

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2022

Board Members:

Jerry Weyand, Chairman
Kelly Aesoph
Ryan Nelson
Scott McCloud
BJ Kalkman

Superintendent:

Scott Lepke

Business Manager:

Lisa Hushka

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

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FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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WITH AN OFFICE IN
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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
Faulkton Area Schools District No. 24-4
Faulk 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 Faulkton Area Schools District No. 24-4, South Dakota (School District), as of and for the year ended June 30, 2022, 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 February 2, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as items #2022-001 and #2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2022-003.

School District's Response to Findings

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

Purpose of this Report

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

Kohlman, Bierschbach & Anderson, LLP

February 2, 2023

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

School Board
Faulkton Area Schools District No 24-4
Faulk County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Faulkton Area Schools District No. 24-4's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Faulkton Area Schools District No. 24-4's major federal programs for the year ended June 30, 2022. Faulkton Area Schools District No. 24-4's major federal programs are identified in the Summary of the Independent Auditors' Results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, Faulkton Area Schools District No. 24-4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Faulkton Area Schools District No. 24-4 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Faulkton Area Schools District No. 24-4's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Faulkton Area Schools District No. 24-4's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Faulkton Area Schools District No. 24-4's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Faulkton Area Schools District No. 24-4's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Faulkton Area Schools District No. 24-4's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Faulkton Area Schools District No. 24-4's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Faulkton Area Schools District No. 24-4's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item #2022-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Faulkton Area Schools District No. 24-4's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. Faulkton Area Schools District No. 24-4's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Government Auditing Standards requires the auditor to perform limited procedures on the Faulkton Area Schools District No. 24-4's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. Faulkton Area Schools District No. 24-4's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

Kohlman, Bierschbach & Anderson, LLP

February 2, 2023

Faulkton Area Schools 24-4

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SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2022

PRIOR AUDIT FINDINGS:

Finding #2021-01

A material weakness was reported for a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner. This finding is restated as current audit finding #2022-001.

Finding #2021-02

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements. This finding is restated as current audit finding #2022-002.

Finding #2021-03

The district went over budget in the capital outlay fund by \$43,602. This finding has been resolved.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I - Summary of the Independent Auditors' Results:

Financial Statements:

- a. An unmodified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements as discussed in finding numbers #2022-001 and #2022-002.
- c. Our audit disclosed a noncompliance finding which was material to the financial statements as discussed in finding number #2022-003.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- e. Our audit disclosed an audit finding that is required to be reported in accordance with 2 CFR 200.516(a). See finding number 2022-003.
- f. The federal awards tested as major programs were:
 - 1. 84.425D - Elementary and Secondary School Emergency Relief Fund
 - 2. 84.425U - American Rescue Plan Elementary and Secondary School Emergency Relief
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. Faulkton Area Schools District No. 24-4 did not qualify as a low-risk auditee.

Section II - Financial Statement Findings:

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2022-001

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and custodial

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022
(Continued)

receipts, disbursements, and bank reconciliations, which could result in errors not being found in a timely manner.

Cause

The School District has only one employee who prepares all accounting records, so proper segregation of duties for all areas has not been achieved.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls.

Recommendation

We recommend the board take a more active role in their oversight of inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, equity, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 10 and 11.

Finding #2022-002

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles (GAAP).

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements.

Cause

The School District had some adjustments that needed to be made in order to get their accounting records in accordance with GAAP.

Effect

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

Recommendation

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022
(Continued)

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 10 and 11.

Section III - Federal Award Findings and Questioned Costs:

Federal Compliance-Related Audit Findings and Questioned Costs:

Finding #2022-003

Major Federal Program

The major federal program affected is 84.425D - Elementary and Secondary School Emergency Relief Fund.

Criteria

South Dakota Codified Law (SDCL) 5-18A-14 and 5-18A-21(19) require School Districts to bid certain items that they purchase, including purchases of \$100,000 or more for public improvements and purchases of \$50,000 or more for equipment building supplies, or equipment with certain exceptions.

Condition Found

The School District did not follow proper SDCL bidding procedures in regards to a bus that had a total cost of more than \$50,000.

Cause

The School did not properly bid a bus.

Effect

The bus was not bid. Therefore, the School District was not in compliance with South Dakota Codified Law.

Questioned Costs:

The bus cost \$58,355.

Recommendation

We recommend the School District properly bid all items that are required to be bid before they are purchased.

Views of Responsible Officials and Planned Corrective Actions

See the unaudited corrective action plan on pages 10 and 11.

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CORRECTIVE ACTION PLANS (UNAUDITED) JUNE 30, 2022

Faulkton Area Schools District No. 24-4 submits the following corrective action plans for the year ended June 30, 2022.

Corrective Action Plan #2022-001

Condition: A material weakness was reported for a lack of segregation of duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, debt, equity, revenues, and the preparation of trust and custodial accounts' receipts, disbursements, and bank reconciliations which could result in errors not being found in a timely manner.

Responsible official: Ryan Nelson

Planned corrective actions: The School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, debt, equity, revenues, and the preparation of trust and custodial accounts' receipts, disbursements, and bank reconciliations. The School District is aware of this problem and is attempting to provide compensating controls by having the board members sign off on vouchers and dual signature on checks. However, this lack of segregation of duties regarding inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, debt, equity, revenues, and the preparation of trust and custodial accounts' receipts, disbursements, and bank reconciliations continues to exist.

Anticipated completion date: Ongoing

Corrective Action Plan #2022-002

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls and, therefore, could have resulted in a material misstatement of the School District's financial statements.

Responsible official: Ryan Nelson

Planned corrective actions: They understand that due to the small staff size, there will be concerns over internal control. The School District doesn't believe the concern validates the cost of additional staff.

Anticipated completion date: Ongoing

Corrective Action Plan #2022-003

Condition: The School District did not bid a bus as required by SDCL 5-18A-14 and SDCL 5-18A-21(19).

CORRECTIVE ACTION PLANS (UNAUDITED)
JUNE 30, 2022
(Continued)

Responsible official: Ryan Nelson

Planned corrective actions: The district was under the assumption that the bus bid, from another school, was acceptable to piggy back off of, but the specifications were not the same. In the future, the district will review said bids more thoroughly to assure acceptable actions and bid laws are followed.

Anticipated completion date: June 30, 2023

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INDEPENDENT AUDITORS' REPORT

School Board
Faulkton Area Schools District No. 24-4
Faulk County, South Dakota

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 Faulkton Area Schools District No. 24-4, South Dakota (School District), as of and for the year ended June 30, 2022, 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 Faulkton Area Schools District No. 24-4 as of June 30, 2022, 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 Auditors' 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the School District adopted Governmental Accounting Standard Board (GASB) statement No. 87, Leases, which has resulted in a restatement of the net position as of July 1, 2021. Our opinions are not modified with respect to this matter.

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.

Auditors' 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 auditors' 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of the School District Pension Contributions on pages 50 through 57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and

other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

Kohman, Bierschbach & Anderson, LLP

February 2, 2023

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
JUNE 30, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 4,162,449	\$ 79,184	\$ 4,241,633
Taxes receivable	1,503,838	--	1,503,838
Inventories	61,773	--	61,773
Other assets	485,239	--	485,239
Restricted Assets:			
Cash and cash equivalents	--	9,889	9,889
Net pension asset	715,985	5,080	721,065
Capital Assets:			
Land, improvements, and construction/development in progress	346,629	--	346,629
Other capital assets, net of depreciation/amortization	<u>10,786,618</u>	<u>143,135</u>	<u>10,929,753</u>
TOTAL ASSETS	<u>18,062,531</u>	<u>237,288</u>	<u>18,299,819</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>981,672</u>	<u>8,935</u>	<u>990,607</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>981,672</u>	<u>8,935</u>	<u>990,607</u>
LIABILITIES:			
Accounts payable	1,834	--	1,834
Other current liabilities	320,424	--	320,424
Unearned revenue	--	11,564	11,564
Noncurrent Liabilities:			
Due within one year	392,728	--	392,728
Due in more than one year	<u>9,621,796</u>	<u>--</u>	<u>9,621,796</u>
TOTAL LIABILITIES	<u>10,336,782</u>	<u>11,564</u>	<u>10,348,346</u>
DEFERRED INFLOWS OF RESOURCES:			
Taxes levied for future period	1,771,549	--	1,771,549
Pension related deferred inflows	<u>1,393,347</u>	<u>10,837</u>	<u>1,404,184</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,164,896</u>	<u>10,837</u>	<u>3,175,733</u>
NET POSITION:			
Net investment in capital assets	1,243,800	143,135	1,386,935
Restricted for:			
Capital outlay purposes	2,189,857	--	2,189,857
Special education purposes	533,148	--	533,148
Debt service purposes	125,596	--	125,596
SDRS pension purposes	304,310	3,178	307,488
Unrestricted	<u>1,145,814</u>	<u>77,509</u>	<u>1,223,323</u>
TOTAL NET POSITION	<u>\$ 5,542,525</u>	<u>\$223,822</u>	<u>\$ 5,766,347</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Instruction	\$2,774,206	\$ --	\$409,855	\$ --	\$(2,364,351)		\$(2,364,351)
Support services	1,358,867	5,056	--	448,384	(905,427)		(905,427)
Nonprogrammed charges	44,771	--	--	--	(44,771)		(44,771)
*Interest on long-term debt	318,273	--	--	--	(318,273)		(318,273)
Cocurricular activities	<u>328,517</u>	<u>27,547</u>	<u>--</u>	<u>--</u>	<u>(300,970)</u>		<u>(300,970)</u>
Total Governmental Activities	<u>4,824,634</u>	<u>32,603</u>	<u>409,855</u>	<u>448,384</u>	<u>(3,933,792)</u>		<u>(3,933,792)</u>
Business-Type Activities:							
Food service	224,407	41,978	190,230	--		\$ 7,801	7,801
Drivers education	<u>9,818</u>	<u>10,750</u>	<u>--</u>	<u>--</u>		<u>932</u>	<u>932</u>
Total Business-Type Activities	<u>234,225</u>	<u>52,728</u>	<u>190,230</u>	<u>--</u>		<u>8,733</u>	<u>8,733</u>
Total Primary Government	<u>\$5,058,859</u>	<u>\$85,331</u>	<u>\$600,085</u>	<u>\$448,384</u>	<u>(3,933,792)</u>	<u>8,733</u>	<u>(3,925,059)</u>
* The School District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							
General Revenues:							
Taxes:							
					3,666,231	--	3,666,231
					111,324	--	111,324
Revenue from state sources:							
					868,642	--	868,642
					52,071	--	52,071
Revenue from federal sources							
					2,950	--	2,950
Grants and contributions not restricted to specific programs							
					500	--	500
Unrestricted investment earnings							
					64	--	64
Other general revenues							
					35,519	--	35,519
Transfers							
					<u>(10,000)</u>	<u>10,000</u>	<u>--</u>
Total General Revenues and Transfers					<u>4,727,301</u>	<u>10,000</u>	<u>4,737,301</u>
CHANGE IN NET POSITION					<u>793,509</u>	<u>18,733</u>	<u>812,242</u>
NET POSITION - BEGINNING					4,754,479	205,089	4,959,568
Adjustments:							
Lease restatement and rounding					<u>(5,463)</u>	<u>--</u>	<u>(5,463)</u>
ADJUSTED NET POSITION - BEGINNING					<u>4,749,016</u>	<u>205,089</u>	<u>4,954,105</u>
NET POSITION - ENDING					<u>\$ 5,542,525</u>	<u>\$223,822</u>	<u>\$ 5,766,347</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$1,432,551	\$1,980,860	\$586,671	\$162,367	\$4,162,449
Taxes receivable - current	693,331	407,881	154,334	246,059	1,501,605
Taxes receivable - delinquent	1,656	351	125	101	2,233
Accounts receivable, net	886	--	--	--	886
Due from the federal government	60,705	269,769	19,498	--	349,972
Due from state government	49,211	--	--	--	49,211
Due from county government	85,170	--	--	--	85,170
Inventory of supplies	61,773	--	--	--	61,773
TOTAL ASSETS	<u>\$2,385,283</u>	<u>\$2,658,861</u>	<u>\$760,628</u>	<u>\$408,527</u>	<u>\$6,213,299</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 1,834	\$ --	\$ --	\$ --	\$ 1,834
Contracts payable	239,121	--	44,314	--	283,435
Payroll deductions and withholdings and employer matching payable	31,284	--	5,705	--	36,989
TOTAL LIABILITIES	<u>272,239</u>	<u>--</u>	<u>50,019</u>	<u>--</u>	<u>322,258</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	1,656	351	125	101	2,233
Taxes levied for future period	842,153	469,004	177,461	282,931	1,771,549
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>843,809</u>	<u>469,355</u>	<u>177,586</u>	<u>283,032</u>	<u>1,773,782</u>
FUND BALANCES:					
Nonspendable	61,773	--	--	--	61,773
Restricted	--	2,189,506	533,023	125,495	2,848,024
Assigned	462,161	--	--	--	462,161
Unassigned	745,301	--	--	--	745,301
TOTAL FUND BALANCES	<u>1,269,235</u>	<u>2,189,506</u>	<u>533,023</u>	<u>125,495</u>	<u>4,117,259</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$2,385,283</u>	<u>\$2,658,861</u>	<u>\$760,628</u>	<u>\$408,527</u>	<u>\$6,213,299</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds \$ 4,117,259

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

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. 715,985

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 11,133,247

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 981,672

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

Bonds	\$8,605,000	
Unamortized Premiums	\$ 708,064	
CO Certificates	\$ 547,728	
Early Retirement	\$ 78,468	
Accrued Leave	\$ 46,609	
Accrued Interest	\$ <u>28,655</u>	(10,014,524)

Assets, such as taxes receivable that are not available to pay for current period expenditures, are deferred in the funds.

Taxes Receivable	\$ <u>2,233</u>	2,233
------------------	-----------------	-------

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (1,393,347)

Net Position - Governmental Activities \$ 5,542,525

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Bond Redemption Fund	Total Governmental Funds
REVENUES:						
Revenue from Local Sources:						
Taxes:						
Ad valorem taxes	\$1,756,084	\$1,003,442	\$332,468	\$ --	\$564,776	\$3,656,770
Prior years' ad valorem taxes	3,879	2,300	744	--	985	7,908
Utility taxes	111,324	--	--	--	--	111,324
Penalties and interest on taxes	2,311	1,358	414	--	664	4,747
Earnings on investments and deposits	64	--	--	--	--	64
Cocurricular activities:						
Admissions	23,622	--	--	--	--	23,622
Other student activity income	3,925	--	--	--	--	3,925
Other revenue from local sources:						
Rentals	388	--	--	--	--	388
Contributions and donations	500	--	--	--	--	500
Refund of prior years' expenditures	8,641	--	--	--	--	8,641
Charges for services	4,630	--	426	--	--	5,056
Other	9,779	--	--	--	--	9,779
Revenue from Intermediate Sources:						
County sources:						
County apportionment	16,711	--	--	--	--	16,711
Revenue from State Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid	920,713	--	--	--	--	920,713
Restricted grants-in-aid	1,908	--	--	--	--	1,908
Revenue from Federal Sources:						
Grants-in-aid:						
Unrestricted grants-in-aid received from federal government through an intermediate source	2,950	--	--	--	--	2,950
Restricted grants-in-aid received directly from federal government	--	21,434	--	--	--	21,434
Restricted grants-in-aid received from federal government through the state	<u>189,308</u>	<u>525,815</u>	<u>119,774</u>	<u>--</u>	<u>--</u>	<u>834,897</u>
TOTAL REVENUES	<u>3,056,737</u>	<u>1,554,349</u>	<u>453,826</u>	<u>--</u>	<u>566,425</u>	<u>5,631,337</u>
EXPENDITURES:						
Instruction:						
Regular programs:						
Elementary	1,060,124	256,001	--	--	--	1,316,125
Middle/Junior high	232,967	66,838	--	--	--	299,805
High school	450,879	60,039	--	--	--	510,918
Preschool services	25,068	--	--	--	--	25,068
Special programs:						
Programs for special education	--	--	377,444	--	--	377,444
Educationally deprived	149,581	21,744	--	--	--	171,325
Support Services:						
Students:						
Guidance	31,524	--	--	--	--	31,524
Health	4,400	--	--	--	--	4,400

	General Fund	Capital Outlay Fund	Special Education Fund	Capital Project Fund	Bond Redemption Fund	Total Governmental Funds
Psychological	--	--	11,812	--	--	11,812
Speech pathology	--	--	69,428	--	--	69,428
Student therapy services	--	--	9,938	--	--	9,938
Instructional staff:						
Improvement of instruction	13,996	--	--	--	--	13,996
Educational media	97,148	47,182	--	--	--	144,330
General administration:						
Board of education	41,315	3,829	--	--	--	45,144
Executive administration	111,622	--	--	--	--	111,622
School administration:						
Office of the principal	158,879	--	--	--	--	158,879
Other	398	--	--	--	--	398
Business:						
Fiscal services	83,225	8,535	--	--	--	91,760
Operation and maintenance of plant	412,175	22,772	--	9,092	--	444,039
Student transportation	216,713	--	--	--	--	216,713
Food services	--	1,664	--	--	--	1,664
Special education:						
Administrative costs	--	--	19,633	--	--	19,633
Nonprogrammed Charges:						
Early retirement payments	34,097	--	--	--	--	34,097
Debt Services	--	87,263	--	--	558,650	645,913
Cocurricular Activities:						
Male activities	51,454	--	--	--	--	51,454
Female activities	41,650	--	--	--	--	41,650
Transportation	42,808	--	--	--	--	42,808
Combined activities	104,622	22,781	--	--	--	127,403
Capital Outlay	<u>6,026</u>	<u>599,889</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>605,915</u>
TOTAL EXPENDITURES	<u>3,370,671</u>	<u>1,198,537</u>	<u>488,255</u>	<u>9,092</u>	<u>558,650</u>	<u>5,625,205</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(313,934)</u>	<u>355,812</u>	<u>(34,429)</u>	<u>(9,092)</u>	<u>7,775</u>	<u>6,132</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	175,000	--	--	--	--	175,000
Transfers out	(10,000)	(175,000)	--	--	--	(185,000)
Sale of surplus property	<u>9,130</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,130</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>174,130</u>	<u>(175,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(870)</u>
NET CHANGE IN FUND BALANCES	(139,804)	180,812	(34,429)	(9,092)	7,775	5,262
FUND BALANCE - BEGINNING	<u>1,409,039</u>	<u>2,008,694</u>	<u>567,452</u>	<u>9,092</u>	<u>117,720</u>	<u>4,111,997</u>
FUND BALANCE - ENDING	<u>\$1,269,235</u>	<u>\$2,189,506</u>	<u>\$533,023</u>	<u>\$ --</u>	<u>\$125,495</u>	<u>\$4,117,259</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 5,262

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 605,915

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (315,446)

In the statement of activities, losses (\$3,294) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds \$9,130 from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (12,424)

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.

Bond	\$ 225,000		
CO Certificate	\$ 64,636		
Lease	\$ 5,462		
Early Retirement	<u>\$ 34,097</u>		329,195

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria." (3,194)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Sick Leave	\$ (10,017)		
Early Retirement	<u>\$ (44,771)</u>		(54,788)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest	\$ 904		
Pension	<u>\$ 206,447</u>		207,351

Governmental funds report the effect of premiums when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the total amount of the premiums amortized in the current period. 31,638

Change in Net Position of Governmental Activities \$ 793,509

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ <u>70,612</u>	\$ <u>8,572</u>	\$ <u>79,184</u>
Total Current Assets	<u>70,612</u>	<u>8,572</u>	<u>79,184</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	9,889	--	9,889
Net pension asset	5,080	--	5,080
Capital Assets:			
Machinery and equipment - local funds	193,647	--	193,647
Less: accumulated depreciation	<u>(50,512)</u>	<u>--</u>	<u>(50,512)</u>
Total Noncurrent Assets	<u>158,104</u>	<u>--</u>	<u>158,104</u>
TOTAL ASSETS	<u>228,716</u>	<u>8,572</u>	<u>237,288</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>8,935</u>	<u>--</u>	<u>8,935</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,935</u>	<u>--</u>	<u>8,935</u>
LIABILITIES:			
Current Liabilities:			
Unearned revenue	<u>11,564</u>	<u>--</u>	<u>11,564</u>
TOTAL LIABILITIES	<u>11,564</u>	<u>--</u>	<u>11,564</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>10,837</u>	<u>--</u>	<u>10,837</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,837</u>	<u>--</u>	<u>10,837</u>
NET POSITION:			
Net investment in capital assets	143,135	--	143,135
Restricted for:			
SDRS pension purposes	3,178	--	3,178
Unrestricted net position	<u>68,937</u>	<u>8,572</u>	<u>77,509</u>
TOTAL NET POSITION	<u>\$215,250</u>	<u>\$8,572</u>	<u>\$223,822</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
OPERATING REVENUE:			
Food Sales:			
Adult	\$ 8,420	\$ --	\$ 8,420
Ala Carte	32,766	--	32,766
Other Charges for Goods and Services	<u>792</u>	<u>10,750</u>	<u>11,542</u>
TOTAL OPERATING REVENUE	<u>41,978</u>	<u>10,750</u>	<u>52,728</u>
OPERATING EXPENSES:			
Salaries	14,362	8,883	23,245
Employee benefits	5,323	935	6,258
Purchased services	175,074	--	175,074
Supplies	679	--	679
Cost of sales - purchased	488	--	488
Cost of sales - donated	13,356	--	13,356
Depreciation	<u>15,125</u>	<u>--</u>	<u>15,125</u>
TOTAL OPERATING EXPENSES	<u>224,407</u>	<u>9,818</u>	<u>234,225</u>
OPERATING INCOME (LOSS)	<u>(182,429)</u>	<u>932</u>	<u>(181,497)</u>
NONOPERATING REVENUE:			
State grants	461	--	461
Federal grants	176,413	--	176,413
Donated food	<u>13,356</u>	<u>--</u>	<u>13,356</u>
TOTAL NONOPERATING REVENUE	<u>190,230</u>	<u>--</u>	<u>190,230</u>
INCOME BEFORE TRANSFERS	7,801	932	8,733
TRANSFERS IN	<u>10,000</u>	<u>--</u>	<u>10,000</u>
CHANGE IN NET POSITION	17,801	932	18,733
NET POSITION - BEGINNING	<u>197,449</u>	<u>7,640</u>	<u>205,089</u>
NET POSITION - ENDING	<u>\$ 215,250</u>	<u>\$ 8,572</u>	<u>\$ 223,822</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 52,074	\$ 5,500	\$ 57,574
Cash payments to employees for services	(21,140)	(9,818)	(30,958)
Cash payments to suppliers of goods or services	(176,241)	--	(176,241)
Net cash used by operating activities	(145,307)	(4,318)	(149,625)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from General Fund	10,000	--	10,000
Operating grants	176,874	--	176,874
Net cash provided by noncapital financing activities	186,874	--	186,874
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	--	--	--
CASH FLOWS FROM INVESTING ACTIVITIES	--	--	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,567	(4,318)	37,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	38,934	12,890	51,824
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 80,501	\$ 8,572	\$ 89,073
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</u>			
OPERATING INCOME (LOSS)	\$(182,429)	\$ 932	\$(181,497)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:			
Depreciation	15,125	--	15,125
Value of donated commodities used	13,356	--	13,356
Change in assets and liabilities:			
Pension related deferred outflows	(2,517)	--	(2,517)
Net pension asset	(5,020)	--	(5,020)
Unearned revenue	10,096	(5,250)	4,846
Pension related deferred inflows	6,082	--	6,082
NET CASH USED BY OPERATING ACTIVITIES	\$(145,307)	\$(4,318)	\$(149,625)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Value of commodities received	\$ 13,356	\$ --	\$ 13,356

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$20,835	\$123,016
Certificates of deposit	<u>4,000</u>	<u>—</u>
TOTAL ASSETS	<u>\$24,835</u>	<u>\$123,016</u>
NET POSITION:		
Restricted For:		
Organizations	\$ —	\$123,016
Scholarships	<u>24,835</u>	<u>—</u>
TOTAL NET POSITION	<u>\$24,835</u>	<u>\$123,016</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Contributions and donations	\$ 780	\$ --
Investment earnings:		
Interest and dividends	76	--
Collections for student activities	<u> --</u>	<u>236,080</u>
TOTAL ADDITIONS	<u> 856</u>	<u>236,080</u>
DEDUCTIONS:		
Payments for student activities	--	214,463
Other deductions	<u>2,316</u>	<u> --</u>
TOTAL DEDUCTIONS	<u>2,316</u>	<u>214,463</u>
CHANGE IN NET POSITION	(1,460)	21,617
NET POSITION - BEGINNING	<u>26,295</u>	<u>101,399</u>
NET POSITION - ENDING	<u>\$24,835</u>	<u>\$123,016</u>

The notes to the financial statements are an integral part of this statement.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 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 Faulkton Area Schools District No. 24-4 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Position and 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 governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

Fund Financial Statements:

Fund financial statements of the 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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

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 Law (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue 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 School District. This fund is financed by grants and property taxes. This is a major fund.

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.

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.

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

The Capital Project Fund is the only capital projects fund maintained by the School District. This is a major fund. This fund was closed as of June 30, 2022.

Proprietary Funds:

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

- a. 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.)
- b. 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.
- c. 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.

Drivers Education Fund - A fund used to record financial transactions related to drivers' education operations. This fund is financed by user charges. This is not 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 - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund:

Scholarships.

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 for the following purposes:

To hold money for classes and organizations of the School.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

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 fund types.

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, 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, 2022, are for federal, state, and county reimbursements.

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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

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. Deposits and Investments:

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

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

e. 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.

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 estimated fair 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, 2022 balance of capital assets for governmental activities includes approximately 1 percent for which the costs were determined by estimates of the original costs. The total June 30, 2022 balance of capital assets for business-type activities includes approximately 2 percent for which the values were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

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 methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation/ Amortization Method</u>	<u>Estimated Useful Life</u>
Land	\$ --	N/A	N/A
Improvements	\$15,000	Straight-line	8 - 50 years
Buildings	\$50,000	Straight-line	75 - 100 years
Machinery and Equipment - Governmental Activities	\$ 5,000	Straight-line	5 - 20 years
Machinery and Equipment - Business- Type Activities	\$ 500	Straight-line	12 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital 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.

f. 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, compensated absences and early retirement benefits payable.

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Leases:

Lessee:

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 lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$1 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 leases 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.
- 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.

h. 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:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. 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.

j. Proprietary Funds Revenue and Expense Classifications:

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

k. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the School District considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

l. Equity Classifications:

Government-Wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

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.

m. Application of Net Position:

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

n. Fund Balance Classification Policies and Procedures:

In accordance with Governmental 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 or committed. Fund Balance may be assigned by the School Board.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (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 Nonspendable Fund Balance is comprised of the following:

Amount reported in nonspendable form such as inventory.

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 Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

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

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Capital Outlay Fund	Federal Funding, Property Taxes
Special Education Fund	Federal Funding, Property Taxes

A schedule of fund balances is provided as follows:

Faulkton Area Schools District No. 24-4
Disclosure of Fund Balances Reported on Balance Sheet
Governmental Funds
June 30, 2022

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ 61,773	\$ --	\$ --	\$ --	\$ 61,773
Restricted for:					
Capital Outlay Fund	--	2,189,506	--	--	2,189,506
Special Education Fund	--	--	533,023	--	533,023
Debt Service Requirements	--	--	--	125,495	125,495
Assigned to:					
Unemployment	34,029	--	--	--	34,029
Subsequent year's budget	428,132	--	--	--	428,132
Unassigned	<u>745,301</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>745,301</u>
Total Fund Balances	<u>\$1,269,235</u>	<u>\$2,189,506</u>	<u>\$533,023</u>	<u>\$125,495</u>	<u>\$4,117,259</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - (Continued)

o. Pensions:

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

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2022, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases accounting standard. This statement changes the way that, previously known as, operating leases are reported. The effect of the implementation of this standard on beginning net position is disclosed in Note 16.

NOTE 3 - 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 all the funds except for the Trust and Custodial 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.

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.

As of June 30, 2022, the School District has no investments.

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.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - (Continued)

Concentration 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 deposits and investments to the General Fund, except for the private-purpose trust fund and the Food Service Fund, which retains their investment income. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$9,889	Food Service restriction for certain foods as required by the federal government.

NOTE 5 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Appropriate allowances for estimated uncollectibles have been determined to be immaterial, and have not been recorded on the financial statements.

NOTE 6 - 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 first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - (Continued)

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.

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 purchased. Reported inventories are equally offset by a Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 7 - PROPERTY TAXES

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."

NOTE 8 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022, is as follows:

PRIMARY GOVERNMENT

	<u>Balance</u> <u>07/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/22</u>
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land	\$ 1,700	\$ --	\$ --	\$ 1,700
Construction/Development in progress	--	344,929	--	344,929
Total capital assets, not being depreciated/amortized	<u>1,700</u>	<u>344,929</u>	<u>--</u>	<u>346,629</u>
Capital assets, being depreciated/ amortized:				
Improvements	466,746	102,782	--	569,528
Buildings	10,802,163	--	--	10,802,163

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 - (Continued)

	<u>Balance</u> <u>07/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/22</u>
Machinery and equipment	549,263	158,204	19,827	687,640
Total capital assets, being depreciated/ amortized	<u>11,818,172</u>	<u>260,986</u>	<u>19,827</u>	<u>12,059,331</u>
Less accumulated depreciation/ amortization for:				
Improvements	128,061	24,114	--	152,175
Buildings	570,573	244,272	--	814,845
Machinery and equipment	<u>266,036</u>	<u>47,060</u>	<u>7,403</u>	<u>305,693</u>
Total accumulated depreciation/ amortization	<u>964,670</u>	<u>315,446</u>	<u>7,403</u>	<u>1,272,713</u>
Total capital assets, being depreciated/amortized, net	<u>10,853,502</u>	<u>(54,460)</u>	<u>12,424</u>	<u>10,786,618</u>
Governmental activity capital assets, net	<u>\$10,855,202</u>	<u>\$290,469</u>	<u>\$12,424</u>	<u>\$11,133,247</u>

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:		
Instruction		\$214,210
Support services		27,776
Cocurricular activities		<u>73,460</u>
Total depreciation/amortization expense - governmental activities		<u>\$315,446</u>

	<u>Balance</u> <u>07/01/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/22</u>
Business-type activities:				
Capital assets, being depreciated/amortized:				
Machinery and equipment	\$193,647	\$ --	\$ --	\$193,647
Less accumulated depreciation/amortization for:				
Machinery and equipment	<u>35,387</u>	<u>15,125</u>	<u>--</u>	<u>50,512</u>
Business-type activity capital assets, net	<u>\$158,260</u>	<u>\$(15,125)</u>	<u>\$ --</u>	<u>\$143,135</u>

Depreciation/amortization expense was charged to functions as follows:

Business-Type Activities:		
Food services		<u>\$15,125</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 - (Continued)

Construction/Development in Progress at June 30, 2022, is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended</u>	<u>Committed</u>	<u>Required Future Financing</u>
HVAC Project	\$ <u>940,606</u>	\$ <u>344,929</u>	\$ <u>596,677</u>	\$--

NOTE 9 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2022, is as follows:

PRIMARY GOVERNMENT

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable:					
General Obligation	\$ 8,830,000	\$ --	\$225,000	\$ 8,605,000	\$235,000
Capital Outlay Certificates	612,364	--	64,636	547,728	66,491
Unamortized Premiums	739,702	--	31,638	708,064	31,638
Copier Lease	5,462	--	5,462	--	--
Early Retirement Payable	67,794	44,771	34,097	78,468	27,622
Accrued Compensated					
Absences	36,592	10,017	--	46,609	3,322
Accrued Interest	<u>29,559</u>	<u>--</u>	<u>904</u>	<u>28,655</u>	<u>28,655</u>
 Total Governmental Activities	 <u>\$10,321,473</u>	 <u>\$54,788</u>	 <u>\$361,737</u>	 <u>\$10,014,524</u>	 <u>\$392,728</u>

Compensated absences for governmental activities typically have been liquidated from the fund from which the employee's most recent compensation has been paid. Early retirement benefits payable for governmental activities typically have been liquidated from the General Fund.

Liabilities payable at June 30, 2022, are comprised of the following:

PRIMARY GOVERNMENT

General Obligation Bonds:

General Obligation Bonds, Series 2019, requires semi-annual payments of not more than \$559,850 for the year, from the Bond Redemption Fund with a varying interest rate from 3.0% to 4.0% with the final payment to be made December 1, 2044.

\$8,605,000

Capital Outlay Certificates:

Limited Tax General Obligation Certificates, Series 2019, requires semi-annual payments of \$81,630.60 for the year, with the first payment due June 1, 2020,

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 - (Continued)

from the Capital Outlay Fund with an interest rate of 2.85% with the final payment to be made December 1, 2029. \$ 547,728

Accrued Compensated Absences:

Payable for accrued sick leave generally paid from the fund from which the employee's most recent compensation had been paid. \$ 46,609

Early Retirement Benefits Payable:

Payments to qualified individuals electing early retirement paid from General Fund for the year ended June 30, 2022, and maturing in the years ending June 30, 2023, through June 30, 2027. (Generally, certified staff, after serving in the School District for at least 15 years and being not less than 55 years of age, or after serving for at least 25 years and being less than 55 years of age as of July first of the fiscal year retirement begins, may qualify for the District's retirement benefits subject to specified application procedures and policy prescribed limitation provisions. Benefits generally are paid by lump sum based on the number of years' service to the School District multiplied by \$100 plus \$480 per month for 60 months with start date options for payment provided.) There are currently 3 employees receiving early retirement benefits. \$ 78,468

Accrued Interest:

Interest due in December on the General Obligation Bonds and Capital Outlay Certificates. \$ 28,655

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2022, are as follows:

Annual Requirements to Maturity for Long-Term Debt
June 30, 2022

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Early Retirement Benefits Payable	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2023	\$ 235,000	\$ 323,550	\$ 66,491	\$ 15,140	\$27,623	\$ 329,114	\$ 338,690
2024	245,000	313,950	68,399	13,231	16,949	330,348	327,181
2025	255,000	303,950	70,362	11,268	16,948	342,310	315,218
2026	265,000	293,550	72,382	9,249	8,474	345,856	302,799
2027	275,000	282,750	74,460	7,171	8,474	357,934	289,921
2028 - 2032	1,550,000	1,236,050	195,634	8,442	--	1,745,634	1,244,492
2033 - 2037	1,890,000	893,050	--	--	--	1,890,000	893,050
2038 - 2042	2,295,000	475,750	--	--	--	2,295,000	475,750
2043 - 2045	<u>1,595,000</u>	<u>72,825</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,595,000</u>	<u>72,825</u>
	<u>\$8,605,000</u>	<u>\$4,195,425</u>	<u>\$547,728</u>	<u>\$64,501</u>	<u>\$78,468</u>	<u>\$9,231,196</u>	<u>\$4,259,926</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - RESTRICTED NET POSITION

Restricted net position for the year ended June 30, 2022, were as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$2,189,857
Special Education Purposes	Law	533,148
Debt Services Purposes	Law	125,596
SDRS Pension Purposes	Law	<u>307,488</u>
 Total Restricted Net Position		 <u>\$3,156,089</u>

These balances are restricted due to federal grant and statutory requirements.

NOTE 11 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>		
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
General Fund	\$ --	\$10,000	\$ 10,000
Capital Outlay Fund	<u>175,000</u>	<u>--</u>	<u>175,000</u>
	<u>\$175,000</u>	<u>\$10,000</u>	<u>\$185,000</u>

The School District transferred money from the General Fund to the Food Service Fund to provide money for general operation of the lunch program. The School District transferred money from the Capital Outlay Fund to the General Fund to provide money for the general operation of the School District.

NOTE 12 - 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), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - (Continued)

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

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

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% 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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - (Continued)

share of contributions to the SDRS for the fiscal years ended June 30, 2022, 2021 and 2020, were \$135,396, \$128,201, and \$118,213, respectively, equal to the required contributions each year.

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

At June 30, 2021, SDRS is 105.52% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of June 30, 2022, are as follows:

Proportionate share of pension liability	\$13,055,882
Less proportionate share of net pension restricted for pension benefits	<u>13,776,947</u>
Proportionate share of net pension asset	<u>\$ 721,065</u>

At June 30, 2022, the School District reported an asset of \$721,065 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the School District's proportion was .0941550%, which is an increase of .0043830% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School District recognized pension expense of \$(207,902). At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 25,888	\$ 1,890
Changes in assumption	829,220	361,100
Net difference between projected and actual earnings on pension plan investments	--	1,030,057
Changes in proportion and difference between School District contributions and proportionate share of contributions	103	11,137
School District contributions subsequent to the measurement date	<u>135,396</u>	<u>---</u>
Total	<u>\$990,607</u>	<u>\$1,404,184</u>

\$135,396 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, 2023. 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:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - (Continued)

Year Ending June 30:

2023	\$(139,771)
2024	(93,729)
2025	(25,706)
2026	<u>(289,768)</u>
 Total	 <u>\$(548,974)</u>

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded by years of service from 6.50% at entry to 3.00% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed of an average of inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period of July 1, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

Discount Rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	<u>\$1,167,585</u>	<u>\$(721,065)</u>	<u>\$(2,254,212)</u>

Pension Plan Fiduciary Net Position:

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

NOTE 13 - 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, 2022, the School District managed its risks as follows:

Employee Health Insurance:

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

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 - (Continued)

members. The coverage does not have a lifetime maximum payment per person.

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

Liability Insurance:

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

Workers' 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.

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 Assigned Fund Balance in the General Fund in the amount of \$34,029 for the payment of future unemployment benefits.

During the year ended June 30, 2022, no claims for unemployment benefits were paid. At June 30, 2022, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 14 - LITIGATION

At June 30, 2022, the School District was not involved in any litigation.

NOTE 15 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through February 2, 2023, the date on which the financial statements were available to be issued. The School District has determined there are none.

NOTE 16 - IMPLEMENTATION OF NEW STANDARD AND RESTATEMENT

As of June 30, 2022, the School District implemented GASB Statement No. 87, Leases accounting standard.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 - (Continued)

The School District restated the net position of the government-wide governmental activities as indicated below to appropriately reflect the July 1, 2021 balances as follows:

	<u>Governmental Activities</u>
Net Position at June 30, 2021, as previously stated	\$4,754,479
Restatement-Implementation of GASB 87	(5,462)
Rounding	<u>(1)</u>
Net position at July 1, 2021, as restated	<u>\$4,749,016</u>

REQUIRED SUPPLEMENTARY INFORMATION

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,807,738	\$1,807,738	\$1,756,084	\$ (51,654)
Prior years' ad valorem taxes	3,500	3,500	3,879	379
Utility taxes	120,000	120,000	111,324	(8,676)
Penalties and interest on taxes	3,000	3,000	2,311	(689)
Earnings on investments and deposits	100	100	64	(36)
Cocurricular activities:				
Admissions	23,000	23,000	23,622	622
Other student activity income	3,300	3,300	3,925	625
Other revenue from local sources:				
Rentals	400	400	388	(12)
Contributions and donations	--	--	500	500
Refund of prior years' expenditures	--	--	8,641	8,641
Charges for services	4,500	4,500	4,630	130
Other	9,000	9,000	9,779	779
Revenue from Intermediate Sources:				
County sources:				
County apportionment	26,000	26,000	16,711	(9,289)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	826,671	826,671	920,713	94,042
Restricted grants-in-aid	--	--	1,908	1,908
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	5,000	5,000	2,950	(2,050)
Restricted grants-in-aid received directly from the federal government	38,258	38,258	--	(38,258)
Restricted grants-in-aid received from federal government through the state	<u>209,738</u>	<u>209,738</u>	<u>189,308</u>	<u>(20,430)</u>
TOTAL REVENUES	<u>3,080,205</u>	<u>3,080,205</u>	<u>3,056,737</u>	<u>(23,468)</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	1,106,185	1,106,185	1,060,124	46,061
Middle/Junior high	229,700	229,700	232,967	(3,267)
High school	471,760	471,760	450,879	20,881

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Preschool services	28,700	28,700	25,068	3,632
Special programs:				
Educationally deprived	174,951	174,951	149,581	25,370
Support Services:				
Students:				
Guidance	34,000	34,000	31,524	2,476
Health	4,500	4,500	4,400	100
Instructional staff:				
Improvement of instruction	14,200	14,200	13,996	204
Educational media	111,850	111,850	103,174	8,676
General administration:				
Board of education	44,550	44,550	41,315	3,235
Executive administration	114,300	114,300	111,622	2,678
School administration:				
Office of the principal	169,950	169,950	158,879	11,071
Other	400	400	398	2
Business:				
Fiscal services	83,330	83,330	83,225	105
Operation and maintenance of plant	421,600	421,600	412,175	9,425
Student transportation services	207,000	207,000	216,713	(9,713)
Nonprogrammed Charges:				
Early retirement payments	33,950	33,950	34,097	(147)
Cocurricular Activities:				
Male activities	54,950	54,950	51,454	3,496
Female activities	44,550	44,550	41,650	2,900
Transportation	38,000	38,000	42,808	(4,808)
Combined activities	111,300	111,300	104,622	6,678
Contingencies	90,000	90,000		
Amount transferred		--		<u>90,000</u>
TOTAL EXPENDITURES	<u>3,589,726</u>	<u>3,589,726</u>	<u>3,370,671</u>	<u>219,055</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(509,521)</u>	<u>(509,521)</u>	<u>(313,934)</u>	<u>195,587</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	175,000	175,000	175,000	--
Transfers out	(12,000)	(12,000)	(10,000)	2,000
Sale of surplus property	<u>6,000</u>	<u>6,000</u>	<u>9,130</u>	<u>3,130</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>169,000</u>	<u>169,000</u>	<u>174,130</u>	<u>5,130</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND
YEAR ENDED JUNE 30, 2022
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
NET CHANGE IN FUND BALANCES	(340,521)	(340,521)	(139,804)	200,717
FUND BALANCE - BEGINNING	<u>1,409,039</u>	<u>1,409,039</u>	<u>1,409,039</u>	--
FUND BALANCE - ENDING	<u>\$1,068,518</u>	<u>\$1,068,518</u>	<u>\$1,269,235</u>	<u>\$200,717</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 936,252	\$ 936,252	\$1,003,442	\$ 67,190
Prior years' ad valorem taxes	--	--	2,300	2,300
Penalties and interest on taxes	--	--	1,358	1,358
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	--	21,434	21,434	--
Restricted grants-in-aid received from federal government through the state	<u>192,003</u>	<u>536,932</u>	<u>525,815</u>	<u>(11,117)</u>
TOTAL REVENUES	<u>1,128,255</u>	<u>1,494,618</u>	<u>1,554,349</u>	<u>59,731</u>
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	351,218	351,218	324,918	26,300
Middle/Junior high	72,468	72,468	68,838	3,630
High school	66,816	66,816	64,039	2,777
Special programs:				
Educationally deprived	--	21,434	21,744	(310)
Support services:				
Instructional staff:				
Educational media	68,104	68,104	47,182	20,922
General administration:				
Board of education	3,000	3,000	3,829	(829)
Business:				
Fiscal services	13,100	13,100	8,535	4,565
Facilities acquisition and construction	--	344,929	344,929	--
Operation and maintenance of plant	354,900	354,900	144,460	210,440
Student transportation services	58,049	58,049	58,355	(306)
Food services	1,600	1,600	1,664	(64)
Debt Services	82,000	82,000	87,263	(5,263)
Cocurricular Activities:				
Combined activities	<u>23,000</u>	<u>23,000</u>	<u>22,781</u>	<u>219</u>
TOTAL EXPENDITURES	<u>1,094,255</u>	<u>1,460,618</u>	<u>1,198,537</u>	<u>262,081</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUE OVER EXPENDITURES	<u>34,000</u>	<u>34,000</u>	<u>355,812</u>	<u>321,812</u>
OTHER FINANCING USES:				
Transfers out	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>--</u>
TOTAL OTHER FINANCING USES	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	<u>--</u>
NET CHANGE IN FUND BALANCES	<u>(141,000)</u>	<u>(141,000)</u>	<u>180,812</u>	<u>321,812</u>
FUND BALANCE - BEGINNING	<u>2,008,694</u>	<u>2,008,694</u>	<u>2,008,694</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,867,694</u>	<u>\$1,867,694</u>	<u>\$2,189,506</u>	<u>\$321,812</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget - Positive (Negative)
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$352,950	\$352,950	\$332,468	\$ (20,482)
Prior years' ad valorem taxes	--	--	744	744
Penalties and interest on taxes	--	--	414	414
Other revenue from local sources:				
Charges for services	--	--	426	426
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>117,320</u>	<u>117,320</u>	<u>119,774</u>	<u>2,454</u>
TOTAL REVENUES	<u>470,270</u>	<u>470,270</u>	<u>453,826</u>	<u>(16,444)</u>
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	418,017	418,017	377,444	40,573
Support Services:				
Students:				
Psychological	17,000	17,000	11,812	5,188
Speech pathology	78,203	78,203	69,428	8,775
Student therapy services	14,000	14,000	9,938	4,062
Special education:				
Administrative costs	<u>18,050</u>	<u>18,050</u>	<u>19,633</u>	<u>(1,583)</u>
TOTAL EXPENDITURES	<u>545,270</u>	<u>545,270</u>	<u>488,255</u>	<u>57,015</u>
NET CHANGE IN FUND BALANCES	(75,000)	(75,000)	(34,429)	40,571
FUND BALANCE - BEGINNING	<u>567,452</u>	<u>567,452</u>	<u>567,452</u>	--
FUND BALANCE - ENDING	<u>\$492,452</u>	<u>\$492,452</u>	<u>\$533,023</u>	<u>\$ 40,571</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2022

NOTE 1 - Budgets and Budgetary Accounting

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

1. 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.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 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.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Student Transportation function of government, along with all other current Student Transportation related expenditures.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 8 Fiscal Years*							
	(Dollar amounts in thousands)							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.094155%	0.0897720%	0.0868180%	0.0828153%	0.0800901%	0.0680608%	0.0819404%	0.0842701%
District's proportionate share of net pension liability (asset)	\$(721)	\$(4)	\$(9)	\$(2)	\$(7)	\$230	\$(348)	\$(607)
District's covered payroll	\$2,137	\$1,970	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496	\$1,474
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.74%	0.20%	0.49%	0.12%	0.43%	17.77%	23.26%	41.18%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year. Until a full 10-year trend is compiled, the School District will present information for those years for which information is available.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM

	Last 10 Fiscal Years (Dollar amounts in thousands)									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 135	\$ 128	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90	\$ 88	\$ 95
Contributions in relation to the contractually required contribution	\$ 135	\$ 128	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90	\$ 88	\$ 95
District's covered payroll	\$2,257	\$2,137	\$1,970	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496	\$1,474	\$1,587
Contributions as a percentage of covered payroll	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AND SCHEDULE OF PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2022

Changes from Prior Valuation:

The June 30, 2021 Actuarial Valuation reflects no changes in the actuarial methods from June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

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

Benefit Provision Changes:

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

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% (0.5% prior to 2021) 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%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAS were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actual Accrued Liability by \$1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes:

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

SUPPLEMENTARY INFORMATION

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures FY 2022
U.S. DEPARTMENT OF AGRICULTURE:			
Pass-Through Programs:			
Child Nutrition Cluster:			
S.D. Department of Education:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	None	\$ 13,356
Cash Assistance:			
School Breakfast Program (Note 3)	10.553	NSLP-24004-22	23,814
National School Lunch Program (Note 3)	10.555	NSLP-24004-22	<u>152,599</u>
Total for Child Nutrition Cluster			<u>189,769</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>189,769</u>
U.S. DEPARTMENT OF INTERIOR			
Pass-Through Programs:			
Faulk County:			
Payments in Lieu of Taxes (Note 3)	15.226	N/A	<u>2,950</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>2,950</u>
U.S. DEPARTMENT OF EDUCATION:			
Pass-Through Programs:			
Special Education Cluster:			
S.D. Department of Education:			
Special Education - Grants to States (IDEA, Part B)	84.027	611-24004-22	90,824
Special Education - Grants to States (IDEA, Part B) - COVID-19	84.027	611ARP-24004-22	21,593
Special Education - Preschool Grants (IDEA Preschool)	84.173	619-24004-22	3,476
Special Education - Preschool Grants (IDEA Preschool) - COVID-19	84.173	619ARP-24004-22	<u>1,912</u>
Total for Special Education Cluster			<u>117,805</u>
Direct Programs:			
Rural Education	84.358	N/A	<u>21,434</u>
Total for U.S. Department of Education - Direct Programs			<u>21,434</u>

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

(Continued)

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures FY 2022
Pass-Through Programs:			
S.D. Department of Education:			
Title I Grants to Local Educational Agencies	84.010	TIA-24004-22	110,933
Career and Technical Education - Basic Grants to States	84.048	PRPI-18005-22	3,869
Special Education - Grants for Infants and Families	84.181	None	1,969
Improving Teacher Quality State Grants	84.367	TIIA-24004-22	20,616
Student Support and Academic Enrichment Grants	84.424	TIVA-24004-22	10,000
Elementary and Secondary School Emergency Relief Fund - (Note 4)	84.425D	ESSERII-24004-21	256,046
American Rescue Plan Elementary and Secondary School Emergency Relief - (Note 4)	84.425U	ESSERIIG-24004- 21 ESSERIILL- 24004-21	<u>313,659</u>
 Total for U.S. Department of Education - Pass-Through Programs			 <u>717,092</u>
 TOTAL U.S. DEPARTMENT OF EDUCATION			 <u>856,331</u>
 GRAND TOTAL			 <u>\$1,049,050</u>

NOTE 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FAULKTON AREA SCHOOLS DISTRICT NO. 24-4
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022
(Continued)

NOTE 3: Federal Reimbursement

Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 4: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.