSETS</b>                                                               |                  |                           |                              |                         |                                |
| Cash and cash equivalents                                                   | 260,336          | 310,070                   | 75,905                       | 177,078                 | 823,389                        |
| Certificates of deposit                                                     | 683,299          | 2,106,858                 | 135,227                      | 183,588                 | 3,108,972                      |
| Advanced to T&A imprest                                                     | 8,000            |                           |                              |                         | 8,000                          |
| Receivables:                                                                |                  |                           |                              |                         |                                |
| Property taxes - current                                                    | 140,919          | 216,133                   | 108,493                      | 88,640                  | 554,185                        |
| Property taxes - delinquent                                                 | 13,272           | 13,626                    | 7,204                        | 7,974                   | 42,076                         |
| Due from other governments                                                  | 53,548           |                           |                              |                         | 53,548                         |
| Accounts                                                                    | 10,076           |                           |                              |                         | 10,076                         |
| Inventory of supplies                                                       | 5,639            |                           |                              |                         | 5,639                          |
| <b>Total assets</b>                                                         | <u>1,175,089</u> | <u>2,646,687</u>          | <u>326,829</u>               | <u>457,280</u>          | <u>4,605,885</u>               |
| <b>LIABILITIES</b>                                                          |                  |                           |                              |                         |                                |
| Accounts payable                                                            | 29,265           | 36,763                    | 6,020                        |                         | 72,048                         |
| Contracts payable                                                           | 159,384          |                           | 45,741                       |                         | 205,125                        |
| Payroll deductions payable                                                  | 44,872           |                           | 13,277                       |                         | 58,149                         |
| <b>Total liabilities</b>                                                    | <u>233,521</u>   | <u>36,763</u>             | <u>65,038</u>                | <u>0</u>                | <u>335,322</u>                 |
| <b>DEFERRED INFLOW OF RESOURCES</b>                                         |                  |                           |                              |                         |                                |
| Taxes levied for a future period                                            | 140,919          | 216,133                   | 108,493                      | 88,640                  | 554,185                        |
| Unavailable revenue:                                                        |                  |                           |                              |                         |                                |
| Property taxes - delinquent                                                 | 13,272           | 13,626                    | 7,204                        | 7,974                   | 42,076                         |
| <b>Total deferred inflow of resources</b>                                   | <u>154,191</u>   | <u>229,759</u>            | <u>115,697</u>               | <u>96,614</u>           | <u>596,261</u>                 |
| <b>FUND BALANCE</b>                                                         |                  |                           |                              |                         |                                |
| Nonspendable                                                                | 13,639           |                           |                              |                         | 13,639                         |
| Restricted                                                                  |                  | 2,380,165                 | 146,094                      | 360,666                 | 2,886,925                      |
| Committed                                                                   |                  |                           |                              |                         | 0                              |
| Assigned                                                                    |                  |                           |                              |                         | 0                              |
| Unassigned                                                                  | 773,738          |                           |                              |                         | 773,738                        |
| <b>Total fund balance</b>                                                   | <u>787,377</u>   | <u>2,380,165</u>          | <u>146,094</u>               | <u>360,666</u>          | <u>3,674,302</u>               |
| <b>Total liabilities, deferred inflow<br/>of resources and fund balance</b> | <u>1,175,089</u> | <u>2,646,687</u>          | <u>326,829</u>               | <u>457,280</u>          | <u>4,605,885</u>               |

Reconciliation of the above balance sheet - governmental funds to the  
government-wide statement of net position

Total fund balance - governmental funds (above) 3,674,302

Amounts reported in the government-wide statement of net position are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in governmental funds. Therefore:  
Add the cost of capital assets 10,114,025  
Subtract the associated accumulated depreciation -4,277,259

These pension related amounts are not an available financial  
resource and therefore are not reported in the funds:  
Net pension assets 2,639  
Deferred outflow of resources 514,235  
Deferred inflow of resources -331,586

Long-term liabilities are not due and payable in the current period.  
Therefore, subtract the following long-term liabilities  
2013 Capital Outlay Certificates (QZAB bonds) -29,167  
2018 Copier/printer lease -39,911  
2021 General Obligation Refunding Bonds -1,745,000  
Accrued leave -6,750

Assets such as taxes receivable (delinquent) are not available to  
pay of current period expenditures and therefore are deferred in  
the funds. 42,076

Total net position on government-wide statement of net position 7,917,604

See accompanying notes.

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

|                                    | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Debt<br>Service<br>Fund | Total<br>Governmental<br>Funds |
|------------------------------------|-----------------|---------------------------|------------------------------|-------------------------|--------------------------------|
| Revenue:                           |                 |                           |                              |                         |                                |
| Revenue from local sources:        |                 |                           |                              |                         |                                |
| Taxes:                             |                 |                           |                              |                         |                                |
| Ad valorem taxes                   | 313,591         | 478,970                   | 247,255                      | 199,728                 | 1,239,544                      |
| Prior year ad valorem taxes        | 3,669           | 4,070                     | 2,201                        | 1,783                   | 11,723                         |
| Gross receipts                     | 36,268          |                           |                              |                         | 36,268                         |
| Penalties and interest             | 517             | 495                       | 269                          | 219                     | 1,500                          |
| Interest earned                    | 21,568          | 75,004                    | 5,556                        | 9,057                   | 111,185                        |
| Cocurricular activities:           |                 |                           |                              |                         |                                |
| Admissions                         | 27,422          |                           |                              |                         | 27,422                         |
| Other revenue from local sources:  |                 |                           |                              |                         |                                |
| Donations                          | 5,600           | 56,085                    |                              |                         | 61,685                         |
| Medicaid                           | 4,367           |                           | 6,294                        |                         | 10,661                         |
| Other                              | 2,620           |                           |                              |                         | 2,620                          |
| Total revenue from local sources   | 415,622         | 614,624                   | 261,575                      | 210,787                 | 1,502,608                      |
| Revenue from intermediate sources: |                 |                           |                              |                         |                                |
| County sources:                    |                 |                           |                              |                         |                                |
| State fines apportionment          | 19,437          |                           |                              |                         | 19,437                         |
| Revenue from state sources:        |                 |                           |                              |                         |                                |
| Unrestricted grants-in-aid         | 1,882,608       |                           | 216,345                      |                         | 2,098,953                      |
| Restricted grants-in-aid           | 61,098          |                           |                              |                         | 61,098                         |
| Revenue from federal sources:      |                 |                           |                              |                         |                                |
| Restricted grants-in-aid           | 114,070         | 30,897                    | 50,496                       |                         | 195,463                        |
| Total revenues                     | 2,492,835       | 645,521                   | 528,416                      | 210,787                 | 3,877,559                      |
| Expenditures:                      |                 |                           |                              |                         |                                |
| Instruction:                       |                 |                           |                              |                         |                                |
| Regular programs:                  |                 |                           |                              |                         |                                |
| Elementary school                  | 417,381         | 15,266                    |                              |                         | 432,647                        |
| Middle school                      | 206,647         | 5,426                     |                              |                         | 212,073                        |
| High school                        | 417,818         | 26,600                    |                              |                         | 444,418                        |
| Preschool services                 | 32,585          |                           |                              |                         | 32,585                         |
| Special programs:                  |                 |                           |                              |                         |                                |
| Educ. deprived (Title I)           | 72,777          |                           |                              |                         | 72,777                         |
| Programs for special educ.         |                 |                           | 440,990                      |                         | 440,990                        |
| Total instruction                  | 1,147,208       | 47,292                    | 440,990                      | 0                       | 1,635,490                      |
| Support services:                  |                 |                           |                              |                         |                                |
| Pupils:                            |                 |                           |                              |                         |                                |
| Guidance                           | 142,868         |                           |                              |                         | 142,868                        |
| Health                             | 700             |                           |                              |                         | 700                            |
| Special education                  |                 |                           | 121,976                      |                         | 121,976                        |
| Instruction:                       |                 |                           |                              |                         |                                |
| Staff training                     | 4,360           |                           | 661                          |                         | 5,021                          |
| Educational media                  | 1,347           |                           |                              |                         | 1,347                          |
| Technology in school               | 20,499          | 23,806                    |                              |                         | 44,305                         |
| General administration:            |                 |                           |                              |                         |                                |
| Board of Education                 | 36,332          |                           |                              |                         | 36,332                         |
| Executive administration           | 239,150         |                           |                              |                         | 239,150                        |
| School administration:             |                 |                           |                              |                         |                                |
| Office of principal                | 199,884         |                           |                              |                         | 199,884                        |
| Special education                  |                 |                           | 21,325                       |                         | 21,325                         |
| Business:                          |                 |                           |                              |                         |                                |
| Fiscal services                    | 98,224          |                           |                              |                         | 98,224                         |
| Other facility acquisition         |                 |                           |                              |                         | 0                              |
| Operations and maintenance         | 380,483         | 23,094                    |                              |                         | 403,577                        |
| Pupil transportation               | 125,216         | 1,538                     |                              |                         | 126,754                        |
| Purchased food                     | 8,054           |                           |                              |                         | 8,054                          |
| Criminal background check          | 519             |                           |                              |                         | 519                            |
| Nonprogram charges                 | 20,081          |                           |                              |                         | 20,081                         |
| Total support services             | 1,277,717       | 48,438                    | 143,962                      | 0                       | 1,470,117                      |

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2025 (continued)

|                                                 | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Debt<br>Service<br>Fund | Total<br>Governmental<br>Funds |
|-------------------------------------------------|-----------------|---------------------------|------------------------------|-------------------------|--------------------------------|
| Debt service:                                   |                 |                           |                              |                         |                                |
| Principal                                       |                 | 43,788                    |                              | 155,000                 | 198,788                        |
| Interest and fees                               |                 | 2,395                     |                              | 40,400                  | 42,795                         |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Total debt service                              | 0               | 46,183                    | 0                            | 195,400                 | 241,583                        |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Cocurricular activities:                        |                 |                           |                              |                         |                                |
| Male activities                                 | 44,340          | 2,479                     |                              |                         | 46,819                         |
| Female activities                               | 65,867          | 7,980                     |                              |                         | 73,847                         |
| Transportation                                  | 3,471           | 19,441                    |                              |                         | 22,912                         |
| Combined activities                             | 84,376          |                           |                              |                         | 84,376                         |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Total cocurricular services                     | 198,054         | 29,900                    | 0                            | 0                       | 227,954                        |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Capital outlay:                                 |                 | 187,146                   |                              |                         | 187,146                        |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Total expenditures                              | 2,622,979       | 358,959                   | 584,952                      | 195,400                 | 3,762,290                      |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Excess of revenues<br>over (under) expenditures | -130,144        | 286,562                   | -56,536                      | 15,387                  | 115,269                        |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Other financing sources (uses):                 |                 |                           |                              |                         |                                |
| Transfer in                                     | 138,332         |                           |                              |                         | 138,332                        |
| Transfer (out)                                  | -35,000         | -138,332                  |                              |                         | -173,332                       |
| Compensation for damaged property               |                 | 15,272                    |                              |                         | 15,272                         |
| Sale of surplus property                        |                 | 2,000                     |                              |                         | 2,000                          |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Net change in fund balance                      | -26,812         | 165,502                   | -56,536                      | 15,387                  | 97,541                         |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| Fund balance:                                   |                 |                           |                              |                         |                                |
| July 1, 2024                                    | 814,189         | 2,214,663                 | 202,630                      | 345,279                 | 3,576,761                      |
|                                                 | -----           | -----                     | -----                        | -----                   | -----                          |
| June 30, 2025                                   | 787,377         | 2,380,165                 | 146,094                      | 360,666                 | 3,674,302                      |
|                                                 | =====           | =====                     | =====                        | =====                   | =====                          |

Reconciliation of the above statement of revenues, expenditures, and  
changes in fund balances to the government-wide statement of activities.

Net change in fund balances - total governmental funds (above) 97,541

Capital outlays are reported in governmental funds as expenditures. However  
in the government-wide statement of activities, the cost of those assets is  
allocated over the estimated useful lives as depreciation expense. Therefore:

|                                                   |          |
|---------------------------------------------------|----------|
| Add the cost of capital asset additions           | 187,146  |
| Subtract depreciation taken on all capital assets | -330,327 |
| Subtract amortization taken on capital lease      | -14,939  |
| Subtract loss on disposition of capital assets    | 0        |

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds. Therefore:

|                                      |         |
|--------------------------------------|---------|
| Subtract prior year delinquent taxes | -40,056 |
| Add current year delinquent taxes    | 42,076  |

Expenses and reductions of expenses related to pensions do not provide  
current financial resources and, therefore, are not reported in the funds -75,115

Governmental funds do not reflect the change in "accrued leave", but the  
statement of activities reflects the change in "acrued leave" through  
expenditures. Therefore add the decrease in accrued leave 0

Repayment of debt is an expenditure in the governmental funds, but the repayment  
reduces long-term liabilities in the statement of net position. Therefore:

|                                         |         |
|-----------------------------------------|---------|
| Add current year principal payments on: |         |
| 2013 Capital Outlay Certificates        | 29,167  |
| 2021 General Obligation Bonds           | 155,000 |
| 2022 copier/printer lease               | 14,621  |
| Subtract increase in accrued leave      | -750    |

|                                                                   |        |
|-------------------------------------------------------------------|--------|
| Change in net position on government-wide statement of activities | 64,364 |
|-------------------------------------------------------------------|--------|

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
STATEMENT OF NET POSITION - ENTERPRISE FUNDS  
AS OF JUNE 30, 2025

|                                            | Food<br>Service<br>Fund | Day<br>Care<br>Fund | Total<br>Enterprise<br>Funds |
|--------------------------------------------|-------------------------|---------------------|------------------------------|
| <b>ASSETS</b>                              |                         |                     |                              |
| Current assets:                            |                         |                     |                              |
| Cash                                       | 2,558                   | -451                | 2,107                        |
| Due from other governments                 | 2,260                   | 234                 | 2,494                        |
| Accounts receivable                        | 2,293                   |                     | 2,293                        |
| Inventory - supplies                       | 2,739                   |                     | 2,739                        |
| Inventory - purchased goods                | 5,466                   |                     | 5,466                        |
| Inventory - commodities (donated)          | 4,060                   |                     | 4,060                        |
| Capital assets:                            |                         |                     |                              |
| Land                                       |                         | 9,000               | 9,000                        |
| Building                                   |                         | 108,746             | 108,746                      |
| Equipment                                  | 188,693                 |                     | 188,693                      |
| Accumulated depreciation                   | -95,417                 | -36,530             | -131,947                     |
| Other assets: Net pension assets           | 140                     | 82                  | 222                          |
| <b>Total assets</b>                        | <b>112,792</b>          | <b>81,081</b>       | <b>193,873</b>               |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>       |                         |                     |                              |
| Pension related deferred outflows          | 27,266                  | 16,061              | 43,327                       |
| <b>Total deferred outflow of resources</b> | <b>27,266</b>           | <b>16,061</b>       | <b>43,327</b>                |
| <b>LIABILITIES</b>                         |                         |                     |                              |
| Accounts payable                           | 388                     | 812                 | 1,200                        |
| Contracts payable                          |                         | 2,786               | 2,786                        |
| Payroll deductions payable                 |                         | 213                 | 213                          |
| Revenue received in advance                | 4,672                   |                     | 4,672                        |
| <b>Total liabilities</b>                   | <b>5,060</b>            | <b>3,811</b>        | <b>8,871</b>                 |
| <b>DEFERRED INFLOW OF RESOURCES:</b>       |                         |                     |                              |
| Pension related deferred inflows           | 17,581                  | 10,354              | 27,935                       |
| <b>Total deferred inflow of resources</b>  | <b>17,581</b>           | <b>10,354</b>       | <b>27,935</b>                |
| <b>NET POSITION</b>                        |                         |                     |                              |
| Net invested in capital assets             | 93,276                  | 81,216              | 174,492                      |
| Restricted - SDRS pension purposes         | 9,825                   | 1,761               | 11,586                       |
| Unrestricted                               | 14,316                  | 0                   | 14,316                       |
| <b>Total net position</b>                  | <b>117,417</b>          | <b>82,977</b>       | <b>200,394</b>               |

See accompanying notes.

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2025

|                                             | Food<br>Service<br>Fund | Day<br>Care<br>Fund | Total<br>Enterprise<br>Funds |
|---------------------------------------------|-------------------------|---------------------|------------------------------|
| <b>Operating revenue:</b>                   |                         |                     |                              |
| Sales to pupils                             | 75,511                  | 56,020              | 131,531                      |
| Sales to adults                             | 2,880                   |                     | 2,880                        |
| Other revenue                               | 1,682                   | 700                 | 2,382                        |
| <b>Total operating revenue</b>              | <b>80,073</b>           | <b>56,720</b>       | <b>136,793</b>               |
| <b>Operating expense:</b>                   |                         |                     |                              |
| Salaries                                    | 104,324                 | 74,874              | 179,198                      |
| Employee benefits                           | 24,299                  | 9,315               | 33,614                       |
| Purchased services                          | 6,943                   | 3,483               | 10,426                       |
| Supplies                                    | 14,029                  | 6,442               | 20,471                       |
| Cost of sales:                              |                         |                     |                              |
| Purchased food                              | 83,003                  |                     | 83,003                       |
| Donated food (commodities)                  | 21,177                  |                     | 21,177                       |
| Depreciation                                | 14,478                  | 2,714               | 17,192                       |
| Pension related expense                     | 4,185                   | 2,234               | 6,419                        |
| <b>Total operating expenses</b>             | <b>272,438</b>          | <b>99,062</b>       | <b>371,500</b>               |
| <b>Operating income (loss)</b>              | <b>-192,365</b>         | <b>-42,342</b>      | <b>-234,707</b>              |
| <b>Nonoperating revenue (expense):</b>      |                         |                     |                              |
| Loss on disposal of capital asset           |                         |                     | 0                            |
| Interest earned                             | 57                      | 29                  | 86                           |
| State source: Cash reimbursement            | 322                     |                     | 322                          |
| Federal source:                             |                         |                     |                              |
| Cash reimbursement                          | 156,906                 | 4,515               | 161,421                      |
| Donated food                                | 18,951                  |                     | 18,951                       |
| <b>Total nonoperating revenue (expense)</b> | <b>176,236</b>          | <b>4,544</b>        | <b>180,780</b>               |
| <b>Income (loss) before transfers:</b>      | <b>-16,129</b>          | <b>-37,798</b>      | <b>-53,927</b>               |
| Sale of surplus property                    | 2,500                   |                     | 2,500                        |
| Compensation for damages                    | 11,034                  |                     | 11,034                       |
| Transfers in                                | 14,000                  | 21,000              | 35,000                       |
| <b>Change in Net Position</b>               | <b>11,405</b>           | <b>-16,798</b>      | <b>-5,393</b>                |
| <b>Net position, July 1, 2024</b>           | <b>106,012</b>          | <b>99,775</b>       | <b>205,787</b>               |
| <b>Net position, June 30, 2025</b>          | <b>117,417</b>          | <b>82,977</b>       | <b>200,394</b>               |

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
FOR THE YEAR ENDING JUNE 30, 2025

|                                                                                                      | Food<br>Service<br>Fund | Child<br>Care<br>Fund | Total<br>Enterprise<br>Funds |
|------------------------------------------------------------------------------------------------------|-------------------------|-----------------------|------------------------------|
|                                                                                                      | -----                   | -----                 | -----                        |
| Cash flows from:                                                                                     |                         |                       |                              |
| Operating activities:                                                                                |                         |                       |                              |
| Receipts from customers                                                                              | 72,510                  | 57,705                | 130,215                      |
| Cash paid for employees                                                                              | -128,623                | -84,621               | -213,244                     |
| Payments to suppliers                                                                                | -97,965                 | -17,269               | -115,234                     |
|                                                                                                      | -----                   | -----                 | -----                        |
| Net cash provided (used)<br>by operating activities                                                  | -154,078                | -44,185               | -198,263                     |
| Noncapital financing activities:                                                                     |                         |                       |                              |
| Grant cash reimbursements, state                                                                     | 1,816                   | 343                   | 2,159                        |
| Grant cash reimbursements, federal                                                                   | 156,906                 | 4,515                 | 161,421                      |
| Compensation for damaged property                                                                    | 11,034                  |                       | 11,034                       |
| Transfer in                                                                                          | 14,000                  | 21,000                | 35,000                       |
| Capital financing activities:                                                                        |                         |                       |                              |
| Sale of capital assets                                                                               | 2,500                   |                       | 2,500                        |
| Equipment purchases                                                                                  | -56,657                 |                       | -56,657                      |
| Investing activities:                                                                                |                         |                       |                              |
| Interest received                                                                                    | 57                      | 29                    | 86                           |
|                                                                                                      | -----                   | -----                 | -----                        |
| Net increase (decrease) in<br>cash and cash equivalents                                              | -24,422                 | -18,298               | -42,720                      |
| Cash and cash equivalents:                                                                           |                         |                       |                              |
| July 1, 2024                                                                                         | 26,980                  | 17,847                | 44,827                       |
|                                                                                                      | -----                   | -----                 | -----                        |
| June 30, 2025                                                                                        | 2,558                   | -451                  | 2,107                        |
|                                                                                                      | =====                   | =====                 | =====                        |
| Reconciliation of operating income<br>(loss) to net cash provided (used) by<br>operating activities: |                         |                       |                              |
| Operating income (loss)                                                                              | -192,365                | -42,342               | -234,707                     |
| Donated commodities used                                                                             | 21,177                  |                       | 21,177                       |
| Depreciation                                                                                         | 14,478                  | 2,714                 | 17,192                       |
| Pension related exp. reduction                                                                       | 4,185                   | 2,234                 | 6,419                        |
| Change in operating accounts:                                                                        |                         |                       |                              |
| Accounts receivable                                                                                  | -1,176                  | 985                   | -191                         |
| Inventory - supplies                                                                                 | -634                    |                       | -634                         |
| Inventory - purchased                                                                                | 6,256                   |                       | 6,256                        |
| Accounts payable                                                                                     | 388                     | -7,344                | -6,956                       |
| Contracts payable                                                                                    |                         | -275                  | -275                         |
| Benefits payable                                                                                     |                         | -157                  | -157                         |
| Unearned revenue                                                                                     | -6,387                  |                       | -6,387                       |
|                                                                                                      | -----                   | -----                 | -----                        |
| Net cash provided (used)<br>by operating activities                                                  | -154,078                | -44,185               | -198,263                     |
|                                                                                                      | =====                   | =====                 | =====                        |
| Noncash investing, capital and<br>financing activities:                                              |                         |                       |                              |
| Donated commodities received                                                                         | 18,951                  |                       | 18,951                       |

See accompanying notes.

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2025

|                                   | Custodial<br>Funds<br>----- |
|-----------------------------------|-----------------------------|
| Assets:                           |                             |
| Cash                              | 24,126                      |
| Certificate of deposit            | 19,003                      |
| Due from student activities       | 12,652                      |
|                                   | -----                       |
| Total assets                      | 55,781                      |
|                                   | =====                       |
| Liabilities:                      |                             |
| Due to general fund - advance     | 8,000                       |
|                                   | -----                       |
| Total liabilities                 | 8,000                       |
|                                   | =====                       |
| Net Position - Restricted:        |                             |
| Restricted for student activities | 47,781                      |
|                                   | -----                       |
| Total net position                | 47,781                      |
|                                   | =====                       |
| See accompanying notes.           |                             |

GAYVILLE-VOLIN SCHOOL DISTRICT NO. 63-1  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDING JUNE 30, 2025

|                                    | Custodial<br>Funds<br>----- |
|------------------------------------|-----------------------------|
| Additions:                         |                             |
| Collections for student activities | 216,743                     |
| General fund reimbursements        |                             |
| Interest earnings                  | 447                         |
|                                    | -----                       |
| Total additions                    | 217,190                     |
|                                    | -----                       |
| Deductions:                        |                             |
| Payments for student activities    | 221,075                     |
| General fund uses                  |                             |
|                                    | -----                       |
| Total deductions                   | 221,075                     |
|                                    | -----                       |
| Change in net position             | -3,885                      |
| Net Oosition - Restricted:         |                             |
| July 1, 2024                       | 51,666                      |
|                                    | -----                       |
| June 30, 2025                      | 47,781                      |
|                                    | =====                       |
| See accompanying notes.            |                             |

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Gayville-Volin School District's (School District) Board of Education.

The School District's officials at June 30, 2025 are:

Board Members:

John Freeburg, President  
Stacy Barta  
Eric Dimmer  
Tyler Hoxeng  
Kathy Jorgensen

Superintendent:

Jason Selchert

Business Manager

Alice Hight

Attorney:

Churchill, Manolis, Freeman, Kludt & Burns

The reporting entity of the School District consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Gayville-Volin School District does not have any component units. Also, the School District does not participate with other school districts in any cooperative service units.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. 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 good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested 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 function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients for goods and services offered by the program 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 and interest, are presented as general revenues.

*Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds.

School District funds are described below within their respective fund type:

## Governmental Funds

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

*Special Revenue Fund Type - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:*

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 is a major fund.

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

Debt Service fund - A fund established by SDCL 13-16-13 to account for the payment of principal, interest and related costs of a 2021 general obligation refunding bond. This fund is financed by property taxes and is a major fund. See also page 42.

## Enterprise Funds

*Enterprise Fund Types - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise fund:*

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

Child care fund - a fund used to record financial transactions related to the School's child care activity and driver's education. This fund is financed by user charges, fund raising activities, and grants. This fund is a major fund.

## Fiduciary Funds

Fiduciary funds consist of the following sub-category of fiduciary funds. Fiduciary funds are never considered to be major funds.

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

### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" 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:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

### *Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

## Basis of Accounting

### *Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. 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:*

In the 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 School District's availability period for accruing and recording revenues is 90 days to better match grant activity. The revenues which are accrued at June 30, 2025 are grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but "not available". Not available means not collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred inflow of resources are those where the asset recognition criteria has been met but for which the revenue recognition criteria has not been met because the receivable is not available.

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. However, the Gayville-Volin School District budgets for, and makes payment of, debt obligations due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

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:*

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the School District considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

g. Inventory:

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

Governmental activities and governmental fund inventories, if any, consists of expendable supplies held for consumption. In the government-wide financial statements and governmental funds, inventory items, if any, are initially recorded as assets and charged to expense in the various functions of government as they are consumed. Inventories reported in the fund financial statements are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Nonspendable fund balance related to inventory are reported net of related liabilities (accounts payable).

h. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

*Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

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 estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2025 balance of capital assets for governmental activities include approximately 2% for which the costs were determined by estimates of the original costs. The total June 30, 2025 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation and amortization of all exhaustible capital assets are recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation/amortization is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See page 41.

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

|                                    | Capitalization<br>Threshold | Depreciation/<br>Amortization<br>Method | Estimated<br>Life in<br>Years |
|------------------------------------|-----------------------------|-----------------------------------------|-------------------------------|
|                                    | -----                       | -----                                   | -----                         |
| Land                               | all                         | N/A                                     | N/A                           |
| Buildings/structures               | 20,000                      | Straight-line                           | 33-50                         |
| Improvements                       | 10,000                      | Straight-line                           | 10-50                         |
| Equipment and<br>intangible leases | 10,000                      | Straight-line                           | 2-20                          |
| Equipment - food service           | 500                         | Straight-line                           | 12                            |

Land is an inexhaustible capital asset and is not depreciated.

#### *Fund Financial Statements:*

In the fund financial statements, governmental funds account for capital asset purchases as expenditures of the appropriate governmental fund. Enterprise funds account for capital asset purchases on the accrual basis of accounting, the same as in the government-wide statements.

#### *i. Long-term Liabilities:*

#### *Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities consist of a general obligation bond, capital outlay certificates, equipment lease and compensated absences.

#### *Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

#### *j. Program Revenues and General 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 contribution - 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 contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

#### *k. Deferred Inflows and Deferred Outflows of Resources*

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

In the government-wide financial statements, the only deferred outflow of resources reported is a deferred amount arising from the School District's pension plan for qualified retirees as discussed in Note 13.

In the fund financial statement there are no deferred outflows of resources reported in the governmental funds. There is deferred outflows of resources reported in the enterprise funds arising from School District's pension plan for qualified retirees as discussed in Note 13.

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

In the government-wide financial statements, the only deferred inflow of resources reported are deferred amounts arising from the School District's pension plan and property taxes that are levied for future periods.

In the funds financial statement, governmental funds report deferred inflows of resources for property taxes levied but not collected within the available period and property taxes levied in the available period that are intended to finance the next fiscal year. Enterprise funds report deferred outflows of resources arising from School District's pension plan for qualified retirees as discussed in Note 13.

1. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise 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.

m. Equity Classifications:

*Government-wide Statements:*

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

1. Net invested 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 capital outlay certificate payable, capitalized leases payable, 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 creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements.

Fiduciary fund equity is reported as "Net Position - Restricted".

n. Fund Balance Classification Policies and Procedures:

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

- \* Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Council or Finance Officer.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The School District fund balance classifications are made up of:

| <u>Fund Balance</u><br><u>Classifications</u> | <u>Account</u><br><u>or Fund</u> | <u>Authority</u><br><u>or Action</u> | <u>Amount</u> |
|-----------------------------------------------|----------------------------------|--------------------------------------|---------------|
| Nonspendable                                  | Inventory of supplies            |                                      | 5,639         |
|                                               | General - Impress activity       | Resolution                           | 8,000         |
| Restricted                                    | Capital Outlay                   | Statute                              | 2,380,165     |
|                                               | Special Education                | Statute                              | 146,094       |
|                                               | Debt Service                     | Statute                              | 360,666       |
| Committed                                     | None                             |                                      | 0             |
| Assigned                                      | None                             |                                      | 0             |
| Unassigned                                    | General                          |                                      | 773,738       |
|                                               |                                  |                                      | -----         |
|                                               |                                  |                                      | 3,674,302     |

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

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

The purpose of each special revenue fund and revenue source is:

|                       |                               |
|-----------------------|-------------------------------|
| Special Revenue Fund: | Revenue Source: (see page 17) |
| * Capital Outlay      | Property taxes and grants     |
| * Special Education   | Property taxes and grants     |

o. 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 which can be charged to either restricted or unrestricted net position.

p. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

q. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated service lives
- \* SDRS Pension - actuarial assumptions

r. Pensions:

For the purpose of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflow of resources related to pensions, and pension expense (expense reduction), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported

3. DEPOSITS, INVESTMENTS AND 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 below:

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

Actual bank balances at June 30, 2025 were as follows: Insured \$492,238, Collateralized \*\* \$3,561,792, for a total of \$4,054,030.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2025 was \$3,977,597 which equals \$3,934,468 on the government-wide statement of net position plus \$43,129 on the fiduciary funds statement.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested 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); or (c) in shares of an open-end, no-load mutual fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Cash Equivalents - Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits. Also, because certificates of deposit are included in the equivalent of an internal cash management pool, which is available on demand to all School District funds, certificates of deposit (if any) are considered to be cash equivalent.

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

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2025 the School District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in CorTrust Bank.

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the general fund, except for interest from certificates of deposit in the capital outlay fund and for interest earned by the bond redemption fund. U.S.GAAP, however, requires income from deposits and investments to be reported in the fund whose assets generated the income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund (ie: general fund) is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These transfers are not violations of the statutory restrictions on interfund transfers.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

## 5. DUE FROM OTHER GOVERNMENTS

At June 30, 2025 amounts due from other governments were:

|                          | Governmental<br>Activities | Business-Type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Federal government:      |                            |                             |
| Title I                  | 15,058                     |                             |
| Title II                 | 1,231                      |                             |
| Small rural school grant | 3,232                      |                             |
| State government:        |                            |                             |
| HMI grant                |                            | 2,260                       |
| CACFP claims             |                            | 234                         |
| County government:       |                            |                             |
| Gross receipts tax       | 34,027                     |                             |
|                          | -----                      | -----                       |
|                          | 53,548                     | 2,494                       |

## 6. INVENTORY OF SUPPLIES AND SMALL TOOLS

*Government-wide Statements: (consumption method)*

In the government-wide financial statements inventory of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out. Inventory at June 30, 2025 is \$5,639 for supplies in the general fund and \$12,265 for food and supplies in the food service fund.

*Fund Financial Statements: (consumption method)*

In the fund financial statements inventory of supplies and small tools (if any) are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools are recorded at cost. Donated items are valued at estimated acquisition value at the date of receipt. Donated commodities are valued at estimated acquisition value based on the USDA price list at date of receipt. The cost valuation method is first-in first-out.

## 7. CHANGES IN CAPITAL ASSETS (schedule one)

A summary of changes in capital assets for the fiscal year ending June 30, 2025 is found on schedule one at the end of these footnotes. There is no construction-in-progress at June 30, 2025. See page 41.

## 8. CHANGES IN LONG-TERM LIABILITIES (schedule two)

A summary of changes in long-term liabilities for the fiscal year ending June 30, 2025 is found on schedule two at the end of these footnotes. See page 42.

The School District has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

## 9. LEASE

The School District is lessee in noncancellable leases for three (3) Kyocera copier/printer machines with a remaining capitalization amount of \$33,612. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more. See page 42.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the term of the lease using a 5% imputed rate of interest. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the fixed term as stated in a lease contract.

Key estimates and judgments related to leases include how the School District determines (1) the discount rate used to discount the expected lease payments to present value (5% was determined to be reasonable), (2) lease term (the noncancellable period of the lease was used), and (3) lease payments (the fixed lease payment used in the measurement of lease liability was used with a purchase option price of zero based on the School District's practice of leasing a new copier at the end of a copier lease).

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

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

## 10. RESTRICTED NET POSITION

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

| Fund                          | Restricted by | Governmental | Business |
|-------------------------------|---------------|--------------|----------|
| Capital outlay                | Statute       | 2,393,791    |          |
| Special education             | Statute       | 153,298      |          |
| Debt service                  | Covenants     | 368,640      |          |
| SDRS pension purposes         | GASB 68       | 185,288      | 11,586   |
|                               |               | -----        | -----    |
| Total restricted net position |               | 3,101,017    | 11,586   |

## 11. INTERFUND TRANSFERS

During the year ending June 30, 2025 a transfer of \$138,332 was made from the capital outlay fund to the general fund for operations. The general fund transferred \$14,000 to the food service fund and \$21,000 to the day care fund.

## 12. REVENUE RECEIVED IN ADVANCE

The enterprise fund reports meal tickets of \$4,672 that have been purchased but not yet redeemed as revenue received in advance.

### 13. PENSION PLAN

#### Summary of Significant Accounting Policies:

See note 1r above for pension plan accounting policies.

#### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or 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 retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater 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 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, 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 .05 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

#### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ending June 30, 2025, 2024, and 2023 were \$126,403, \$118,960, and 120,842 respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

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

|                                                                           |               |
|---------------------------------------------------------------------------|---------------|
| Proportionate share of total pension liability                            | \$ 10,542,885 |
| Less: Proportionate share of net position restricted for pension benefits | (10,545,746)  |
|                                                                           | -----         |
| Proportionate share of net pension (asset)/liability                      | \$ (2,861)    |
|                                                                           | =====         |

At June 30, 2024 the School District reported a (asset)/liability of \$(2,861) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2024 and the total pension liability 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 .000706710 which is a decrease of .00007412 of its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the School District recognized net pension expense of \$81,534. At June 30, 2024 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

|                                                                                                                          | Deferred Outflows<br>of Resources             | Deferred Inflows<br>of Resources |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------|
| Difference between expected<br>and actual experience                                                                     | \$ 264,907                                    | \$ 0                             |
| Change in assumptions                                                                                                    | 47,165                                        | 359,521                          |
| Net difference between projected and<br>actual earnings on pension plan investments                                      | 107,757                                       | 0                                |
| Changes in proportion and difference<br>between School District contribution and<br>proportionate share of contributions | 11,330                                        |                                  |
| School District contributions subsequent<br>to the measurement date                                                      | 126,403                                       |                                  |
|                                                                                                                          | -----                                         | -----                            |
| Totals                                                                                                                   | \$ 557,562<br>(126,403)<br>(359,521)<br>----- | \$ 359,521<br>=====              |
| To be amortized over 4 years                                                                                             | \$ 71,638<br>=====                            |                                  |

The \$126,403 reported as deferred outflow of resources related to the pension, results from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

|                           |              |
|---------------------------|--------------|
| Year Ending June 30, 2026 | \$ (119,071) |
| June 30, 2027             | 163,766      |
| June 30, 2028             | 16,713       |
| June 30, 2029             | 10,230       |
|                           | -----        |
|                           | \$ 71,638    |

#### 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 return 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: Pub T-2010  
Other Class A Members: Pub G-2010  
Public Safety Members: Pub S-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees:

Pub T-2010, 108% of rates above age 65

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

Public Safety Retirees: Pub S-2010, 102% of rate at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: Pub S-2010 disabled member mortality table

Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024 valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021.

Investments

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 (ie: 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:

| 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%                                   |
|                       | -----             |                                        |
|                       | 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 those 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 (Asset)/Liability to Changes in the Discount Rate:

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

|                                                                               | 1% Decrease<br>5.50% | Current<br>Discount<br>Rate<br>6.50% | 1% Increase<br>7.50% |
|-------------------------------------------------------------------------------|----------------------|--------------------------------------|----------------------|
| School District's proportionate share<br>of the net pension (asset)/liability | \$1,453,675          | \$(2,861)                            | \$(1,194,761)        |

Pension Plan Fiduciary Net Position:

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

14. EMPLOYEE BENEFIT PLAN

The School District offers eligible employees a "Flexible Benefits Plan" (also known as a "cafeteria plan") under Internal Revenue Code Sec.125. The Plan allows eligible employees to use money provided by the School District through employee salary redirection, to choose (and pay for) one or more benefits offered through the Plan.

15. PROPERTY TAXES

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

School District property tax revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund 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". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 16 and 18.

## 16. RISK MANAGEMENT

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

### Health:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

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

### Liability and Property:

The District purchases liability and property 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.

### Worker's Compensation:

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

### Unemployment Benefits:

The School District provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. The School District made \$836 unemployment payments in FY23. The School District expects to make small unemployment payments of at least \$223 in FY24.

## 17. TAX ABATEMENTS

As of June 30, 2025 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

## 18. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

## 19. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The School District does not have any "Other Post Employment Benefits".

The School District does not have any Subscription-Based Information Technology Arrangements to report.

Student enrollments are:

|            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|
| FY10 - 247 | FY13 - 273 | FY16 - 287 | FY19 - 293 | FY22 - 275 | FY25 - 255 |
| FY11 - 258 | FY14 - 276 | FY17 - 304 | FY20 - 290 | FY23 - 262 | FY26 - 248 |
| FY12 - 271 | FY15 - 274 | FY18 - 279 | FY21 - 279 | FY24 - 257 |            |

In FY26 the School District:

- \* closed its child day care operation.
- \* purchased a 14 passenger minibus for \$92,739.
- \* made additions to its outdoor classroom for approximately \$65,000.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
CHANGES IN CAPITAL ASSETS  
FOR THE YEAR ENDING JUNE 30, 2025

|                                                                        | Beginning | Adjustments | Additions | (Deletions) | Ending     | Accumulated<br>Depreciation<br>Amortization | 6-30-24 | Adjustments   | (Additions) | Deletions | Accumulated<br>Depreciation<br>Amortization | 6-30-25 | Remaining<br>Cost | 6-30-25 |
|------------------------------------------------------------------------|-----------|-------------|-----------|-------------|------------|---------------------------------------------|---------|---------------|-------------|-----------|---------------------------------------------|---------|-------------------|---------|
|                                                                        | 6-30-24   |             |           |             | 6-30-25    | 6-30-24                                     |         |               |             |           | 6-30-25                                     |         | 6-30-25           |         |
| <b>General capital assets:</b>                                         |           |             |           |             |            |                                             |         |               |             |           |                                             |         |                   |         |
| <b>Not being depreciated:</b>                                          |           |             |           |             |            |                                             |         |               |             |           |                                             |         |                   |         |
| Land                                                                   | 58,118    |             |           |             | 58,118     | 0                                           |         |               |             |           |                                             |         | 58,118            |         |
| Construction-in-progre                                                 | 0         |             |           |             | 0          | 0                                           |         |               |             |           | 0                                           |         | 0                 |         |
| Totals                                                                 | 58,118    | 0           | 0         | 0           | 58,118     | 0                                           | 0       | 0             | 0           | 0         | 0                                           | 0       | 58,118            |         |
| <b>Being depreciated/amortized:</b>                                    |           |             |           |             |            |                                             |         |               |             |           |                                             |         |                   |         |
| Buildings                                                              | 7,253,455 | 2,619       | 17,542    |             | 7,273,616  | -2,795,719                                  | 79      | -150,519      |             |           | -2,946,159                                  |         | 4,327,457         |         |
| Improvements                                                           | 1,185,749 | -65,540     | 88,076    |             | 1,208,285  | -416,383                                    | 4,953   | -62,978       |             |           | -474,408                                    |         | 733,877           |         |
| Equipment                                                              | 1,337,758 |             | 145,914   | -10,750     | 1,472,922  | -689,467                                    | 4,252   | -114,639      |             |           | -799,854                                    |         | 673,068           |         |
| Library books                                                          | 67,472    |             |           |             | 67,472     | -54,647                                     |         | -2,191        |             |           | -56,838                                     |         | 10,634            |         |
| Intangible copier/printer lease                                        | 78,428    |             |           |             | 78,428     | -29,877                                     |         | -14,939       |             |           | -44,816                                     |         | 33,612            |         |
| Totals                                                                 | 9,922,862 | -62,921     | 251,532   | -10,750     | 10,100,723 | -3,986,093                                  | 9,284   | -345,266      |             | 0         | -4,322,075                                  |         | 5,778,648         |         |
| Combined totals                                                        | 9,980,980 | -62,921     | 251,532   | -10,750     | 10,158,841 | -3,986,093                                  | 9,284   | -345,266      |             | 0         | -4,322,075                                  |         | 5,836,766         |         |
| <b>Governmental depreciation/amortization is allocated as follows:</b> |           |             |           |             |            |                                             |         |               |             |           |                                             |         |                   |         |
|                                                                        |           |             |           |             |            |                                             |         | Instruction   | 239,078     |           |                                             |         |                   |         |
|                                                                        |           |             |           |             |            |                                             |         | Support       | 54,310      |           |                                             |         |                   |         |
|                                                                        |           |             |           |             |            |                                             |         | Co-curricular | 51,878      |           |                                             |         |                   |         |
|                                                                        |           |             |           |             |            |                                             |         |               | 345,266     |           |                                             |         |                   |         |
| <b>Enterprise funds:</b>                                               |           |             |           |             |            |                                             |         |               |             |           |                                             |         |                   |         |
| Land - child care                                                      | 9,000     |             |           |             | 9,000      | 0                                           |         |               |             |           | 0                                           |         | 9,000             |         |
| Buildings - child care                                                 | 108,747   |             |           |             | 108,747    | -33,817                                     |         | -2,714        |             |           | -36,531                                     |         | 72,216            |         |
| Equipment - food servi                                                 | 137,964   |             | 56,657    | -5,928      | 188,693    | -86,867                                     | 5,928   | -14,478       |             |           | -95,417                                     |         | 93,276            |         |
| Totals                                                                 | 255,711   | 0           | 56,657    | -5,928      | 306,440    | -120,684                                    | 5,928   | -17,192       |             | 0         | -131,948                                    |         | 174,492           |         |

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO  
CHANGES IN LONG-TERM LIABILITIES  
FOR THE ONE YEAR ENDING JUNE 30, 2025

|                                          | Beginning<br>6-30-24 | Additions    | (Deletions)     | Governmental<br>Ending<br>6-30-25 | Principal<br>Due in<br>FY26 |
|------------------------------------------|----------------------|--------------|-----------------|-----------------------------------|-----------------------------|
| <b>GOVERNMENTAL - DIRECT BORROWING</b>   |                      |              |                 |                                   |                             |
| 2013 Capital Outlay Certificates:        |                      |              |                 |                                   |                             |
| Qualified Zone Academy Bonds             |                      |              |                 |                                   |                             |
| Original amount: \$350,000               |                      |              |                 |                                   |                             |
| Maturing July 15, 2025                   |                      |              |                 |                                   |                             |
| Interest at zero                         |                      |              |                 |                                   |                             |
| Annual payments of \$29,166.67           |                      |              |                 |                                   |                             |
| Collateral - Capital outlay tax          |                      |              |                 |                                   |                             |
| levy in an amount not to exceed          |                      |              |                 |                                   |                             |
| \$3.00 per \$1,000 of assessed           |                      |              |                 |                                   |                             |
| valuation for the payment of             |                      |              |                 |                                   |                             |
| principal portion of the Bonds           |                      |              |                 |                                   |                             |
| Paid from Capital Outlay Fund            | 58,334               |              | -29,167         | 29,167                            | 29,167                      |
| 2021 General Obligation Refunding Bonds: |                      |              |                 |                                   |                             |
| Original amount: \$2,200,000             |                      |              |                 |                                   |                             |
| Maturing August 1, 2034                  |                      |              |                 |                                   |                             |
| Interest at 2.0% to 3.0%                 |                      |              |                 |                                   |                             |
| Total annual payments of                 |                      |              |                 |                                   |                             |
| Approximately \$194,000                  |                      |              |                 |                                   |                             |
| Collateral - General ad valorem taxes    |                      |              |                 |                                   |                             |
| levied upon the taxable property in      |                      |              |                 |                                   |                             |
| the school district without limit as     |                      |              |                 |                                   |                             |
| to rate or amount. Further secured       |                      |              |                 |                                   |                             |
| as to the payment of both principal      |                      |              |                 |                                   |                             |
| interest by the pledge of future         |                      |              |                 |                                   |                             |
| payments of appropriated State Aid.      |                      |              |                 |                                   |                             |
| Paid from Debt Service Fund              | 1,900,000            |              | -155,000        | 1,745,000                         | 155,000                     |
| <b>GOVERNMENTAL - OTHER LIABILITIES</b>  |                      |              |                 |                                   |                             |
| 2022 Lease of copiers:                   |                      |              |                 |                                   |                             |
| Original amount: \$78,428                |                      |              |                 |                                   |                             |
| Maturing December 2028                   |                      |              |                 |                                   |                             |
| Imputed interest at 5.0%                 |                      |              |                 |                                   |                             |
| Monthly payments of \$1,417.99           |                      |              |                 |                                   |                             |
| Collateral - Copiers                     |                      |              |                 |                                   |                             |
| Paid from capital outlay fund            | 54,532               |              | -14,621         | 39,911                            | 15,369                      |
| Accrued leave liability:                 |                      |              |                 |                                   |                             |
| Paid from General Fund                   | 6,000                | 6,750        | -6,000          | 6,750                             | 6,750                       |
|                                          | <u>2,018,866</u>     | <u>6,750</u> | <u>-204,788</u> | <u>1,820,828</u>                  | <u>206,286</u>              |

**SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT**  
**AT JUNE 30, 2025**

|                                          | Total Payment    | Principal        | Interest       | Balance   |
|------------------------------------------|------------------|------------------|----------------|-----------|
| 2013 Capital Outlay Certificates:        |                  |                  |                |           |
| Qualified Zone Academy Bonds             |                  |                  |                |           |
| FY26                                     | <u>29,167</u>    | <u>29,167</u>    | <u>0</u>       | <u>0</u>  |
| 2021 General Obligation Refunding Bonds: |                  |                  |                |           |
| FY26                                     | 191,700          | 155,000          | 36,700         | 1,590,000 |
| FY27                                     | 193,550          | 160,000          | 33,550         | 1,430,000 |
| FY28                                     | 194,475          | 165,000          | 29,475         | 1,265,000 |
| FY29                                     | 194,450          | 170,000          | 24,450         | 1,095,000 |
| FY30                                     | 195,150          | 175,000          | 20,150         | 920,000   |
| FY31-FY35                                | 966,900          | 920,000          | 46,900         | 0         |
| Totals                                   | <u>1,936,225</u> | <u>1,745,000</u> | <u>191,225</u> |           |
| 2022 Lease of copiers:                   |                  |                  |                |           |
| FY26                                     | 17,016           | 15,370           | 1,646          | 24,540    |
| FY27                                     | 17,016           | 16,155           | 861            | 8,385     |
| FY28                                     | <u>8,508</u>     | <u>8,385</u>     | <u>123</u>     | <u>0</u>  |
| Totals                                   | <u>42,540</u>    | <u>39,910</u>    | <u>2,630</u>   |           |

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2025

| GENERAL FUND                      | Budgeted Amounts |                          |               |           | Variance<br>Positive<br>(Negative) |
|-----------------------------------|------------------|--------------------------|---------------|-----------|------------------------------------|
|                                   | Original         | Contingency<br>Transfers | Supplementals | Final     |                                    |
| Revenues:                         |                  |                          |               |           |                                    |
| Local Sources:                    |                  |                          |               |           |                                    |
| Taxes:                            |                  |                          |               |           |                                    |
| Ad valorem taxes                  | 311,051          |                          |               | 311,051   | 2,540                              |
| Prior year ad valorem taxes       | 3,500            |                          |               | 3,500     | 169                                |
| Gross receipts                    | 35,000           |                          |               | 35,000    | 1,268                              |
| Mobile home taxes                 | 4,500            |                          |               | 4,500     | -4,500                             |
| Penalties and interest            | 1,000            |                          |               | 1,000     | -483                               |
| Interest earned                   | 20,000           |                          |               | 20,000    | 1,568                              |
| Cocurricular activities:          |                  |                          |               |           |                                    |
| Admissions                        | 14,000           |                          |               | 14,000    | 13,422                             |
| Other                             | 8,600            |                          |               | 8,600     | -5,980                             |
| Other revenue from local sources: |                  |                          |               |           |                                    |
| Donations                         |                  |                          |               | 0         | 5,600                              |
| Medicaid                          | 4,000            |                          |               | 4,000     | 367                                |
| Intermediate sources:             |                  |                          |               |           |                                    |
| County apportionment              | 17,000           |                          |               | 17,000    | 2,437                              |
| State sources:                    |                  |                          |               |           |                                    |
| Unrestricted grants-in-aid        | 1,942,144        |                          |               | 1,942,144 | -59,536                            |
| Restricted grants-in-aid          | 11,500           |                          |               | 11,500    | 49,598                             |
| Federal sources:                  |                  |                          |               |           |                                    |
| Restricted grants-in-aid          | 116,172          |                          |               | 116,172   | -2,102                             |
| Other financing sources           | 100,000          |                          |               | 100,000   | -100,000                           |
| Total revenues                    | 2,588,467        | 0                        | 0             | 2,588,467 | -95,632                            |
| Expenditures:                     |                  |                          |               |           |                                    |
| Instruction:                      |                  |                          |               |           |                                    |
| Regular programs:                 |                  |                          |               |           |                                    |
| Elementary school                 | 419,743          |                          |               | 419,743   | 2,362                              |
| Middle school                     | 206,058          |                          |               | 206,058   | -589                               |
| High school                       | 410,733          |                          | 6,000         | 416,733   | -1,085                             |
| Preschool Services                | 32,898           |                          |               | 32,898    | 313                                |
| Special programs:                 |                  |                          |               |           |                                    |
| Disadvantaged Children            | 75,639           |                          |               | 75,639    | 2,862                              |
| Support services:                 |                  |                          |               |           |                                    |
| Pupils:                           |                  |                          |               |           |                                    |
| Guidance                          | 143,061          |                          |               | 143,061   | 193                                |
| Health                            | 950              |                          |               | 950       | 250                                |
| Instruction:                      |                  |                          |               |           |                                    |
| Staff training                    | 3,955            |                          |               | 3,955     | -405                               |
| Educational media                 | 1,275            |                          |               | 1,275     | -72                                |
| Technology in school              | 20,886           |                          |               | 20,886    | 387                                |
| General administration:           |                  |                          |               |           |                                    |
| Board of Education                | 36,790           |                          | 7,000         | 43,790    | 7,458                              |
| Executive administration          | 238,742          |                          |               | 238,742   | -408                               |
| School administration:            |                  |                          |               |           |                                    |
| Office of principals              | 198,122          |                          |               | 198,122   | -1,762                             |
| Other support services            | 3,529            |                          |               | 3,529     | 3,529                              |
| Business:                         |                  |                          |               |           |                                    |
| Fiscal services                   | 98,336           |                          |               | 98,336    | 112                                |
| Operations and maintenance        | 369,749          |                          | 17,000        | 386,749   | 6,266                              |
| Pupil transportation              | 132,085          |                          |               | 132,085   | 6,869                              |
| Fruits and Vegetable grant        | 8,250            |                          |               | 8,250     | 196                                |
| Central: recruiting               | 500              |                          |               | 500       | -19                                |
| Non-program charges               | 10,000           |                          | 10,000        | 20,000    | -81                                |
| Cocurricular activities:          |                  |                          |               |           |                                    |
| Male activities                   | 45,084           |                          |               | 45,084    | 744                                |
| Female activities                 | 57,594           |                          | 5,200         | 62,794    | -3,073                             |
| Transportation                    |                  |                          |               | 0         | -3,471                             |
| Combined activities               | 87,868           |                          |               | 87,868    | 3,492                              |
| Total expenditures                | 2,601,847        | 0                        | 45,200        | 2,647,047 | 24,068                             |
| Excess of rev over (under) exp    | -13,380          | 0                        | -45,200       | -58,580   | -71,564                            |
| Other financial sources:          |                  |                          |               |           |                                    |
| Transfer in                       | 0                |                          |               | 0         | 138,332                            |
| Transfer (out)                    | 0                |                          | -35,000.00    | -35,000   | 0                                  |
| Fund balance:                     |                  |                          |               |           |                                    |
| July 1, 2024                      | 814,189          |                          |               | 814,189   | 0                                  |
| June 30, 2025                     | 800,809          | 0                        | -80,200       | 720,609   | 66,768                             |

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2025

| CAPITAL OUTLAY FUND                 | Budgeted Amounts |               |           | Actual    | Variance<br>Positive<br>(Negative) |
|-------------------------------------|------------------|---------------|-----------|-----------|------------------------------------|
|                                     | Original         | Supplementals | Final     |           |                                    |
| Revenue:                            |                  |               |           |           |                                    |
| Local Sources:                      |                  |               |           |           |                                    |
| Taxes:                              |                  |               |           |           |                                    |
| Ad valorem taxes                    | 468,111          |               | 468,111   | 478,970   | 10,859                             |
| Prior year ad valorem taxes         | 2,500            |               | 2,500     | 4,070     | 1,570                              |
| Mobile home taxes                   | 3,500            |               | 3,500     |           | -3,500                             |
| Penalties and interest              | 500              |               | 500       | 495       | -5                                 |
| Interest earned                     | 58,000           |               | 58,000    | 75,004    | 17,004                             |
| Other revenue from local sources:   |                  |               |           |           |                                    |
| Donations                           | 15,000           |               | 15,000    | 56,085    | 41,085                             |
| Other revenue from state sources:   |                  |               |           |           |                                    |
| Restricted grants-in-aid            |                  |               | 0         |           | 0                                  |
| Other revenue from federal sources: |                  |               |           |           |                                    |
| Restricted grants-in-aid            | 8,850            | 21,320        | 30,170    | 30,897    | 727                                |
| Total revenue                       | 556,461          | 21,320        | 577,781   | 645,521   | 67,740                             |
| Expenditures:                       |                  |               |           |           |                                    |
| Instruction:                        |                  |               |           |           |                                    |
| Regular programs:                   |                  |               |           |           |                                    |
| Elementary school                   | 27,650           |               | 27,650    | 15,266    | 12,384                             |
| Middle school                       | 13,030           |               | 13,030    | 5,426     | 7,604                              |
| High school                         | 39,037           |               | 39,037    | 26,600    | 12,437                             |
| Early childhood                     | 100              |               | 100       |           | 100                                |
| Support services:                   |                  |               |           |           |                                    |
| Pupils:                             |                  |               |           |           |                                    |
| Guidance                            |                  |               | 0         |           | 0                                  |
| Instruction:                        |                  |               |           |           |                                    |
| Educational media                   | 1,000            |               | 1,000     |           | 1,000                              |
| Technology in school                | 30,000           |               | 30,000    | 23,806    | 6,194                              |
| General education:                  |                  |               |           |           |                                    |
| Executive administration            |                  |               | 0         |           | 0                                  |
| School administration:              |                  |               |           |           |                                    |
| Office of Principals                |                  |               | 0         |           | 0                                  |
| Business:                           |                  |               |           |           |                                    |
| Facilities acquisition              |                  |               | 0         |           | 0                                  |
| Building acquisition                |                  |               | 0         |           | 0                                  |
| Other facility acquisition          | 83,000           |               | 83,000    | 115,857   | -32,857                            |
| Operations and maintenance          | 33,725           |               | 33,725    | 23,094    | 10,631                             |
| Pupil transportation                | 53,200           | 21,320        | 74,520    | 72,827    | 1,693                              |
| Food services                       |                  |               | 0         |           | 0                                  |
| Daycare services                    |                  |               | 0         |           | 0                                  |
| Nonprogram charges                  | 1,000            |               | 1,000     |           | 1,000                              |
| Debt service:                       | 46,185           |               | 46,185    | 46,183    | 2                                  |
| Cocurricular activities:            |                  |               |           |           |                                    |
| Male activities                     | 2,500            |               | 2,500     | 2,479     | 21                                 |
| Female activities                   | 6,000            |               | 6,000     | 7,980     | -1,980                             |
| Transportation                      |                  |               | 0         | 19,441    | -19,441                            |
| Combined                            | 7,200            | 2,650         | 9,850     |           | 9,850                              |
| Total expenditures                  | 343,627          | 23,970        | 367,597   | 358,959   | 8,638                              |
| Excess of rev over (under) exp      | 212,834          | -2,650        | 210,184   | 286,562   | 76,378                             |
| Other financial sources:            |                  |               |           |           |                                    |
| Transfer (out)                      | -100,000         | -35,000       | -135,000  | -138,332  | -3,332                             |
| Sale of surplus property            |                  |               | 0         | 2,000     | 2,000                              |
| Compensation for damaged property   |                  |               | 0         | 15,272    | 15,272                             |
| Fund balance:                       |                  |               |           |           |                                    |
| July 1, 2024                        | 2,214,663        |               | 2,214,663 | 2,214,663 | 0                                  |
| June 30, 2025                       | 2,327,497        | -37,650       | 2,289,847 | 2,380,165 | 90,318                             |

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2025

| SPECIAL EDUCATION FUND         | Budgeted Amounts |               |         | Actual  | Variance<br>Positive<br>(Negative) |
|--------------------------------|------------------|---------------|---------|---------|------------------------------------|
|                                | Original         | Supplementals | Final   |         |                                    |
| Revenues:                      |                  |               |         |         |                                    |
| Local Sources:                 |                  |               |         |         |                                    |
| Taxes:                         |                  |               |         |         |                                    |
| Ad valorem taxes               | 242,991          |               | 242,991 | 247,255 | 4,264                              |
| Prior year ad valorem taxes    | 1,500            |               | 1,500   | 2,201   | 701                                |
| Mobile home taxes              | 2,500            |               | 2,500   |         | -2,500                             |
| Penalties and interest         | 300              |               | 300     | 269     | -31                                |
| Interest earned                | 5,000            |               | 5,000   | 5,556   | 556                                |
| Medicaid                       | 5,000            |               | 5,000   | 6,294   | 1,294                              |
| Other                          |                  |               | 0       |         | 0                                  |
| State sources:                 |                  |               |         |         |                                    |
| Restricted grants-in-aid       | 216,054          |               | 216,054 | 216,345 | 291                                |
| Federal sources:               |                  |               |         |         |                                    |
| Restricted grants-in-aid       | 79,853           |               | 79,853  | 50,496  | -29,357                            |
| Total revenues                 | 553,198          | 0             | 553,198 | 528,416 | -24,782                            |
| Expenditures:                  |                  |               |         |         |                                    |
| Instruction:                   |                  |               |         |         |                                    |
| Special programs:              |                  |               |         |         |                                    |
| Special education              | 431,873          | 5,000         | 436,873 | 440,990 | -4,117                             |
| Support services:              |                  |               |         |         |                                    |
| Pupils:                        |                  |               |         |         |                                    |
| Special education              | 131,208          |               | 131,208 | 121,976 | 9,232                              |
| Instructions:                  |                  |               |         |         |                                    |
| Staff training                 | 1,084            |               | 1,084   | 661     | 423                                |
| School administration:         |                  |               |         |         |                                    |
| Special education              |                  |               | 0       | 21,325  | -21,325                            |
| Pupil transportation           | 3,107            | 3,000         | 6,107   |         | 6,107                              |
| Other SPED costs               | 10,449           |               | 10,449  |         | 10,449                             |
| Total expenditures             | 577,721          | 8,000         | 585,721 | 584,952 | 769                                |
| Excess of rev over (under) exp | -24,523          | -8,000        | -32,523 | -56,536 | -24,013                            |
| Other financing sources:       |                  |               |         |         |                                    |
| None                           |                  |               | 0       |         | 0                                  |
| Fund balance:                  |                  |               |         |         |                                    |
| July 1, 2024                   | 202,630          |               | 202,630 | 202,630 | 0                                  |
| June 30, 2025                  | 178,107          | -8,000        | 170,107 | 146,094 | -24,013                            |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. 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.
- f. 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 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. See pages 43 to 45.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2025.
- j. 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.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
FOR THE TEN YEARS ENDING JUNE 30, 2024

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

| SDRS<br>Measurement Date<br>Year Ended (1) | School's<br>Pension<br>Allocation<br>Percentage | School's<br>Proportionate<br>Share of<br>Net Pension<br>(Asset)<br>Liability | School's<br>Covered<br>Employee<br>Payroll<br>for its<br>6-30<br>Year End | School's<br>Proportionate<br>Share of the<br>Net Pension<br>(Asset)<br>Liability as a<br>Percentage of<br>its Covered<br>Employee<br>Payroll | Plan<br>Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--------------------------------------------|-------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| June 30, 2024                              | 0.0706710%                                      | -2,861                                                                       | 1,982,667                                                                 | (00.14%)                                                                                                                                     | 100.00%                                                                                         |
| June 30, 2023                              | 0.0780830%                                      | -7,621                                                                       | 2,014,033                                                                 | (00.37%)                                                                                                                                     | 100.10%                                                                                         |
| June 30, 2022                              | 0.0831360%                                      | -7,857                                                                       | 1,985,150                                                                 | (00.39%)                                                                                                                                     | 100.10%                                                                                         |
| June 30, 2021                              | 0.0788330%                                      | -603,726                                                                     | 1,788,983                                                                 | (33.74%)                                                                                                                                     | 105.53%                                                                                         |
| June 30, 2020                              | 0.0778568%                                      | -3,381                                                                       | 1,708,717                                                                 | (00.19%)                                                                                                                                     | 100.04%                                                                                         |
| June 30, 2019                              | 0.0784729%                                      | -8,316                                                                       | 1,668,500                                                                 | (00.49%)                                                                                                                                     | 100.09%                                                                                         |
| June 30, 2018                              | 0.0800814%                                      | -1,868                                                                       | 1,664,817                                                                 | (00.11%)                                                                                                                                     | 100.02%                                                                                         |
| June 30, 2017                              | 0.0773134%                                      | -7,016                                                                       | 1,570,850                                                                 | (00.44%)                                                                                                                                     | 100.10%                                                                                         |
| June 30, 2016                              | 0.0716053%                                      | 241,876                                                                      | 1,361,567                                                                 | 17.76%                                                                                                                                       | 96.89%                                                                                          |
| June 30, 2015                              | 0.0696503%                                      | -295,407                                                                     | 1,271,617                                                                 | (23.23%)                                                                                                                                     | 104.10%                                                                                         |

(1) The amounts presented for each fiscal year were determined as of the Plan Fiduciary's net pension (asset)/liability which is 6/30 of the School's previous fiscal year.

Note: This schedule is intended to show information for ten years.

GAYVILLE-VOLIN SCHOOL DISTRICT No. 63-1  
FOR THE TEN YEARS ENDING JUNE 30, 2025

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

| School's<br>Year Ended | Contractually<br>Required<br>Contribution | Contributions<br>Related to the<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | School's<br>Covered<br>Employee<br>Payroll<br>for its<br>Fiscal<br>Year End | Contributions<br>as a<br>Percentage of<br>Covered<br>Employee<br>Payroll |
|------------------------|-------------------------------------------|------------------------------------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------|
| June 30, 2025          | 126,403                                   | 126,403                                                                      | 0                                      | 2,106,717                                                                   | 6.00%                                                                    |
| June 30, 2024          | 118,960                                   | 118,960                                                                      | 0                                      | 1,982,667                                                                   | 6.00%                                                                    |
| June 30, 2023          | 120,842                                   | 120,842                                                                      | 0                                      | 2,014,033                                                                   | 6.00%                                                                    |
| June 30, 2022          | 119,109                                   | 119,109                                                                      | 0                                      | 1,985,150                                                                   | 6.00%                                                                    |
| June 30, 2021          | 107,339                                   | 107,339                                                                      | 0                                      | 1,788,983                                                                   | 6.00%                                                                    |
| June 30, 2020          | 102,523                                   | 102,523                                                                      | 0                                      | 1,708,717                                                                   | 6.00%                                                                    |
| June 30, 2019          | 100,110                                   | 100,110                                                                      | 0                                      | 1,668,500                                                                   | 6.00%                                                                    |
| June 30, 2018          | 99,889                                    | 99,889                                                                       | 0                                      | 1,664,817                                                                   | 6.00%                                                                    |
| June 30, 2017          | 94,251                                    | 94,251                                                                       | 0                                      | 1,570,850                                                                   | 6.00%                                                                    |
| June 30, 2016          | 81,694                                    | 81,694                                                                       | 0                                      | 1,361,567                                                                   | 6.00%                                                                    |

Note: This schedule is intended to show information for ten years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY AND  
SCHEDULE OF PENSION CONTRIBUTIONS FOR THE YEAR ENDING JUNE 30, 2024

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

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

Actuarial Method Changes:

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

Actuarial Assumption Changes:

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governing Board  
Gayville-Volin School District No. 63-1  
Gayville, South Dakota

INDEPENDENT AUDITOR'S REPORT

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Gayville-Volin School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My 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. Given these limitations, during my audit I did not identify any deficiency in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

I did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-01 that I consider to be a significant deficiencies.

*Government Auditing Standards* require the auditor to perform limited procedures on the School District's responses to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of findings and responses. The School District's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the Gayville-Volin School District in a separate Letter of Comments dated March 30, 2026.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gayville-Volin School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

I did note minor matters involving compliance that I reported to the governing body and management of the Gayville-Volin School District in a separate Letter of Comments dated March 30, 2026.

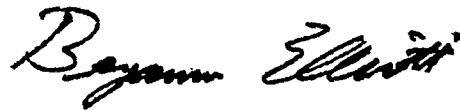
#### Purpose of this Report

The purpose of this report is solely to describe the scope of my 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gayville-Volin School District's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

March 30, 2026



SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

Prior Federal Compliance Audit Findings:

The prior audit report was not subject to Single Audit requirements.

Prior Other Audit Findings:

FY24 Segregation of Duties - Repeated below as 2025-01  
FY24 Budget Overdraft - Corrected

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Finding 2025-01: Lack of Proper Segregation of Duties  
(internal control, first reported in 2012)

*Criteria:*

The management of a school district is responsible for establishing and maintaining an internal control structure to provide management and taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

*Condition:*

The business manager processes most transactions from beginning to end. The business manager receives money, posts receipts to the accounting records, prepares bank deposits, generates and signs checks, makes journal entries, and posts transactions to the general ledger. As a result, an inadequate segregation of duties exists for the Gayville-Volin School District.

*Effect:*

Inadequate segregation of duties can lead to misappropriation of funds.

*Recommendation:*

I recommend the Gayville-Volin School District's management be cognizant of this lack of segregation of duties and attempt to provide compensating internal controls whenever and wherever possible and practical.

*Management Response:*

This comment is a result of the size of our school district, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Gayville-Volin School District has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Gayville-Volin School District is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue.