Arlington School District No. 38-1

Independent Auditor's Report
and Financial Statements

For the Year Ended
June 30, 2026

Arlington School District No. 38-1

School District Officials

June 30, 2026

Board Members

Darrik Bunker ---------- Board President
Casey Hanson ----------Vice President
Paul Burns---------- Member
Megann Murphy ---------- Member
Annette Schrock---------- Member

Brian Sampson----------Superintendent

Stacy Andersen ----------Business Manager

Arlington School District No. 38-1

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

School Board
Arlington School District No. 38-1
Arlington, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington School District No. 38-1, South Dakota, as of June 30, 2026 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 15, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be a material weakness. However, we identified a deficiency in internal control, described in the accompanying Schedule of Current Audit Findings as Finding 2026-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

School District's Response to Findings

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

Purpose of this Report

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

CLO Ryf LLC

Yankton, South Dakota
October 15, 2026

Arlington School District No. 38-1
Schedule of Prior and Current Audit Findings
Year Ended June 30, 2026

Prior Audit Findings

There are no prior other audit findings to report.

Current Audit Findings

Finding Number 2026-001 – Internal Control Finding

There is a significant deficiency in internal control resulting from the lack of segregation of duties over the board president's signature stamp.

Criteria: SDCL 13-8-26 requires the board president—or in the president's absence, any board member designated by the board at a board meeting—to countersign all checks or warrants drawn by the business manager which have been authorized for payment by the board.

Condition, Cause and Effect: During our review of disbursement procedures, we noted that the board president's signature stamp was maintained in the business manager's office. The business manager is the sole individual with access to it through possession of a key. As a result, the business manager has unrestricted access to the signature stamp used to evidence the required countersignature. This condition increases the risk that unauthorized or improper disbursements could be processed without an effective independent review and authorization by a member of the board.

Recommendation: We recommend the District implement procedures to ensure the board president's signature stamp is maintained in a secure location that is not accessible to the business manager. Access to the signature stamp should be restricted to authorized board personnel or otherwise controlled in a manner that preserves the independence of the required countersignature process and complies with SDCL 13-8-26.

Management's Response: The District agrees with the finding and will consider alternative procedures.

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Independent Auditor's Report

School Board
Arlington School District No. 38-1
Arlington, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington School District No. 38-1, Arlington, South Dakota, as of June 30, 2026, and for the year then ended, and the related notes to the financial statements, which collectively comprise Arlington School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Arlington School District No. 38-1, South Dakota as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls 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 Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2026, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Yankton, South Dakota
October 15, 2026

Arlington School District No. 38-1

Statement of Net Position – Government-Wide

June 30, 2026

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	$ 4,464,473	$ 3,902	$ 4,468,375
Investments	263,503	--	263,503
Taxes receivable	1,371,644	--	1,371,644
Inventories	--	4,652	4,652
Other assets	54,914	--	54,914
Net pension asset	6,664	--	6,664
Capital assets:			
Nondepreciable/Nonamortizable capital assets	37,133	--	37,133
Depreciable/Amortizable capital assets, net	5,991,181	35,508	6,026,689
Total Assets	12,189,512	44,062	12,233,574
Deferred Outflows of Resources			
Pension related deferred outflows	701,544	--	701,544
Total Deferred Outflows of Resources	701,544	--	701,544
Liabilities:			
Accounts payable	86,486	86	86,572
Other current liabilities	301,070	1,436	302,506
Unearned revenue	--	5,201	5,201
Noncurrent liabilities:			
Due within one year	1,000	--	1,000
Due in more than one year	28,512	6,731	35,243
Total Liabilities	417,068	13,454	430,522
Deferred Inflows of Resources			
Taxes levied for future period	1,332,186	--	1,332,186
Pension related deferred inflows	354,234	--	354,234
Total Deferred Inflows of Resources	1,686,420	--	1,686,420
Net Position:			
Net Investment in Capital Assets	6,028,314	35,508	6,063,822
Restricted for:			
Capital outlay	2,432,135	--	2,432,135
Special education	1,404,238	--	1,404,238
SDRS pension purposes	353,974	--	353,974
Unrestricted	568,907	(4,900)	564,007
Total Net Position	$ 10,787,568	$ 30,608	$ 10,818,176

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1

Statement of Activities – Government-Wide

June 30, 2026

Functions/ Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense)Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense)Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	$ 2,381,489	$ 1,928	$ 98,760	$ (2,280,801)	$ --	$ (2,280,801)
Support services	2,003,096	--	--	(2,003,096)	--	(2,003,096)
Cocurricular activities	417,725	50,100	--	(367,625)	--	(367,625)
Total Governmental Activities	4,802,310	52,028	98,760	(4,651,522)	--	(4,651,522)
Business-Type Activities:						
Food service	212,737	112,718	50,317	--	(49,702)	(49,702)
Preschool	36,523	10,960	15,750	--	(9,813)	(9,813)
Total Business-Type Activities	249,260	123,678	66,067	--	(59,515)	(59,515)
Total Primary Government	$ 5,051,570	$ 175,706	$ 164,827	(4,651,522)	(59,515)	(4,711,037)
		General Revenues:				
		Taxes:				
		Property taxes		3,324,603	--	3,324,603
		Utility taxes		55,153	--	55,153
		Revenue from State Sources:				
		State aid		1,195,650	--	1,195,650
		Unrestricted investment earnings		99,988	32	100,020
		Other general revenues		45,242	--	45,242
		Transfers		(41,255)	41,255	--
		Total General Revenues and Transfers		4,679,381	41,287	4,720,668
		Change in Net Position		27,859	(18,228)	9,631
		Net Position - Beginning of Year		10,759,709	48,836	10,808,545
		Net Position - End of Year		$ 10,787,568	$ 30,608	$ 10,818,176

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

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1
Balance Sheet – Governmental Funds
June 30, 2026

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 646,957	$ 2,378,100	$ 1,439,416	$ 4,464,473
Investments	171,953	63,933	27,617	263,503
Taxes receivable--current	578,267	436,626	317,293	1,332,186
Taxes receivable--delinquent	24,275	8,996	6,187	39,458
Due from other governments	54,914	--	--	54,914
Total Assets	$ 1,476,366	$ 2,887,655	$ 1,790,513	$ 6,154,534
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 34,210	$ 18,894	$ 33,382	$ 86,486
Contracts payable	177,597	--	29,054	206,651
Payroll deductions and withholding and employer matching payable	87,873	--	6,546	94,419
Total Liabilities	299,680	18,894	68,982	387,556
Deferred Inflows of Resources:				
Taxes Levied for a Future Period	578,267	436,626	317,293	1,332,186
Unavailable Revenue-Property Taxes	24,275	8,996	6,187	39,458
Total Deferred Inflows of Resources	602,542	445,622	323,480	1,371,644
Fund Balances:				
Restricted:				
Capital outlay	--	2,423,139	--	2,423,139
Special education	--	--	1,398,051	1,398,051
Assigned to:				
Unemployment	49,264	--	--	49,264
Unassigned	524,880	--	--	524,880
Total Fund Balances	574,144	2,423,139	1,398,051	4,395,334
Total Liabilities and Fund Balances	$ 1,476,366	$ 2,887,655	$ 1,790,513	$ 6,154,534

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2026

Total Fund Balances - Governmental Funds	$ 4,395,334
Amounts reported for governmental activities in the statement of net assets are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	6,664
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,028,314
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	701,544
Long-term liabilities, bonds payable, and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	(29,512)
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(354,234)
Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds.	39,458
Net Position-Government Funds	$ 10,787,568

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1

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

June 30, 2026

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Revenues:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	$ 1,417,561	$ 1,093,906	$ 782,743	$ 3,294,210
Prior years' ad valorem taxes	5,071	3,312	2,312	10,695
Utility taxes	55,153	--	--	55,153
Penalties and interest on taxes	2,312	1,242	871	4,425
Earnings on Investments and Deposits	6,961	54,918	38,109	99,988
Cocurricular Activities:				
Admissions	37,536	--	--	37,536
Rentals	894	--	--	894
Other student activity income	11,670	--	--	11,670
Other Revenue from Local Sources:				
Charges for services	239	--	1,689	1,928
Other	21,207	4,524	--	25,731
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	16,381	--	--	16,381
Revenue in lieu of taxes	3,130	--	--	3,130
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,193,350	--	--	1,193,350
Other State Revenue	2,300	--	--	2,300
Revenue from Federal Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid received from federal government through the state	2,253	--	--	2,253
Unrestricted grants-in-aid received from federal government through an intermediate source	--	3,309	2,316	5,625
Restricted grants-in-aid received directy from federal government	--	41,366	--	41,366
Restricted grants-in-aid received from federal government through the state	41,919	7,597	--	49,516
Total Revenues	$ 2,817,937	$ 1,210,174	$ 828,040	$ 4,856,151

The accompanying Notes to Financial Statements are an integral part of this financial statement.

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures:				
Instruction:				
Regular Programs:				
Elementary	$ 692,989	$ 53,378	$ --	$ 746,367
Middle school	191,340	2,010	--	193,350
High school	577,222	88,741	--	665,963
Special Programs:				
Programs for special education	--	--	742,360	742,360
Culturally different	35,156	--	--	35,156
Educationally deprived	77,873	--	--	77,873
Support Services:				
Students:				
Attendance and social work	--	--	2,923	2,923
Guidance	65,419	--	--	65,419
Psychological	--	--	26,193	26,193
Speech pathology	--	--	37,043	37,043
Student therapy services	--	--	26,821	26,821
Instructional Staff:				
Improvement of instruction	6,944	--	--	6,944
Educational media	158,679	2,307	--	160,986
General Administration:				
Board of education	49,661	--	7,569	57,230
Executive administration	161,162	12,703	--	173,865
School Administration:				
Office of the principal	176,199	--	--	176,199
Other	3,453	--	--	3,453
Business:				
Fiscal services	125,048	4,881	--	129,929
Operation and maintenance of plant	542,939	61,573	--	604,512
Student transportation	218,604	--	--	218,604
Food services	26,925	11,342	--	38,267
Special Education:				
Transportation costs	--	--	812	812
Other	--	--	115,286	115,286

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1

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

June 30, 2026 (Continued)

	General Fund	Capital Outlay Fund	Special Education Fund	Total Governmental Funds
Expenditures:				
Cocurricular Activities:				
Male activities	71,846	19,240	--	91,086
Female activities	74,435	9,078	--	83,513
Transportation	17,904	--	--	17,904
Combined activities	133,149	12,509	--	145,658
Capital Outlay	--	46,485	--	46,485
Total Expenditures	3,406,947	324,247	959,007	4,690,201
Excess of Revenues Over (Under) Expenditures	(589,010)	885,927	(130,967)	165,950
Other Financing Sources (Uses):				
Transfers in	400,000	--	--	400,000
Transfers out	(29,913)	(400,000)	--	(429,913)
Total Other Financing Sources (Uses)	370,087	(400,000)	--	(29,913)
Net Change in Fund Balances	(218,923)	485,927	(130,967)	136,037
Fund Balance - Beginning of Year	793,067	1,937,212	1,529,018	4,259,297
Fund Balance - End of Year	$ 574,144	$ 2,423,139	$ 1,398,051	$ 4,395,334

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2026

Total Net Change in Fund Balances - Governmental Funds	$	136,037
Amounts reported for governmental activities in the statement of activities are different because:		
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		46,485
This amount represents the current year depreciation expense reported in the statement of activists which is not reported on the fund financial statements because it does not require the use of current financial resources.		(304,822)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		6,490
In both the government-wide and the fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".		15,273
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		128,396
Change in Net Position of Governmental Activities	$	27,859

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1
Statement of Net Position – Proprietary Funds
June 30, 2026

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Assets:			
Current Assets:			
Cash and cash equivalents	$ 3,902	$ --	$ 3,902
Inventory of stores purchased for resale	3,197	--	3,197
Inventory of donated foods	1,455	--	1,455
Total Current Assets	8,554	--	8,554
Capital Assets:			
Machinery and equipment	91,131	--	91,131
Accumulated depreciation	(55,623)	--	(55,623)
Total Noncurrent Assets	35,508	--	35,508
Total Assets	$ 44,062	$ --	$ 44,062
Liabilities and Net Position:			
Liabilities:			
Current Liabilities:			
Accounts payable	$ 86	$ --	$ 86
Payroll deductions and withholdings and employer matching payable	1,436	--	1,436
Unearned revenue	5,201	--	5,201
Total Current Liabilities	6,723	--	6,723
Noncurrent Liabilities:			
Compensated absences payable	6,731	--	6,731
Total Noncurrent Liabilities	6,731	--	6,731
Total Liabilities	13,454	--	13,454
Net Position:			
Invested in capital assets	35,508	--	35,508
Unrestricted	(4,900)	--	(4,900)
Total Net Position	$ 30,608	$ --	$ 30,608

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1

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

June 30, 2026

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Operating Revenue:			
Tuition and Fees:			
Preschool tuition	$ --	$ 10,960	$ 10,960
Food Sales:			
To students	83,076	--	83,076
To adults	2,284	--	2,284
Ala carte	26,439	--	26,439
Other charges for goods and services	919	--	919
Total Operating Revenue	112,718	10,960	123,678
Operating Expenses:			
Salaries	101,660	29,043	130,703
Employee benefits	4,388	6,099	10,487
Purchased services	2,695	--	2,695
Supplies	7,250	1,381	8,631
Cost of sales - purchased food	73,553	--	73,553
Cost of sales - donated food	10,456	--	10,456
Other	5,101	--	5,101
Depreciation	7,634	--	7,634
Total Operating Expenses	212,737	36,523	249,260
Operating (Loss)	(100,019)	(25,563)	(125,582)
Noncapital Subsidies			
State grants	585	--	585
Federal grants	39,542	15,750	55,292
Donated food	10,190	--	10,190
Transfers in	20,100	9,813	29,913
Total Noncapital Subsidies	70,417	25,563	95,980
Operating (Loss) and Noncapital Subsidies	(29,602)	--	(29,602)
Other Nonoperating Revenues:			
Investment earnings	32	--	32
Capital contributions	11,342	--	11,342
Total Other Nonoperating Revenues	11,374	--	11,374
Change in Net Position	(18,228)	--	(18,228)
Net Position - Beginning of Year	48,836	--	48,836
Net Position - End of Year	$ 30,608	$ --	$ 30,608

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1
Statement of Cash Flows – Proprietary Funds
June 30, 2026

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Total
Cash Flows from Operating Activities:			
Cash receipts from customers	$ 114,834	$ 10,960	$ 125,794
Cash payments to suppliers	(85,677)	(1,381)	(87,058)
Cash payments to employees	(106,048)	(35,142)	(141,190)
Net Cash (Used) by Operating Activities:	(76,891)	(25,563)	(102,454)
Cash Flows from Noncapital Financing Activities:			
Transfers from General Fund	20,100	9,813	29,913
Operating grants	40,127	15,750	55,877
Net Cash Provided by Noncapital Financing Activities	60,227	25,563	85,790
Cash Flows from Investing Activities:			
Cash received for interest	32	--	32
Net Cash Provided by Investing Activities	32	--	32
Net Decrease in Cash and Cash Equivalents	(16,632)	--	(16,632)
Cash and Cash Equivalents, Beginning of Year	20,534	--	20,534
Cash and Cash Equivalents, End of Year	$ 3,902	$ --	$ 3,902
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	$ (100,019)	$ (25,563)	$ (125,582)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation expense	7,634	--	7,634
Value of donated commodities used	10,456	--	10,456
Change in Assets and Liabilities:			
Inventories	2,877	--	2,877
Accounts and other payables	2,922	--	2,922
Unearned revenue	(761)	--	(761)
Net Cash (Used) by Operating Activities	$ (76,891)	$ (25,563)	$ (102,454)
Noncash Transactions			
Value of commodities received	$ 10,190	$ --	$ 10,190
Capital contributions of capital assets	$ 11,342	$ --	$ 11,342

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1
Statement of Net Position – Fiduciary Funds
June 30, 2026

	Private Purpose Trust Fund	Custodial Funds
Assets:		
Cash and cash equivalents	$ --	$ 29,193
Investments-certificates of deposit	64,005	--
Total Assets	$ 64,005	$ 29,193
Liabilities:		
Accounts payable	$ --	$ 160
Total Liabilities	--	160
Net Position:		
Restricted for:		
Scholarships	$ 64,005	$ --
Individuals, organizations, and other governments	--	29,033
Total Net Position	$ 64,005	$ 29,033

The accompanying Notes to Financial Statements are an integral part of this financial statement.

Arlington School District No. 38-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2026

	Private Purpose Trust Fund	Custodial Funds
Additions:		
Investment Earnings:		
Interest	$ 3,129	$ --
Collections for student activities	--	172,092
Total Additions	3,129	172,092
	--	
Deductions:		
Payments for student activities	--	187,598
Total Deductions	--	187,598
Change in Net Position	3,129	(15,506)
Net Position - Beginning	60,876	44,539
Net Position - Ending	$ 64,005	$ 29,033

The accompanying Notes to Financial Statements are an integral part of this financial statement.

1. Summary of Significant Accounting Policies:

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

a. Reporting Entity:

The reporting entity of Arlington School District No. 38-1, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

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

b. Government-Wide and Fund Financial Statements:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds.

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

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

1. Summary of Significant Accounting Policies: (Continued)

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

Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds:

General Fund – A fund established by South Dakota Codified Laws (SDCL) 38-16-3 to meet all the general operational costs of the School District, excluding the capital outlay fund and special education fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

1. Summary of Significant Accounting Policies: (Continued)

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

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

Proprietary Funds:

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

Other Enterprise Fund: A fund used to record financial transactions related to driver's education and preschool operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

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

Private Purpose Trust Funds – Trust funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains a private-purpose trust fund for scholarships.

1. Summary of Significant Accounting Policies: (Continued)

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

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (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).

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Arlington School District 38-1, the length of that cycle is sixty days. The revenues which are accrued at June 30, 2026 are due from federal governments, local governments, rural electric and telephone gross receipts.

Under the modified accrual basis of accounting, receivables may be measurable but not available. “Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

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

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

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:

1. 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.

e. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

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

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

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

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

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP, while, also for capital assets used in business-type activities/proprietary fund's operations, construction period interest is also not capitalized in accordance with USGAAP.

The total June 30, 2026 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. The total June 30, 2026 balance of capital assets for business-type activities are all valued at original cost.

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All	N/A	N/A
Land improvements	$ 15,000	Straight-Line	10-25 yrs
Buildings	$ 50,000	Straight-Line	33-50 yrs
Infrastructure	$ 15,000	Straight-Line	5-25 yrs
Machinery and Equipment	$ 5,000	Straight-Line	5-20 yrs
Food Service Machinery and Equipment	$ 1,000	Straight-Line	5-20 yrs
Intangible assets (Leases & SBITAs)	$ 50,000	Straight-Line	> 1 yr

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

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

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

g. Long-Term Liabilities:

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

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist of compensated absences.

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

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

i. Program Revenues:

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

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

1. Summary of Significant Accounting Policies: (Continued)

2. Program-specific operating grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

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

l. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as restricted position.

m. Application of Net Position:

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

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 by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

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

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

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

1. Summary of Significant Accounting Policies: (Continued)

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

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

Major Special Revenue Fund	Revenue Source
Capital Outlay Fund	Taxes
Special Education Fund	Taxes

o. Pensions:

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

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

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

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

Investments – In general, SDCL 4-5-6 permits school 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 in shares of an open-end, no-load 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 safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

2. Deposits and Investments, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

Certificates of deposit, with a term to maturity of greater than 3 months when purchased, when insured or collateralized and are considered deposits. The investments reported in the financial statements consist of only certificates of deposit.

Custodial Credit Risk – Deposits – The risk that, in the event of depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2026, the District's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities.

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

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

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

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 investments to the fund making the investment.

3. Inventory:

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

In the government-wide financial statements and in the enterprise fund financial statements, Food Service Fund inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories 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. No material inventories were on hand at June 30, 2026.

4. Property Tax:

Property taxes are levied on or before each 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 revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

5. Due from Other Governments:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Amounts due from other governments include reimbursements for various programs. These amounts include $54,914 due from various county, school, state and federal governments.

6. Changes in Capital Assets:

A summary of changes in capital assets for the fiscal year ended June 30, 2026 is as follows:

	Balance 7/1/2025	Increases	Decreases	Balance 6/30/2026
Capital assets, not being depreciated:				
Land	$ 37,133	$ --	$ --	$ 37,133
Total, not being depreciated	37,133	--	--	37,133
Capital assets, being depreciated:				
Buildings	7,008,500	--	--	7,008,500
Improvements other than buildings	2,116,004	18,148	--	2,134,152
Machinery and equipment	1,935,364	28,337	--	1,963,701
Total, being depreciated	11,059,868	46,485	--	11,106,353
Less accumulated depreciation for:				
Buildings	3,101,744	129,324	--	3,231,068
Improvements	471,520	64,882	--	536,402
Machinery and equipment	1,237,086	110,616	--	1,347,702
Total accumulated depreciation	4,810,350	304,822	--	5,115,172
Total capital assets, being depreciated, net	6,249,518	(258,337)	--	5,991,181
Governmental activity capital assets, net	$ 6,286,651	$ (258,337)	$ --	$ 6,028,314

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Instruction	$ 55,306
Support services	169,952
Cocurricular activities	79,564
Total depreciation expense - governmental activities	$ 304,822

6. Changes in Capital Assets: (Continued)

	Balance 7/1/2025	Increases	Decreases	Balance 6/30/2026
Capital assets, being depreciated:				
Machinery and equipment	$ 79,789	$ 11,342	$ --	$ 91,131
Total, being depreciated	79,789	11,342	--	91,131
Less accumulated depreciation for:				
Machinery and equipment	47,989	7,634	--	55,623
Total accumulated depreciation	47,989	7,634	--	55,623
Total capital assets, being depreciated, net	31,800	3,708	--	35,508
Business-type activity capital assets, net	$ 31,800	$ 3,708	$ --	$ 35,508

Business-Type Activities:	
Food service	$ 7,634

7. Long-Term Liabilities:

A summary of the changes in long-term liabilities for the year ended June 30, 2026 is as follows:

** restated	Balance 7/1/2025	Increases	Decreases	Balance 6/30/2026	Amount Due Within One Year
Governmental Activities:					
Compensated absences	$ 36,002	$ 19,502	$ 25,992	$ 29,512	$ 1,000
Total Governmental Activities	$ 36,002	$ 19,502	$ 25,992	$ 29,512	$ 1,000
Business-Type Activities:					
Compensated absences**	$ 3,956	$ 3,333	$ 558	$ 6,731	$ --
Total Business-Type Activities	$ 3,956	$ 3,333	$ 558	$ 6,731	$ --

** Restated to reclassify compensated absences from current liabilities to long-term debt. Since the liability has already been recognized, this restatement has no effect on net position.

Compensated absences for governmental activities typically have been liquidated from the General and Special Education Funds.

7. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2026, are comprised of the following:

Governmental Activities:		
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, certified staff, classified staff, and the business manager are entitled to reimbursement of unused sick leave up to $25 per day before 25 years and $50 per day after 25 years.	$ 29,512
Business-Type Activities:		
Compensated absences	Sick leave is earned by employees at varying rates depending on position. Upon termination, Food Service staff are entitled to reimbursement of unused sick leave up to $25 per day before 25 years and $50 per day after 25 years.	$ 6,731

8. Interfund Transfers:

Transfers to/from other funds at June 30, 2026, consist of the following:

$ 400,000	Transfer from the Capital Outlay Fund to the General Fund under the allowable percentage permitted by SDCL 13-16-6 to supplement the General Fund with unused Capital Outlay funds.
$ 20,100	Transfer from the General Fund to the Food Service Fund to cover operating expenses.
$ 9,813	Transfer from the General Fund to the Other Enterprise Fund to cover operating expenses.

9. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2026 was as follows:

Purpose	Restricted By	Amount
Capital Outlay	Law	$ 2,432,135
Special Education	Law	1,404,238
SDRS Pension Purposes	Law	353,974
		$ 4,190,347

10. Pension Plan:

a. Plan Information:

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

b. Benefits Provided:

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundations 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.

10. Pension Plan: (Continued)

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

Legislation enacted in 2017 established the current 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 greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

c. Contributions:

Per SDCL 3-12, contribution requirements of the active employees and 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

10. Pension Plan: (Continued)

The School District's share of contributions to the SDRS for the years ended June 30, 2026, 2025, and 2024, equal to required contributions each year, were as follows:

Year Ended June 30,	Amount
2026	$ 140,880
2025	139,816
2024	130,484

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

At June 30, 2025, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ending June 30, 2025 and reported by the School District as of June 30, 2026 are as follows:

Proportionate share of pension liability	$ 11,959,028
Less proportionate share of net pension restricted for pension benefits	11,965,692
Proportionate share of net pension (asset)	$ (6,664)

At June 30, 2026, the School District reported an (asset) of ($6,664) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2025 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the School District's proportion was 0.07835300%, which is an increase of 0.0007290% from its proportion measured as of June 30, 2024.

10. Pension Plan: (Continued)

For the year ended June 30, 2026, the School District recognized a reduction of pension expense of $128,397. At June 30, 2026, the School District reported deferred outflows of resources and deferred inflows resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 228,157	$ --
Changes in assumption	--	353,734
Net difference between projected and actual earnings on pension plan investments	324,692	--
Changes in proportion and difference between District contributions and proportionate share of contributions	7,815	500
District contributions subsequent to the measurement date	140,880	--
Total	$ 701,544	$ 354,234

$140,880 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2027	$ 159,382
2028	18,492
2029	10,804
2030	17,752
Total	$ 206,430

10. Pension Plan: (Continued)

e. Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.56%

Mortality Rates:

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

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

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

Beneficiaries:
PubG-2010 contingent survivor mortality table

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

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

10. Pension Plan: (Continued)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100.0%	

f. Discount Rate:

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

10. Pension Plan: (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability (asset)	$ 1,633,215	$ (6,664)	$ (1,350,117)

h. Pension Plan Fiduciary Net Position:

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

i. Payables to the Pension Plan:

No payables were reported to the defined benefit plan at end of year.

11. Joint Ventures:

The School District participates in the Northeast Educational Services Cooperative for the purpose of providing educational services to the member School Districts. The members of the Co-op are as follows with each member district having a determined allocation:

Arlington School District No. 38-1	3.34%	Henry School District No. 14-2	2.10%
Britton-Hecla School District No. 45-4	5.67%	Iroquois School District No. 02-3	2.56%
Castlewood School District No. 28-1	4.06%	Lake Preston School District No. 38-3	1.96%
Clark School District No. 12-2	6.01%	Oldham-Ramona-Rutland School District No. 39-6	3.25%
DeSmet School District No. 38-2	4.07%	Rosholt School District No. 54-4	2.65%
Deubrook School District No. 5-6	4.83%	Sioux Valley School District No. 5-5	8.84%
Deuel School District No. 19-4	6.27%	Summit School District No. 54-6	2.01%
Elkton School District No. 5-3	4.96%	Waubay School District No. 18-3	2.06%
Enemy Swim Day School	1.79%	Waverly School District No. 14-5	3.11%
Estelline School District No. 28-2	3.23%	Webster Area School District No. 18-5	6.42%
Florence School District No. 14-1	3.88%	Willow Lake School District No. 12-3	3.93%
Hamlin School District No. 28-3	10.34%	Wilmot School District No. 54-7	2.66%

11. Joint Ventures: (Continued)

The co-op's governing board is composed of one school board member representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget. The school district retains no equity in the Net Position of the co-op but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above. Separate financial statements for this joint venture are available from the Northeast Educational Services Cooperative.

At June 30, 2026, this joint venture had the following:

	June 30, 2026
Total Assets	$ 2,526,525
Total Deferred Outflows of Resources	$ 1,083,372
Total Liabilities	$ 727,506
Total Deferred Inflows of Resources	$ 541,083
Total Net Position	$ 2,341,308

12. Risk Management:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2026, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the Northern Plains Insurance Pool. This is a risk pool currently operating as a common risk management and insurance program for local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases Wellmark with the premiums it receives from the members.

The coverage includes the option of three different plans with a deductible from $2,000.00 to $4,000.00.

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

Liability Insurance:

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

12. Risk Management: (Continued)

Workers' Compensation:

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

Unemployment Benefits:

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

The School District has an Assigned Fund Balance in the General Fund in the amount of $49,264 for the payment of future unemployment benefits.

During the year ended June 30, 2026, no claims for unemployment benefits were paid. At June 30, 2026, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

13. Subsequent Events:

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

14. Implementation of New Accounting Standards:

During the fiscal year ended June 30, 2026, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. GASB 103 intends to enhance key components of the governmental financial reporting model to provide more consistent and useful information to financial statement users. The standard includes modifications to the management's discussion and analysis (MD&A), unusual or infrequent items, budgetary comparison information, and other presentation and disclosing requirements. The adoption of this standard had no effect on beginning net position.

During the fiscal year ended June 30, 2026, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 104, *Disclosure of Certain Capital Assets*. GASB 104 enhances capital asset note disclosures by requiring certain types of capital assets, including lease assets, subscription assets, and other intangible assets, to be disclosed separately. The standard also establishes additional disclosure requirements for capital assets held for sale. The adoption of this standard had no effect on beginning net position.

Required Supplementary Information

Arlington School District No. 38-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis

June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Budgetary Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	$ 1,368,387	$ 1,368,387	$ --	$ 1,417,561	$ 49,174
Prior years' ad valorem taxes	3,000	3,000	--	5,071	2,071
Utility taxes	40,000	40,000	--	55,153	15,153
Penalties and interest on taxes	1,500	1,500	--	2,312	812
Earnings on Investments and Deposits	15,400	15,400	--	6,961	(8,439)
Cocurricular Activities:					
Admissions	17,000	17,000	--	37,536	20,536
Rentals	--	--	--	894	894
Other student activity income	2,000	2,000	--	11,670	9,670
Other Revenue from Local Sources:					
Rentals	200	200	--	--	(200)
Charges for services	500	500	--	239	(261)
Other	15,000	15,000	--	21,207	6,207
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	14,000	14,000	--	16,381	2,381
Revenue in lieu of taxes	5,000	5,000	--	3,130	(1,870)
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,391,511	1,391,511	--	1,193,350	(198,161)
Other State Revenue	500	500	--	2,300	1,800
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received from federal government through the state	4,000	4,000	--	2,253	(1,747)
Restricted grants-in-aid received from federal government through the state	39,405	39,405	--	41,919	2,514
Total Revenues	$ 2,917,403	$ 2,917,403	$ --	$ 2,817,937	$ (99,466)

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Arlington School District No. 38-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2026 (Continued)

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Budgetary Expenditures:					
Instruction:					
Regular Programs:					
Elementary	$ 743,440	$ 750,414	$ 6,974	$ 692,989	$ 57,425
Middle school	195,750	213,650	17,900	191,340	22,310
High school	624,345	630,829	6,484	577,222	53,607
Special Programs:					
Culturally different	37,200	37,200	--	35,156	2,044
Educationally deprived	83,925	83,925	--	77,873	6,052
Support Services:					
Students:					
Guidance	79,050	79,182	132	65,419	13,763
Instructional Staff:					
Improvement of instruction	22,850	24,696	1,846	6,944	17,752
Educational media	171,350	172,432	1,082	158,679	13,753
General Administration:					
Board of education	60,300	70,852	10,552	49,661	21,191
Executive administration	169,450	170,035	585	161,162	8,873
School Administration:					
Office of the principal	203,250	204,085	835	176,199	27,886
Other	5,150	5,150	--	3,453	1,697
Business:					
Fiscal services	131,500	131,693	193	125,048	6,645
Operation and maintenance of plant	579,550	598,211	18,661	542,939	55,272
Student transportation	202,871	233,509	30,638	218,604	14,905
Food service	35,100	35,302	202	26,925	8,377
Cocurricular Activities:					
Male activities	91,275	93,570	2,295	71,846	21,724
Female activities	88,450	94,645	6,195	74,435	20,210
Transportation	17,100	18,485	1,385	17,904	581
Combined activities	137,250	142,790	5,540	133,149	9,641
Contingencies	50,000	50,000	--	--	50,000
Total Expenditures	3,729,156	3,840,655	111,499	3,406,947	433,708
Excess of Revenue Over (Under) Expenditures	(811,753)	(923,252)	(111,499)	(589,010)	334,242
Other Financing Sources (Uses):					
Transfers in	400,000	400,000	--	400,000	--
Transfers out	(25,763)	(25,763)	--	(29,913)	(4,150)
Total Other Financing Sources (Uses)	374,237	374,237	--	370,087	(4,150)
Net Change in Fund Balances	(437,516)	(549,015)	(111,499)	(218,923)	330,092
Fund Balance - Beginning of Year	793,067	793,067	--	793,067	--
Fund Balance - End of Year	$ 355,551	$ 244,052	$ (111,499)	$ 574,144	$ 330,092

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Arlington School District No. 38-1

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis

June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Budgetary Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	$ 1,085,625	$ 1,085,625	$ --	$ 1,093,906	$ 8,281
Prior years' ad valorem taxes	1,000	1,000	--	3,312	2,312
Penalties and interest on taxes	600	600	--	1,242	642
Earnings on Investments and Deposits	15,100	15,100	--	54,918	39,818
Other Revenue from Local Sources					
Other	--	--	--	4,524	4,524
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received through intermediate source	--	--	--	3,309	3,309
Restricted grants-in-aid received directly from federal government	10,000	10,000	--	41,366	31,366
Restricted grants-in-aid received from federal government through the state	--	--	--	7,597	7,597
Total Revenues	1,112,325	1,112,325	--	1,210,174	97,849
Budgetary Expenditures:					
Instruction:					
Regular Programs:					
Elementary	72,000	80,147	8,147	53,378	26,769
Middle/junior high	8,000	9,205	1,205	2,010	7,195
High school	120,000	143,525	23,525	105,786	37,739
Support Services:					
Instructional Staff:					
Educational media	3,500	3,500	--	2,994	506
General Administration:					
Executive administration	27,000	27,000	--	23,308	3,692
Business:					
Fiscal services	12,000	13,513	1,513	4,881	8,632
Operation and maintenance of plant	170,000	190,785	20,785	79,721	111,064
Student transportation	13,000	13,000	--	--	13,000
Food Services	15,000	15,000	--	11,342	3,658
Cocurricular Activities:					
Male activities	22,000	22,000	--	19,240	2,760
Female activities	10,000	10,000	--	9,078	922
Combined activities	13,000	13,000	--	12,509	491
Total Expenditures	485,500	540,675	55,175	324,247	216,428
Excess of Revenue Over (Under) Expenditures	626,825	571,650	(55,175)	885,927	314,277
Other Financing Sources (Uses):					
Transfers out	(400,000)	(400,000)	--	(400,000)	--
Total Other Financing Sources (Uses)	(400,000)	(400,000)	--	(400,000)	--
Net Change in Fund Balances	226,825	171,650	(55,175)	485,927	314,277
Fund Balance - Beginning of Year	1,937,212	1,937,212	--	1,937,212	--
Fund Balance - End of Year	$ 2,164,037	$ 2,108,862	$ (55,175)	$ 2,423,139	$ 314,277

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

Arlington School District No. 38-1

Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2026

	Budgeted Amounts		Variance with Original Budget over (under)	Actual	Variance with Final Budget over (under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Budgetary Revenues:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	$ 962,886	$ 962,886	$ --	$ 782,743	$ (180,143)
Prior years' ad valorem taxes	--	--	--	2,312	2,312
Penalties and interest on taxes	--	--	--	871	871
Earnings on Investments and Deposits	14,490	14,490	--	38,109	23,619
Other Revenue from Local Sources:					
Charges for services	200	200	--	1,689	1,489
Revenue from Federal Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	--	--	--	2,316	2,316
Total Revenues	977,576	977,576	--	828,040	(149,536)
Budgetary Expenditures:					
Instruction:					
Special Programs:					
Programs for special education	925,525	979,182	53,657	742,360	236,822
Support Services:					
Students:					
Attendance and social work	--	2,680	2,680	2,923	(243)
Psychological	27,000	27,000	--	26,193	807
Speech pathology	35,000	37,044	2,044	37,043	1
Student therapy services	29,400	29,400	--	26,821	2,579
General Administration:					
Board of Education	1,318	8,112	6,794	7,569	543
Special Education:					
Transportation costs	25,948	26,029	81	812	25,217
Other	1,500	116,787	115,287	115,286	1,501
Total Expenditures	1,045,691	1,226,234	180,543	959,007	267,227
Net Change in Fund Balances	(68,115)	(248,658)	(180,543)	(130,967)	117,691
Fund Balance - Beginning of Year	1,529,018	1,529,018	--	1,529,018	--
Fund Balance - End of Year	$ 1,460,903	$ 1,280,360	$ (180,543)	$ 1,398,051	$ 117,691

The accompanying Notes to Required Supplementary Information are an integral part of these financial statements.

1. Budgets and Budgetary Accounting:

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

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 the month of May of each year.

c. The proposed budget is published for public review no later than July 15 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 fiduciary 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 Item (h).

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. No amount of expenditures may be charged directly to the contingency line item in the budget.

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

i. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

j. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

k. Budgets for the General Fund and each major special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. Actual Budget Results:

Year Ending June 30, 2026	General Fund Over (Under)	Capital Outlay Over (Under)	Special Education Over (Under)
Budgetary Revenues			
Difference—final budget to actual			
Ad valorem taxes *The District collected less tax revenue than anticipated.*	$ --	$ --	$ (180,143)
Unrestricted grants-in-aid *The District collected less state aid than prior year.*	(198,161)	--	--
Budgetary Expenditures			
Difference—original budget to final budget			
Other *The District incurred unexpected residential group expenditures and supplemented accordingly.*	--	--	115,286
Difference—final budget to actual			
Operation and maintenance of plant *The District incurred less expenditures than expected.*	--	111,064	--
Programs for special education *The District incurred less expenditures than expected.*	--	--	236,822

3. USGAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP 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 outlay 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 Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

Arlington School District No. 38-1

Schedule of the Proportionate Share of the Net Pension Liability (Asset) South Dakota Retirement System

Fiscal Year	District's Proportion of the Net Pension Liability Asset	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2026	0.078353%	$ (6,664)	$ 2,330,266	0.29%	100.00%
2025	0.077624%	$ (3,142)	$ 2,174,737	0.14%	100.00%
2024	0.079984%	$ (7,807)	$ 2,063,079	0.38%	100.10%
2023	0.084636%	$ (7,999)	$ 2,020,985	0.40%	100.10%
2022	0.095631%	$ (732,370)	$ 2,163,312	33.85%	105.52%
2021	0.084380%	$ (3,665)	$ 1,846,079	0.20%	100.04%
2020	0.087174%	$ (9,238)	$ 1,853,503	0.50%	100.09%
2019	0.085302%	$ (1,989)	$ 1,799,338	0.11%	100.02%
2018	0.086357%	$ (7,837)	$ 1,754,608	0.45%	100.10%
2017	0.087079%	$ 294,144	$ 1,650,943	17.82%	96.89%

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

Arlington School District No. 38-1

Schedule of the School District Contributions South Dakota Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 140,880	$ (140,880)	$ --	$ 2,347,993	6.00%
2025	$ 139,816	$ (139,816)	$ --	$ 2,330,266	6.00%
2024	$ 130,484	$ (130,484)	$ --	$ 2,174,737	6.00%
2023	$ 123,785	$ (123,785)	$ --	$ 2,063,079	6.00%
2022	$ 121,259	$ (121,259)	$ --	$ 2,020,985	6.00%
2021	$ 129,799	$ (129,799)	$ --	$ 2,163,312	6.00%
2020	$ 110,765	$ (110,765)	$ --	$ 1,846,079	6.00%
2019	$ 111,210	$ (111,210)	$ --	$ 1,853,503	6.00%
2018	$ 107,960	$ (107,960)	$ --	$ 1,799,338	6.00%
2017	$ 105,276	$ (105,276)	$ --	$ 1,754,608	6.00%

Changes from Prior Valuation

The June 30, 2025 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024 Actuarial Valuation.

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

Benefit Provision Changes

During the 2025 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, 2024, the FVFR, assuming the long-term COLA is equal to the baseline COLA assumption (2.25%), was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR, assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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.