

Alcester-Hudson School District No. 61-1

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2025**

Alcester-Hudson School District No. 61-1
School District Officials
June 30, 2025

Board Members

Jay Hallaway----- Board President
Amanda Beeler -----Vice President
Jen Wennblom----- Member
Shelby Braaten----- Member
Justin Teunissen ----- Member
Bart VerMulm ----- Member
Travis Stene----- Member

Tim Rhead-----Superintendent

Natalie Stene-----Business Manager

Alcester-Hudson School District No. 61-1

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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
Alcester-Hudson School District No. 61-1
Union County, 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 Alcester-Hudson School District No. 61-1, South Dakota (School District), as of June 30, 2025, 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 March 27, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as Item 2025-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Current Audit Findings as Item 2025-002 that we consider to be a material weakness.

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 accompany 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 the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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.

A handwritten signature in blue ink, appearing to read "CIO of Elk Point, SD".

Elk Point, South Dakota
March 27, 2026

Alcester-Hudson School District No. 61-1

Schedule of Prior Audit Findings

June 30, 2025

Prior Audit Findings:

Finding Number 2024-001 – Internal Control Finding

A significant deficiency was reported for a lack of segregation of duties for revenues. This comment results from the size of the district, which precludes staffing at a level sufficient to provide an ideal environment for internal control. This finding has not been corrected and is being restated under current audit finding number 2025-001.

Alcester-Hudson School District No. 61-1

Schedule of Current Audit Findings

June 30, 2025

Current Audit Findings:

Finding Number 2025-001 – Internal Control Finding

There is a significant deficiency resulting from the lack of segregation of duties.

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to internal controls. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize and report financial data consistent with management assertions.

Condition, Cause and Effect: The size of the accounting staff employed by the entity precludes an adequate segregation of duties.

Recommendation: We recommend that Alcester-Hudson School District officials be cognizant of this lack of segregation of duties and attempt to provide compensating controls whenever and wherever practical.

Management's Response: The School District's Board is aware of the lack of segregation of duties, however at this time it is not cost effective to hire the additional staff needed to achieve segregation of duties. The Board will continue to monitor the necessity to have segregation of duties for revenue and implement such a segregation as budget dollars and board authority allow.

Finding Number 2025-002 – Compliance Finding

There is a material weakness resulting from budgeted expenditures exceeding budgeted means of finance for the Capital Outlay Fund.

Criteria: There is a material weakness resulting from budgeted expenditures exceeding the budgeted total means of finance for the Capital Outlay Fund.

Condition, Cause and Effect: SDCL 13-11-2 requires that the school board adopt a levy sufficient to meet the budget for the year for each governmental fund. The district had more expenditures than budgeted and didn't supplement for the additional costs. As a result, the expenditures are in excess of budget for the Capital Outlay Fund.

Recommendation: We recommend that district officials be aware of and adhere to the budgetary requirements and supplement the budget when necessary in the future.

Management's Response: Management agrees with the finding.



Independent Auditor's Report

School Board
Alcester-Hudson School District No. 61-1
Union County, 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 Alcester-Hudson School District No. 61-1, South Dakota (School District), as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In 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 Alcester-Hudson School District No. 61-1 as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, Schedule of Changes in Total OPEB Liability, the Schedule of the School District Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "CIO of Elk Point, SD". The signature is written in a cursive, flowing style.

Elk Point, South Dakota
March 27, 2026

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

This section of Alcester-Hudson School District 61-1's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

Financial Highlights

- The School's change in net position from governmental and business-type activities (government-wide statements) was \$470,285.
- The School began offering after-school programs, which are recorded in the Other Enterprise Fund.
- The Schools K-12 enrollment stayed steady compared to FY24.

Overview of the Financial Statements

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

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

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

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Government-Wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. This includes the General Fund, Capital Outlay Fund, and Special Education Fund.

The two government-wide statements report the School's net position and how they have changed. Net position is one way to measure the School's financial health or position.

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

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

- **Governmental Activities** – This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselors, executive administration, board of education, fiscal services, etc.) debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** – The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service and Other Enterprise Funds (Driver's Education) are the only business-type activities of the School.

Fund Financial Statements

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

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

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

The School has three kinds of funds:

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

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Financial Analysis of the School as a Whole

Net Position

The School's combined net position increased as follows:

Table A-1
Alcester-Hudson District 61-1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	2024-2025
Current and Other Assets	\$ 5,567,938	\$ 6,125,753	\$ 53,595	\$ 19,344	\$ 5,621,533	\$ 6,145,097	9.31%
Capital Assets (Net of Depreciation)	11,647,992	11,352,384	16,678	13,318	11,664,670	11,365,702	-2.56%
Total Assets	17,215,930	17,478,137	70,273	32,662	17,286,203	17,510,799	1.30%
Pension Related Deferred Outflows	834,425	718,977	--	--	834,425	718,977	-13.84%
Total Deferred Outflows or Resources	834,425	718,977	--	--	834,425	718,977	-13.84%
Long-Term Liabilities Outstanding	8,122,566	7,741,530	--	--	8,122,566	7,741,530	-4.69%
Other Liabilities	384,407	372,954	31,858	12,937	416,265	385,891	-7.30%
Total Liabilities	8,506,973	8,114,484	31,858	12,937	8,538,831	8,127,421	-4.82%
Taxes Levied for Future Period	1,469,434	1,537,524	--	--	1,469,434	1,537,524	4.63%
Pension Related Deferred Inflows	479,003	461,186	--	--	479,003	461,186	-3.72%
Total Deferred Inflows of Resources	1,948,437	1,998,710	--	--	1,948,437	1,998,710	2.58%
Net Investment in Capital Assets	3,605,867	3,683,272	16,678	13,318	3,622,545	3,696,590	2.04%
Restricted	3,412,671	3,699,268	--	--	3,412,671	3,699,268	8.40%
Unrestricted	576,407	701,380	21,737	6,407	598,144	707,787	18.33%
Total Net Position	7,594,945	8,083,920	38,415	19,725	7,633,360	8,103,645	6.16%
Beginning Net Position	7,410,324	7,594,945	59,228	38,415	7,469,552	7,633,360	2.19%
Restatement	61,907	--	--	--	61,907	--	-100.00%
Increase (Decrease) in Net Position	\$ 122,714	\$ 488,975	\$ (20,813)	\$ (18,690)	\$ 101,901	\$ 470,285	-361.51%
Percentage of Increase (Decrease) in Net Position	1.66%	6.44%	-35.14%	-48.65%	1.36%	6.16%	

The Statement of Net position reports all financial and capital resources. The statement presents the assets, deferred outflows of resources, liabilities and deferred inflows of resources in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the School, consisting of bonds payable, capital outlay certificates, intangible lease liabilities, other post-employment benefits and accrued compensated absences have been reported in this manner on the Statement of Net Position. The difference between the school's assets and liabilities is its net position.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Changes in Net Position

The School's total revenues totaled \$5,983,662. Approximately 63% of the School's revenue comes from property taxes, with another 26% coming from State Aid . (See Table A-2).

Table A-2
Alcester-Hudson School District 61-1
Sources of Revenues
Fiscal Year 2025

Taxes	\$ 3,744,634	62.58%
State Sources	1,557,187	26.02%
Operating Grants & Contributions	235,023	3.93%
Charges For Services	190,658	3.19%
Other General Revenues	82,531	1.38%
Unrestricted Investment Earnings	<u>173,629</u>	<u>2.90%</u>
Total Revenue	<u><u>\$ 5,983,662</u></u>	<u><u>100.00%</u></u>

The School's expenses totaled \$5,513,377 and covered a range of services, including instruction, support services, interest on long-term debt, co-curricular activities, food service, and other enterprise (See Table A-3).

Table A-3
Alcester-Hudson School District 61-1
Statement of Expenditures
Fiscal Year 2025

Instruction	\$ 2,556,271	46.37%
Support Services	2,031,782	36.85%
Interest - on Long-Term Debt	229,707	4.17%
Cocurricular Activities	452,324	8.20%
Food Service	216,002	3.92%
Other Enterprise	<u>27,291</u>	<u>0.49%</u>
Total Expenditures	<u><u>\$ 5,513,377</u></u>	<u><u>100.00%</u></u>

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the School:

Table A-4
Alcester-Hudson School District 61-1
Changes in Net Position

	Government Activities		Business-type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	
Revenues							
Program Revenues							
Charge for Services	\$ 32,232	\$ 73,399	\$ 93,258	\$ 117,259	\$ 125,490	\$ 190,658	51.93%
Operating Grants/ Contributions	234,316	133,197	95,616	101,826	329,932	235,023	-28.77%
General Revenues							
Taxes	3,389,227	3,744,634	--	--	3,389,227	3,744,634	10.49%
Revenue State Sources	1,569,157	1,557,187	--	--	1,569,157	1,557,187	-0.76%
Other							
Other general revenues	74,211	82,531	--	--	74,211	82,531	11.21%
Unrestricted Investment Earnings	170,078	168,111	2,976	5,518	173,054	173,629	0.33%
	<u>5,469,221</u>	<u>5,759,059</u>	<u>191,850</u>	<u>224,603</u>	<u>5,661,071</u>	<u>5,983,662</u>	<u>5.70%</u>
Expenses							
Instruction	2,528,606	2,556,271	--	--	2,528,606	2,556,271	1.09%
Support Services	2,174,828	2,031,782	--	--	2,174,828	2,031,782	-6.58%
Interest on long-term debt	248,157	229,707	--	--	248,157	229,707	-7.43%
Co-curricular Activities	394,916	452,324	--	--	394,916	452,324	14.54%
Food Service	--	--	208,042	216,002	208,042	216,002	3.83%
Other Enterprise	--	--	4,621	27,291	4,621	27,291	490.59%
	<u>5,346,507</u>	<u>5,270,084</u>	<u>212,663</u>	<u>243,293</u>	<u>5,559,170</u>	<u>5,513,377</u>	<u>-0.82%</u>
Increase (Decrease) in Net Position	<u>122,714</u>	<u>488,975</u>	<u>(20,813)</u>	<u>(18,690)</u>	<u>101,901</u>	<u>470,285</u>	<u>361.51%</u>
Beginning Net Position	7,410,324	7,594,945	59,228	38,415	7,469,552	7,633,360	2.19%
Restatement	61,907	--	--	--	61,907	--	-100.00%
Beginning Net Position, as Restated	<u>7,472,231</u>	<u>7,594,945</u>	<u>59,228</u>	<u>38,415</u>	<u>7,531,459</u>	<u>7,633,360</u>	<u>1.35%</u>
Ending Net Position	<u>\$ 7,594,945</u>	<u>\$ 8,083,920</u>	<u>\$ 38,415</u>	<u>\$ 19,725</u>	<u>\$ 7,633,360</u>	<u>\$ 8,103,645</u>	<u>6.16%</u>

Governmental Activities

Revenues for the governmental activities increased by 5.30% due to an increase in taxes and revenue from state sources. Expenses decreased by 1.43%.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Business Type Activities

Revenues of the School's business-type activities increased by 17.07% due to an increase in charges for services and operating grants/contributions. Expenditures also increased by 14.40%.

Financial Analysis of the School's Funds

Fund balances changed as follows: General Fund increased \$109,136 as a result of an increase in earnings on investments and deposits. The Capital Outlay Fund increased \$375,738 due to additional tax revenue and debt issuances. The Special Education Fund increased \$5,390 due to higher ad valorem taxes. The Bond Redemption Fund increased by \$1,446 due to a decrease in expenditures.

Budgetary Highlights

Over the course of the year, the School Board revised the School budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

Capital Asset Administration

At the end of 2025, the School had the following changes in Capital Assets (See Table A-5).

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2024	2025	2024	2025		
Land	\$ 275,714	\$ 60,000	\$ --	\$ --	\$ (215,714)	-78.24%
Buildings & Improvements	10,994,570	10,814,992	--	--	(179,578)	-1.63%
Machinery & Equipment	296,511	342,262	16,678	13,318	42,391	13.54%
Intangible Lease Assets	--	55,195	--	--	55,195	100.00%
Library Books	81,197	79,935	--	--	(1,262)	-1.55%
Total Capital Assets	<u>\$ 11,647,992</u>	<u>\$ 11,352,384</u>	<u>\$ 16,678</u>	<u>\$ 13,318</u>	<u>\$ (298,968)</u>	<u>-2.56%</u>

Some of this year's major capital asset purchases were a scoreboard, a 2024 Ford Diamond, a wrestling mat, playground turf, a copier lease, and library books.

Alcester-Hudson School District No. 61-1
Management Discussion and Analysis (MD&A)
June 30, 2025

Long-Term Debt

The Alcester-Hudson School District had \$7,741,530 in outstanding debt and obligations see individual balances on Table A-6. This is a 4.69% decrease from last year as shown on Table A-6.

Table A-6
Outstanding Debt and Obligations

	Governmental Activities		Total Dollar	Total %
	2024	2025	Change	Change
General Obligation Bonds	\$ 5,555,000	\$ 5,270,000	\$ (285,000)	-5.13%
Plus: Unamortized Premiums	337,125	314,650	(22,475)	-6.67%
Capital Outlay Certificates	2,150,000	2,025,000	(125,000)	-5.81%
Intangible Lease	--	59,462	59,462	100.00%
Other Post Employment Benefits	29,284	18,026	(11,258)	-38.44%
Accrued Compensated Absences -				
Governmental Funds	51,157	54,392	3,235	6.32%
Total Outstanding Debt	<u>\$ 8,122,566</u>	<u>\$ 7,741,530</u>	<u>\$ (381,036)</u>	<u>-4.69%</u>

Economic Factors and Next Year's Budgets and Rates

The School's current economic position is still strong since overall net position increased by \$535,062. This is an increase of 7.01% from prior year.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Alcester-Hudson School District's Business Office, 409 E 6th Street, P.O. Box 198, Alcester, SD 57001.

Alcester-Hudson School District No. 61-1
Statement of Net Position – Government-Wide
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 4,413,451	\$ 14,728	\$ 4,428,179
Taxes receivable	1,582,853	--	1,582,853
Due from other government	125,783	--	125,783
Inventories	--	4,616	4,616
Net pension asset	3,666	--	3,666
Capital assets:			
Land and construction in progress	60,000	--	60,000
Other capital assets, net of depreciation	11,292,384	13,318	11,305,702
Total Assets	17,478,137	32,662	17,510,799
Deferred Outflows of Resources:			
Pension-related deferred outflows	718,977	--	718,977
Total Deferred Outflows of Resources	718,977	--	718,977
Liabilities:			
Accounts payable	8,201	331	8,532
Unearned revenue	--	11,807	11,807
Other current liabilities	364,753	799	365,552
Long-term liabilities:			
Due within one year	479,391	--	479,391
Due in more than one year	7,262,139	--	7,262,139
Total Liabilities	8,114,484	12,937	8,127,421
Deferred Inflows of Resources:			
Taxes levied for future periods	1,537,524	--	1,537,524
Pension related deferred inflows	461,186	--	461,186
Total Deferred Inflows of Resources	1,998,710	--	1,998,710
Net Position:			
Net investment in capital assets	3,683,272	13,318	3,696,590
Restricted for:			
Capital outlay	2,894,914	--	2,894,914
Special education	138,961	--	138,961
Debt service	403,936	--	403,936
SDRS pension purposes	261,457	--	261,457
Unrestricted	701,380	6,407	707,787
Total Net Position	\$ 8,083,920	\$ 19,725	\$ 8,103,645

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

Alcester-Hudson School District No. 61-1
Statement of Activities – Government-Wide
June 30, 2025

				Net (Expenses) Revenues and Changes in Net Position		
		Program Revenues		Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction	\$ 2,556,271	\$ --	\$ 113,676	\$ (2,442,595)	\$ --	\$ (2,442,595)
Support services	2,031,782	--	19,521	(2,012,261)	--	(2,012,261)
Interest on long-term debt	229,707	--	--	(229,707)	--	(229,707)
Cocurricular activities	452,324	73,399	--	(378,925)	--	(378,925)
Total Governmental Activities	5,270,084	73,399	133,197	(5,063,488)	--	(5,063,488)
Business-Type Activities:						
Food service	216,002	94,532	93,926	--	(27,544)	(27,544)
Driver's education	27,291	22,727	7,900	--	3,336	3,336
Total Business Type Activities	243,293	117,259	101,826	--	(24,208)	(24,208)
Total Primary Government	\$ 5,513,377	\$ 190,658	\$ 235,023	(5,063,488)	(24,208)	(5,087,696)
General Revenues:						
Taxes:						
		Property taxes		3,652,261	--	3,652,261
		Utility taxes		92,373	--	92,373
Revenue from State Sources:						
		State aid		1,557,187	--	1,557,187
		Unrestricted investment earnings		168,111	5,518	173,629
		Contributions and donations		18,854	--	18,854
		Other general revenues		63,677	--	63,677
		Total General Revenues		5,552,463	5,518	5,557,981
Change in Net Position				488,975	(18,690)	470,285
Net Position - Beginning of Year				7,594,945	38,415	7,633,360
Net Position - End of Year				\$ 8,083,920	\$ 19,725	\$ 8,103,645

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

Alcester-Hudson School District No. 61-1

Balance Sheet – Governmental Funds

June 30, 2025

	General	Capital Outlay	Special Education	Bond Redemption	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 947,191	\$ 2,884,812	\$ 182,716	\$ 398,732	\$ 4,413,451
Taxes receivable - current	543,424	499,863	298,953	195,284	1,537,524
Taxes receivable - delinquent	23,236	10,214	6,675	5,204	45,329
Due from other governments	125,783	--	--	--	125,783
Total Assets	<u>\$ 1,639,634</u>	<u>\$ 3,394,889</u>	<u>\$ 488,344</u>	<u>\$ 599,220</u>	<u>\$ 6,122,087</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 7,918	\$ 112	\$ --	\$ --	\$ 8,030
Contracts payable	255,582	--	35,317	--	290,899
Sales tax payable	171	--	--	--	171
Payroll deductions and withholding and employer matching payable	58,741	--	15,113	--	73,854
Total Liabilities	<u>322,412</u>	<u>112</u>	<u>50,430</u>	<u>--</u>	<u>372,954</u>
Deferred Inflows of Resources:					
Unavailable Revenue	543,424	499,863	298,953	195,284	1,537,524
Delinquent taxes not available	23,236	10,214	6,675	5,204	45,329
Total Deferred Inflows of Resources	<u>566,660</u>	<u>510,077</u>	<u>305,628</u>	<u>200,488</u>	<u>1,582,853</u>
Fund Balances:					
Restricted:					
For capital outlay	--	2,884,700	--	--	2,884,700
For special education	--	--	132,286	--	132,286
For debt service	--	--	--	398,732	398,732
For student activities	80,017	--	--	--	80,017
Assigned	172,912	--	--	--	172,912
Unassigned	497,633	--	--	--	497,633
Total Fund Balances	<u>750,562</u>	<u>2,884,700</u>	<u>132,286</u>	<u>398,732</u>	<u>4,166,280</u>
Total Liabilities and Fund Balances	<u>\$ 1,639,634</u>	<u>\$ 3,394,889</u>	<u>\$ 488,344</u>	<u>\$ 599,220</u>	<u>\$ 6,122,087</u>

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

Alcester-Hudson School District No. 61-1Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balances - Governmental Funds \$ 4,166,280

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 11,352,384

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Intangible Lease Assets	(59,462)	
GO Bonds	(5,584,650)	
Other Post Employment Benefits	(18,026)	
Capital Outlay Certificates	(2,025,000)	
Accrued Leave	<u>(54,392)</u>	(7,741,530)

Assets that are not available to pay for current period expenditures are deferred in the governmental funds. Assets at year end consist of:

Delinquent Property Taxes Receivable 45,329

Proportionate Share of Net Pension Asset 3,666

Pension and OPEB related deferred inflows are components of non current liabilities and therefore are not reported in the funds. (461,186)

Pension and OPEB related deferred outflows are components of non current assets and therefore are not reported in the funds. 718,977

Net Position - Governmental Activities \$ 8,083,920

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

Alcester-Hudson School District No. 61-1

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

June 30, 2025

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Revenues					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 1,295,167	\$ 1,135,530	\$ 659,399	\$ 476,207	\$ 3,566,303
Prior years' ad valorem taxes	24,203	18,650	10,479	8,887	62,219
Utility taxes	92,373	--	--	--	92,373
Penalties and interest on taxes	4,057	1,898	1,108	1,315	8,378
Earnings on Investments and Deposits	167,360	707	44	--	168,111
Cocurricular Activities:					
Admissions	17,394	--	--	--	17,394
Other student activity income	56,005	--	--	--	56,005
Other Revenue from Local Sources:					
Rentals	6,193	--	--	--	6,193
Contributions and donations	705	18,149	--	--	18,854
Charges for services	2,231	--	3,466	--	5,697
Other	14,016	--	--	--	14,016
Revenue from Intermediate Sources:					
County Sources:					
County apportionment	37,771	--	--	--	37,771
Revenue from State Sources:					
Grants-in-Aid:					
Unrestricted grants-in-aid	1,549,761	--	--	--	1,549,761
Restricted grants-in-aid	--	--	7,426	--	7,426
Revenue from Federal Sources:					
Grants-in-Aid:					
Restricted grants-in-aid received directly from federal government	19,521	--	--	--	19,521
Restricted grants-in-aid received from federal government through the state	113,676	--	--	--	113,676
Total Revenues	<u>\$ 3,400,433</u>	<u>\$ 1,174,934</u>	<u>\$ 681,922</u>	<u>\$ 486,409</u>	<u>\$ 5,743,698</u>

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

Alcester-Hudson School District No. 61-1

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
June 30, 2025 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
<u>Expenditures</u>					
Instructional Services:					
Regular Programs:					
Elementary	\$ 820,974	\$ 110,067	\$ --	\$ --	\$ 931,041
Middle/junior high	135,087	--	--	--	135,087
High school	549,000	60,862	--	--	609,862
Preschool	85,605	--	--	--	85,605
Special Programs:					
Programs for special education	--	--	596,900	--	596,900
Culturally different	5,374	--	--	--	5,374
Educationally deprived	101,145	--	--	--	101,145
Support Services:					
Students:					
Guidance	66,740	--	--	--	66,740
Psychological	--	--	12,986	--	12,986
Health	53,102	--	--	--	53,102
Speech pathology	--	--	33,383	--	33,383
Student therapy services	--	--	33,263	--	33,263
Instructional Staff:					
Improvement of instruction	9,386	--	--	--	9,386
Educational media	109,382	5,460	--	--	114,842
General Administration:					
Board of education	134,061	--	--	--	134,061
Executive administration	81,270	--	--	--	81,270
School Administration:					
Office of the principal	234,141	886	--	--	235,027
Other	618	--	--	--	618
Business:					
Fiscal services	116,383	--	--	--	116,383
Operation and maintenance of plant	362,928	96,727	--	--	459,655
Student transportation	130,060	8,400	--	--	138,460
Central:					
Information	9,000	--	--	--	9,000

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

Alcester-Hudson School District No. 61-1

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

June 30, 2025 (Continued)

	<u>General</u>	<u>Capital Outlay</u>	<u>Special Education</u>	<u>Bond Redemption</u>	<u>Total Governmental Funds</u>
Debt Services:	--	186,751	--	484,963	671,714
Cocurricular Activities:					
Male activities	55,831	8,128	--	--	63,959
Female activities	60,562	4,587	--	--	65,149
Transportation	9,288	--	--	--	9,288
Combined activities	161,360	17,853	--	--	179,213
Capital Outlay	--	368,469	--	--	368,469
Total Expenditures	<u>3,291,297</u>	<u>868,190</u>	<u>676,532</u>	<u>484,963</u>	<u>5,320,982</u>
Excess of Revenue Over (Under) Expenditures	109,136	306,744	5,390	1,446	422,716
Other Financing Sources (Uses):					
General Long-Term Debt Issued	--	68,994	--	--	68,994
Total Other Financing Sources (Uses)	<u>--</u>	<u>68,994</u>	<u>--</u>	<u>--</u>	<u>68,994</u>
Net Change in Fund Balances	109,136	375,738	5,390	1,446	491,710
Fund Balance, Beginning of Year	<u>641,426</u>	<u>2,508,962</u>	<u>126,896</u>	<u>397,286</u>	<u>3,674,570</u>
Fund Balance, End of Year	<u><u>\$ 750,562</u></u>	<u><u>\$ 2,884,700</u></u>	<u><u>\$ 132,286</u></u>	<u><u>\$ 398,732</u></u>	<u><u>\$ 4,166,280</u></u>

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

Alcester-Hudson School District No. 61-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$	491,710
--	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

This amount represents capital assets purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.		368,469
--	--	---------

The amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financials because it does not require the use of current financial resources.		(448,363)
--	--	-----------

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(215,714)
---	--	-----------

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

GO Bond	307,475		
CO Certificates	125,000		
Lease	<u>9,532</u>		442,007

The recognition of revenues in the governmental funds differ from the recognition in the governmental activities in the fact that revenue accruals in the fund financial statements require the amounts to be "available."		15,361
--	--	--------

The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.		(68,994)
--	--	----------

Governmental funds do not reflect the change in compensated absences and early retirement liabilities but the Statement of Activities reflects the change in these accruals through expenses.		(3,235)
---	--	---------

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		(103,524)
--	--	-----------

Changes in the OPEB related deferred outflows/inflows are direct components of noncurrent liability (asset) and are not reflected in the governmental funds.		<u>11,258</u>
--	--	---------------

Change in net position of governmental activities	\$	<u><u>488,975</u></u>
---	----	-----------------------

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

Alcester-Hudson School District No. 61-1
Statement of Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 70	\$ 14,658	\$ 14,728
Inventory - supplies	1,163	--	1,163
Inventory - stores for resale	2,269	--	2,269
Inventory of donated food	1,184	--	1,184
Total Current Assets	<u>4,686</u>	<u>14,658</u>	<u>19,344</u>
Noncurrent Assets:			
Machinery and equipment - local funds	86,528	--	86,528
Less accumulated depreciation	(73,210)	--	(73,210)
Total Noncurrent Assets	<u>13,318</u>	<u>--</u>	<u>13,318</u>
Total Assets	<u>\$ 18,004</u>	<u>\$ 14,658</u>	<u>\$ 32,662</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 10	\$ 321	\$ 331
Payroll deductions and withholdings and employer matching payable	799	--	799
Unearned revenue	11,807	--	11,807
Total Current Liabilities	<u>12,616</u>	<u>321</u>	<u>12,937</u>
Net Position:			
Net investment in capital assets	13,318	--	13,318
Unrestricted net position	(7,930)	14,337	6,407
Total Net Position	<u>\$ 5,388</u>	<u>\$ 14,337</u>	<u>\$ 19,725</u>

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

Alcester-Hudson School District No. 61-1

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Operating Revenue:			
Food Sales:			
Student	\$ 86,241	\$ --	\$ 86,241
Adult	8,226	--	8,226
Other charges for goods and services	65	22,727	22,792
Total Operating Revenue	<u>94,532</u>	<u>22,727</u>	<u>117,259</u>
Operating Expenses:			
Food Service:			
Salaries	96,942	21,220	118,162
Employee benefits	30,704	2,504	33,208
Purchased services	--	467	467
Supplies	3,355	3,100	6,455
Cost of sales - purchased	64,924	--	64,924
Cost of sales - donated	11,621	--	11,621
Miscellaneous	5,096	--	5,096
Depreciation	3,360	--	3,360
Total Operating Expenses	<u>216,002</u>	<u>27,291</u>	<u>243,293</u>
Operating (Loss)	(121,470)	(4,564)	(126,034)
Nonoperating Revenues/Expenses:			
Investment Earnings	5,518	--	5,518
Other local revenue	--	7,900	7,900
State grants	447	--	447
Federal grants	81,834	--	81,834
Donated food	11,645	--	11,645
Total Nonoperating Revenue/ (Expenses)	<u>99,444</u>	<u>7,900</u>	<u>107,344</u>
Change in Net Position	(22,026)	3,336	(18,690)
Net Position - Beginning of Year	<u>27,414</u>	<u>11,001</u>	<u>38,415</u>
Net Position - End of Year	<u>\$ 5,388</u>	<u>\$ 14,337</u>	<u>\$ 19,725</u>

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

Alcester-Hudson School District No. 61-1
Statement of Cash Flows – Proprietary Funds
June 30, 2025

	Enterprise Funds		
	Food Service Fund	Other Enterprise Fund	Totals
Cash Flows from Operating Activities			
Cash receipts from customers	\$ 79,645	\$ 22,727	\$ 102,372
Cash payments to suppliers	(73,440)	(3,271)	(76,711)
Cash payments to employees	(128,033)	(27,645)	(155,678)
Net Cash (Used) by Operating Activities	(121,828)	(8,189)	(130,017)
Cash Flows from Noncapital Financing Activities:			
Other local revenue	--	7,900	7,900
Cash reimbursements - state	447	--	447
Cash reimbursements - federal	81,834	--	81,834
Net Cash Provided by Noncapital Financing Activities	82,281	7,900	90,181
Cash Flows from Investing Activities:			
Investment Earnings	5,518	--	5,518
Net Change in Cash and Cash Equivalents	(34,029)	(289)	(34,318)
Cash and Cash Equivalents, Beginning of Year	34,099	14,947	49,046
Cash and Cash Equivalents, End of Year	<u>\$ 70</u>	<u>\$ 14,658</u>	<u>\$ 14,728</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
Operating (Loss)	\$ (121,470)	\$ (4,564)	\$ (126,034)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation expense	3,360	--	3,360
Value of commodities used	11,621	--	11,621
Change in Assets and Liabilities:			
Inventory	(43)	--	(43)
Deferred revenue	(14,887)	--	(14,887)
Contracts payable	(100)	(3,450)	(3,550)
Accrued payroll expenses	(287)	(471)	(758)
Accounts payable	(22)	296	274
Net cash (used) by operating activities:	<u>\$ (121,828)</u>	<u>\$ (8,189)</u>	<u>\$ (130,017)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	<u>\$ 11,645</u>	<u>\$ --</u>	<u>\$ 11,645</u>

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

Alcester-Hudson School District No. 61-1
Statement of Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 7,908	\$ 38,876
Accounts receivable	<u> --</u>	<u>10,000</u>
 Total Assets	 <u><u>\$ 7,908</u></u>	 <u><u>\$ 48,876</u></u>
Liabilities:		
Accounts payable	<u>\$ --</u>	<u>\$ 501</u>
 Total Liabilities	 <u><u>\$ --</u></u>	 <u><u>\$ 501</u></u>
Net Position:		
Scholarships	\$ 7,908	\$ --
Individuals, organizations, and other governments	<u> --</u>	<u>48,375</u>
 Total Net Position	 <u><u>\$ 7,908</u></u>	 <u><u>\$ 48,375</u></u>

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

Alcester-Hudson School District No. 61-1
Statement of Changes in Net Position – Fiduciary Funds
June 30, 2025

	Private-Purpose Trust Funds	Custodial Funds
Additions:		
Contributions and donations	\$ 720	\$ --
Collections for student activities	--	158,446
	<u>720</u>	<u>158,446</u>
Total Additions	<u>720</u>	<u>158,446</u>
Deductions:		
Private Purpose Trust	2,250	--
Payments for student activities	--	160,055
	<u>2,250</u>	<u>160,055</u>
Total Deductions	<u>2,250</u>	<u>160,055</u>
Change in Net Position	<u>(1,530)</u>	<u>(1,609)</u>
Net Position - Beginning	<u>9,438</u>	<u>49,984</u>
Net Position - Ending	<u><u>\$ 7,908</u></u>	<u><u>\$ 48,375</u></u>

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

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. Financial Reporting Entity:

The reporting entity of Alcester-Hudson School District No. 61-1, 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.

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. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between the governmental and business-type activities. 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 minus liabilities equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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) 13-16-3 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 Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

The Bond Redemption Fund – A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. The Bond Redemption Fund is the only debt service fund maintained by the School District. 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:

- 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.)
- 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.
- 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 instruction. This fund is financed by user charges. 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 only a private-purpose trust fund for scholarships.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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 for the School District is 60 days. The revenues which are accrued at June 30, 2025 are amounts due from other governments for grants and utility taxes.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

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.

No investments are currently classified in the financial statements. If there were, they would consist primarily 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.

f. Capital Assets:

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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 their 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.

The total June 30, 2025 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, 2025 balance of capital assets for business-type activities are all valued at original cost.

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

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on the proprietary fund's 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 follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land*	All	NA	NA
Buildings	\$ 5,000	Straight-line	50 years
Improvements	\$ 5,000	Straight-line	10-50 years
Machinery and Equipment	\$ 5,000	Straight-line	2-20 years
Food Service Machinery and Equipment	\$ 1,000	Straight-line	12 years
Intangible Assets (Leases & SBITAs)	\$ 45,000	Straight-line	> 1 year

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

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 primarily consist of general obligation bonds, capital outlay certificates, intangible leases payable, compensated absences, and other postemployment benefits.

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

h. Leases:

The School District is a lessee for a noncancellable lease of copiers. The School District recognizes a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a lease, the School District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to lease include how the School District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

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

i. Subscription-Based information technology Arrangements:

The School District does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If the School District did, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The School District recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a subscription, the School District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscription include how the School District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The School District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the School District is reasonably certain to exercise.

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

Subscription assets are reported with other capital assets and subscription liabilities and are reported with long-term debt on the statement of net position.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

j. 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, service, or privileges provided, or are otherwise directly affected by the services.
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.

k. Deferred Inflows and Deferred Outflows of Resources:

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

In 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.

l. 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.

m. Equity Classifications:

Government-Wide Financial Statements:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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.”

Fund Financial Statements:

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

n. Application of Net Position:

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

o. 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies: (Continued)

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

The School District has not adopted a formal minimum fund balance policy.

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

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

p. 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

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

Investments – In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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.

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

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

3. Receivables and Payables:

Receivables and payables are not aggregated in the financial statements. The School District expects all receivables to be collected within one year.

4. Inventory:

Inventory held for consumption is stated at cost.

Inventory for Resale is stated at the lower of cost or market. The cost valuation method is the first in, first out method. 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, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

4. Inventory: (Continued)

In the governmental fund financial statements, inventories 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, 2025.

5. 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 not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred inflow of resources-property taxes levied for future period in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

6. Changes in Capital Assets:

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

	6/30/2024 Balance	Increases	Decreases	6/30/2025 Balance
Governmental Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 275,714	\$ --	\$ 215,714	\$ 60,000
Total capital assets not being depreciated/amortized	<u>275,714</u>	<u>--</u>	<u>215,714</u>	<u>60,000</u>
Capital assets being depreciated/amortized:				
Buildings	12,322,897	--	--	12,322,897
Improvements	1,397,200	157,730	--	1,554,930
Machinery & Equipment	1,123,889	132,146	--	1,256,035
Intangible Assets	--	68,994	--	68,994
Library Books	217,105	9,599	9,493	217,211
Total capital assets being depreciated/amortized	<u>15,061,091</u>	<u>368,469</u>	<u>9,493</u>	<u>15,420,067</u>
Less accumulated depreciation/amortization for:				
Buildings	1,830,317	214,167	--	2,044,484
Improvements	895,210	123,141	--	1,018,351
Machinery & Equipment	827,378	86,395	--	913,773
Intangible Assets	--	13,799	--	13,799
Library Books	135,908	10,861	9,493	137,276
Total accumulated depreciation/amortization	<u>3,688,813</u>	<u>448,363</u>	<u>9,493</u>	<u>4,127,683</u>
Total capital assets being depreciated/amortized, net	<u>11,372,278</u>	<u>(79,894)</u>	<u>--</u>	<u>11,292,384</u>
Net Capital Assets	<u>\$ 11,647,992</u>	<u>\$ (79,894)</u>	<u>\$ 215,714</u>	<u>\$ 11,352,384</u>

Depreciation/Amortization expense was charged to functions as follows:

Instruction	\$ 91,258
Support services	208,591
Amortization	13,799
Co-curricular activities	134,715
Total Depreciation/Amortization Expense	<u>\$ 448,363</u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

6. Changes in Capital Assets: (Continued)

	<u>6/30/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2025</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Machinery & Equipment	\$ 86,528	\$ --	\$ --	\$ 86,528
Less accumulated depreciation for:				
Machinery & Equipment	69,850	3,360	--	73,210
Total capital assets, net	<u>\$ 16,678</u>	<u>\$ (3,360)</u>	<u>\$ --</u>	<u>\$ 13,318</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Food Service	<u>\$ 3,360</u>

7. Long-Term Liabilities:

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

	<u>6/30/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2025</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 5,555,000	\$ --	\$ 285,000	\$ 5,270,000	\$ 295,000
Plus: Unamortized Premiums	337,125	--	22,475	314,650	22,475
Capital Outlay Certificates	2,150,000	--	125,000	2,025,000	130,000
	<u>8,042,125</u>	<u>--</u>	<u>432,475</u>	<u>7,609,650</u>	<u>447,475</u>
Other Liabilities:					
Compensated Absences	51,157	13,721	10,486	54,392	19,037
Other Post Employment Benefits	29,284	3,491	14,749	18,026	--
Intangible Lease	--	68,994	9,532	59,462	12,879
Total Long-Term Liabilities	<u>\$ 8,122,566</u>	<u>\$ 86,206</u>	<u>\$ 467,242</u>	<u>\$ 7,741,530</u>	<u>\$ 479,391</u>

Compensated absences and other post-employment benefits for government activities typically have been liquidated from the General Fund.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

7. Long-Term Liabilities: (Continued)

Liabilities payable at June 30, 2025 are comprised of the following:

Alcester-Hudson School District No 61-1 Capital Outlay Certificates, Series 2019	During July 2019, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$550,000. There is a varying interest rate of 1.85 to 3% assessed on these bonds. Final payment is June 2039. The Capital Outlay Fund makes payment on this debt.	\$ 450,000
Alcester-Hudson School District No 61-1 General Obligation Bonds, Series 2017	During December 2017, the School District entered into an agreement to receive General Obligation Bonds in the amount of \$6,905,000. There is a varying interest rate of 1.4 to 4% assessed on these bonds. Final payment is August 2038. The Bond Redemption Fund makes payment on this debt.	\$ 5,270,000
Alcester-Hudson School District No 61-1 Capital Outlay Certificates, Series 2019	During August 2019, the School District entered into an agreement to receive Capital Outlay Certificate Bonds in the amount of \$2,060,000. There is a varying interest rate of 2.05 to 3.4% assessed on these bonds. Final payment is February 2038. The Capital Outlay Fund makes payment on this debt.	\$ 1,575,000
Alcester-Hudson School District No 61-1 Copier Lease	During October 2024, the School District entered into an agreement to lease copiers in the amount of \$68,994. There is an interest rate of 5% assessed on this lease. Final payment is September 2030. The Capital Outlay Fund makes payment on this debt.	\$ 59,462
Compensated Absences – Payable from the fund to which payroll expenditures are charged		\$ 54,392
Other Post Employment Benefits -- Payable from the fund to which payroll expenditures are charged		\$ 18,026

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

7. Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity of all debt outstanding, other than compensated absences and other post-employment benefits, as of June 30, 2025 are as follows:

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates	
	Principal	Interest	Principal	Interest
2026	\$ 317,475	\$ 190,313	\$ 130,000	\$ 57,585
2027	322,475	181,388	135,000	54,618
2028	332,475	172,238	135,000	51,491
2029	347,475	161,088	140,000	48,259
2030	357,475	147,888	145,000	44,737
2031-2035	2,012,375	521,940	775,000	171,538
2036-2040	1,894,900	126,608	565,000	23,545
Totals	<u>\$ 5,584,650</u>	<u>\$ 1,501,463</u>	<u>\$ 2,025,000</u>	<u>\$ 451,773</u>

Year Ending June 30,	Intangible Lease		Totals	
	Principal	Interest	Principal	Interest
2026	\$ 12,879	\$ 2,681	\$ 460,354	\$ 250,579
2027	13,537	2,022	471,012	238,028
2028	14,230	1,329	481,705	225,058
2029	14,958	601	502,433	209,948
2030	3,858	32	506,333	192,657
2031-2035	--	--	2,787,375	693,478
2036-2040	--	--	2,459,900	150,153
Totals	<u>\$ 59,462</u>	<u>\$ 6,665</u>	<u>\$ 7,669,112</u>	<u>\$ 1,959,901</u>

8. Restricted Net Position:

Restricted Net Position for the year ended June 30, 2025 was as follows:

Purpose	Restricted By	Amount
Major Purposes:		
Capital Outlay	Law	\$ 2,894,914
Special Education	Law	138,961
Debt Service	Debt Covenants	403,936
SDRS Pension Purposes	Law	261,457
Total		<u>\$ 3,699,268</u>

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

9. Pension Plan:

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 pension plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. 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.

Benefits Provided:

SDRS has four different classes of employees, Class A general members, Class B public safety and judicial members, and 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.

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:

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

- 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.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2025, 2024, and 2023 were as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 154,411
2024	151,016
2023	151,669

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

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

Proportionate share of pension benefits	\$ 13,510,873
Less proportionate share of net pension restricted for pension benefits	13,514,539
Proportionate share of net pension (asset)	<u>\$ (3,666)</u>

At June 30, 2025, the School District reported an asset of (\$3,666) for its proportionate share of the net pension (asset). The net pension (asset) was measured as of June 30, 2024 and the total pension (asset) used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the School District's proportion was 0.09056600%, which is an decrease of 0.0073660% from its proportion measured as of June 30, 2023.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

For the year ended June 30, 2025, the School District recognized a pension expense of \$103,525. At June 30, 2025, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 339,482	\$ --
Changes in assumption	60,443	460,731
Net difference between projected and actual earnings on pension plan investments	138,092	--
Changes in proportion and difference between district contributions and proportionate share of contributions	26,549	455
District contributions subsequent to the measurement date	154,411	--
Total	<u>\$ 718,977</u>	<u>\$ 461,186</u>

\$154,411 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30,	
2026	\$ (118,768)
2027	186,562
2028	23,604
2029	11,981
Total	<u>\$ 103,379</u>

Actuarial Assumptions:

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

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010.

Other Class A Members: PubG-2010.

Public Safety Members: PubS-2010.

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table.

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table.

Others: PubG-2010 disabled member mortality table.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2023.

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 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, ect.). 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 rate 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.

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

9. Pension Plan: (Continued)

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

Discount Rate:

The discount rate used to measure the total pension liability (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).

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

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension (asset)	\$ 1,862,908	\$ (3,666)	\$ (1,531,105)

Pension Plan Fiduciary Net Position:

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

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

10. Other Post Employment Benefits – Healthcare Plan:

Plan Description: Alcester-Hudson School District has a single-employer defined benefit medical plan administered by Sanford Health of South Dakota. This plan provides medical insurance benefits to eligible current employees, as well as retirees meeting eligibility requirements. After eligibility for retiree benefits is established, retirees must pay premiums until they are eligible for Medicare. SDCL 6-1-16 specifically allows any School District to provide health insurance for retiring employees and their immediate families. The liability exists because of an implicit subsidy of costs of the benefits to retirees of the District. The Sanford Health Plan issues an actuarial report that includes required supplementary information. That report may be obtained by writing to the Alcester-Hudson School District, 409 E 6th Street, P.O. Box 198, Alcester, SD 57001 or by calling (605) 934-1890.

Funding Policy: The District funds the postemployment benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required.

Employees covered by benefit terms: At June 30, 2025, the following employees were covered by the benefit terms:

Retirees currently receiving benefit payments	7
Active employees	47
	<u>54</u>

Actuarial Methods and Assumptions: Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the South Dakota Retirement System (SDRS as provided in the June 30, 2024 Actuarial Valuation Report. See Note 9 – Pension Note.)

Changes in the Total OPEB Liability:

Beginning of Year Balances	\$ 29,284
Service Cost	2,437
Interest	1,054
Effect on assumptions, changes or inputs	(4,924)
Benefit payments	(9,825)
End of Year Balances	<u>\$ 18,026</u>

Sensitivity of Liability (asset) to Changes in the Discount Rate:

The following presents the total OPEB liability of the District calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 16,000	\$ 18,026	\$ 22,000

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

10. Other Post Employment Benefits – Healthcare Plan: (Continued)

For the year ended June 30, 2025, the School District recognized OPEB revenue of \$11,258.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (revenue) as follows:

Year Ended June 30,	
2026	\$ (10,000)
2027	(5,000)
2028	--
2029	(12,000)
2030	--
Thereafter	(90,000)
Total	<u><u>\$ (117,000)</u></u>

11. Joint Ventures:

The School District participates in the joint venture known as the Southeast Area Cooperative, a cooperative service unit (co-op) formed for the purpose of providing public support services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

District	%
Alcester-Hudson School District No. 61-1	10%
Beresford School District No. 61-2	20%
Canton School District No. 41-1	28%
Elk Point-Jefferson School District No. 61-7	22%
Irene-Wakonda School District No. 13-3	8%
Viborg-Hurley School District No. 60-6	12%

Alcester-Hudson School District No. 61-1

Notes to the Financial Statements

June 30, 2025

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 Southeast Area Cooperative.

At June 30, 2025, the joint venture had the following:

	<u>June 30, 2025</u>
Total Assets and Deferred	
Outflows of Resources	\$ 1,517,046
Total Liabilities and Deferred	
Inflows of Resources	\$ 463,030
Total Net Position	\$ 1,054,016

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, 2025, the School District managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The School District purchases 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.

Worker's Compensation:

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

Alcester-Hudson School District No. 61-1
Notes to the Financial Statements
June 30, 2025

12. Risk Management: (Continued)

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 \$172,912 for the payment of future unemployment benefits.

During the year ended June 30, 2025, 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. Violations of Finance-Related Legal and Contractual Provisions:

The School District is prohibited by statutes from spending in excess of appropriated amounts. The Capital Outlay Fund for the 2025 fiscal year was budgeted to spend \$793,100, but the School District spent \$75,090 more than the budgeted amount. The School District plans to monitor these budgets closely in the future and to supplement as necessary in order to prevent reoccurrence of this violation.

Required Supplementary Information

Alcester-Hudson School District No. 61-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 1,294,131	\$ 1,294,131	\$ 1,295,167	\$ 1,036
Prior years' ad valorem taxes	12,000	12,000	24,203	12,203
Utility taxes	86,701	86,701	92,373	5,672
Penalties and interest on taxes	3,000	3,000	4,057	1,057
Earnings on Investments and Deposits	100,000	100,000	167,360	67,360
Cocurricular Activities:				
Admissions	10,000	10,000	17,394	7,394
Other student activity income	5,000	5,000	56,005	51,005
Other Revenue from Local Sources:				
Rentals	1,000	1,000	6,193	5,193
Contributions and donations	2,000	2,000	705	(1,295)
Charges for services	1,000	1,000	2,231	1,231
Other	10,000	10,000	14,016	4,016
Revenue from Intermediate Sources:				
County Sources:				
County apportionment	27,222	27,222	37,771	10,549
Revenue from State Sources:				
Grants-in-Aid:				
Unrestricted grants-in-aid	1,579,033	1,579,033	1,549,761	(29,272)
Revenue from Federal Sources:				
Grants-in-Aid:				
Restricted grants-in-aid received directly from federal government	21,409	21,409	19,521	(1,888)
Restricted grants-in-aid received from federal government through the state	101,021	101,021	113,676	12,655
Total Revenues	\$ 3,253,517	\$ 3,253,517	\$ 3,400,433	\$ 146,916

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

Alcester-Hudson School District No. 61-1

Required Supplementary Information – Budgetary Comparison Schedule – General Fund – Budgetary Basis June 30, 2025 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	\$ 848,508	\$ 848,508	\$ 820,974	\$ 27,534
Middle/junior high	148,947	148,947	135,087	13,860
High school	575,834	575,834	549,000	26,834
Preschool	90,559	90,559	85,605	4,954
Special Programs:				
Culturally Different	4,761	4,761	5,374	(613)
Educationally deprived	101,164	101,164	101,145	19
Support Services:				
Students:				
Guidance	65,102	65,102	66,740	(1,638)
Health	54,860	54,860	53,102	1,758
Instructional Staff:				
Improvement of instruction	12,670	12,670	9,386	3,284
Educational media	124,800	124,800	109,382	15,418
General Administration:				
Board of education	144,877	144,877	134,061	10,816
Executive administration	75,675	75,675	81,270	(5,595)
School Administration:				
Office of the principal	245,748	245,748	234,141	11,607
Other	600	600	618	(18)
Business:				
Fiscal services	127,583	127,583	116,383	11,200
Operation and maintenance of plant	397,120	397,120	362,928	34,192
Student transportation	212,324	212,324	130,060	82,264
Central:				
Information	9,000	9,000	9,000	--
Cocurricular Activities:				
Male activities	62,280	62,280	55,831	6,449
Female activities	64,422	64,422	60,562	3,860
Transportation	12,042	12,042	9,288	2,754
Combined activities	132,041	132,041	161,360	(29,319)
Contingencies	10,000	10,000	--	10,000
Total Expenditures	3,520,917	3,520,917	3,291,297	229,620
Excess of Revenues Over Expenditures	(267,400)	(267,400)	109,136	376,536
Other Financing Sources:				
Operating transfers in	266,900	266,900	--	(266,900)
Sale of surplus property	500	500	--	(500)
Total Other Financing Sources:	267,400	267,400	--	(267,400)
Net Change in Fund Balances	--	--	109,136	109,136
Fund Balance, Beginning of Year	641,426	641,426	641,426	--
Fund Balance, End of Year	\$ 641,426	\$ 641,426	\$ 750,562	\$ 109,136

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

Alcester-Hudson School District No. 61-1

Required Supplementary Information – Budgetary Comparison Schedule – Capital Outlay Fund – Budgetary Basis June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 900,000	\$ 900,000	\$ 1,135,530	\$ 235,530
Prior years' ad valorem taxes	3,500	3,500	18,650	15,150
Penalties and interest on taxes	500	500	1,898	1,398
Earnings on Investments & Deposits	--	--	707	707
Other Revenue from Local Sources:				
Contributions and donations	18,149	18,149	18,149	--
Total Revenues	922,149	922,149	1,174,934	252,785
Expenditures				
Instructional Services:				
Regular Programs:				
Elementary	108,000	108,000	110,067	(2,067)
High school	60,500	60,500	60,862	(362)
Support Services:				
Instructional Staff:				
Educational media	20,600	20,600	15,059	5,541
General Administration:				
Office of the Principal	--	--	886	(886)
Business:				
Operation and maintenance of plant	354,600	354,600	415,951	(61,351)
Student transportation	9,600	9,600	8,400	1,200
Debt Services:	187,000	187,000	186,751	249
Cocurricular Activities:				
Male activities	20,000	20,000	22,625	(2,625)
Female activities	7,800	7,800	4,587	3,213
Combined activities	25,000	25,000	43,002	(18,002)
Total Expenditures	793,100	793,100	868,190	(75,090)
Excess of Revenue Over (Under)				
Expenditures	129,049	129,049	306,744	177,695
Other Financing Sources (Uses):				
Transfers out	(266,900)	(266,900)	--	266,900
Proceeds of general long-term liabilities	--	--	68,994	68,994
Total Other Financing Sources (Uses)	(266,900)	(266,900)	68,994	335,894
Net Change in Fund Balances	(137,851)	(137,851)	375,738	513,589
Fund Balance, Beginning of Year	2,508,962	2,508,962	2,508,962	--
Fund Balance, End of Year	\$ 2,371,111	\$ 2,371,111	\$ 2,884,700	\$ 513,589

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

Alcester-Hudson School District No. 61-1
Required Supplementary Information – Budgetary Comparison
Schedule – Special Education Fund – Budgetary Basis
June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 650,000	\$ 650,000	\$ 659,399	\$ 9,399
Prior years' ad valorem taxes	4,000	4,000	10,479	6,479
Penalties and interest on taxes	--	--	1,108	1,108
Earnings on Investments & Deposits	--	--	44	44
Other Revenue from Local Sources:				
Charges for services	2,930	2,930	3,466	536
Revenue from State Sources:				
Grants-in-Aid:				
Restricted grants-in-aid	22,119	22,119	7,426	(14,693)
Total Revenues	<u>679,049</u>	<u>679,049</u>	<u>681,922</u>	<u>2,873</u>
Expenditures				
Instructional Services:				
Special Programs:				
Programs for special education	624,808	624,808	596,900	27,908
Support Services:				
Students:				
Psychological	13,489	13,489	12,986	503
Speech pathology	33,111	33,111	33,383	(272)
Student therapy services	32,763	32,763	33,263	(500)
Special Education:				
Transportation costs	500	500	--	500
Total Expenditures	<u>704,671</u>	<u>704,671</u>	<u>676,532</u>	<u>28,139</u>
Net Change in Fund Balance	(25,622)	(25,622)	5,390	31,012
Fund Balance, Beginning of Year	<u>126,896</u>	<u>126,896</u>	<u>126,896</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 101,274</u>	<u>\$ 101,274</u>	<u>\$ 132,286</u>	<u>\$ 31,012</u>

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

Alcester-Hudson School District No. 61-1
Notes to the Required Supplementary Information
June 30, 2025

1. Budgets and Budgetary Accounting:

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

- a. Prior to the first regular board meeting in May of each year, the School Board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the School Board at the first regular meeting held in 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. GAAP/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.

Alcester-Hudson School District No. 61-1
Schedule of Changes in Total OPEB Liability
For the Year Ended June 30, 2025

<u>Schedule of Total OPEB Liability:</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning of year balance	\$ 29,284	\$ 143,805	\$ 167,495	\$ --	\$ --	\$ 337,132	\$ 331,077	\$ 335,678
Service cost	2,437	22,179	8,084	21,398	--	--	21,315	20,520
Interest	1,054	5,892	5,581	9,238	--	--	12,916	13,219
Difference between expected and actual experience	--	(72,880)	--	--	--	--	--	--
Effect of assumption changes or inputs	(4,924)	(60,593)	(1,488)	167,383	--	--	9,119	(9,075)
Benefit payments	<u>(9,825)</u>	<u>(9,119)</u>	<u>(35,867)</u>	<u>(30,524)</u>	<u>--</u>	<u>(337,132)</u>	<u>(37,295)</u>	<u>(29,265)</u>
End of year balance	<u>\$ 18,026</u>	<u>\$ 29,284</u>	<u>\$ 143,805</u>	<u>\$ 167,495</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 337,132</u>	<u>\$ 331,077</u>

Alcester-Hudson School District No. 61-1

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)
2025	0.090566%	\$ (3,666)	\$ 2,616,934	0.14%	100.00%
2024	0.097932%	\$ (9,559)	\$ 2,526,009	0.38%	100.10%
2023	0.109845%	\$ (10,381)	\$ 2,622,923	0.40%	100.10%
2022	0.109105%	\$ (835,558)	\$ 2,475,945	33.75%	105.52%
2021	0.107654%	\$ (4,675)	\$ 2,370,130	0.20%	100.04%
2020	0.104386%	\$ (11,062)	\$ 2,288,676	0.48%	100.09%
2019	0.105021%	\$ (2,449)	\$ 2,183,270	0.11%	100.02%
2018	0.106000%	\$ (9,620)	\$ 2,153,684	0.45%	100.10%
2017	0.098372%	\$ 332,289	\$ 1,872,806	17.74%	96.89%
2016	0.095186%	\$ (403,709)	\$ 1,735,528	23.26%	104.10%

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.

Alcester-Hudson School District No. 61-1
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
2025	\$ 154,411	\$ 154,411	\$ --	\$ 2,573,519	6.00%
2024	\$ 151,016	\$ 151,016	\$ --	\$ 2,616,934	5.77%
2023	\$ 151,669	\$ 151,669	\$ --	\$ 2,526,009	6.00%
2022	\$ 157,375	\$ 157,375	\$ --	\$ 2,622,923	6.00%
2021	\$ 148,557	\$ 148,557	\$ --	\$ 2,475,945	6.00%
2020	\$ 142,173	\$ 142,173	\$ --	\$ 2,370,130	6.00%
2019	\$ 137,317	\$ 137,317	\$ --	\$ 2,288,676	6.00%
2018	\$ 130,997	\$ 130,997	\$ --	\$ 2,183,270	6.00%
2017	\$ 129,222	\$ 129,222	\$ --	\$ 2,153,684	6.00%
2016	\$ 112,369	\$ 112,369	\$ --	\$ 1,872,806	6.00%

Alcester-Hudson School District No. 61-1

Notes to the Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions For the Year Ended June 30, 2025

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Assumption Changes

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

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

Actuarial Method Changes

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