

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2023**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHOOL DISTRICT OFFICIALS**  
**JUNE 30, 2023**

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Board Members:

Ryan Nelson, Chairman  
Kelly Aesoph  
Glenna Clement  
Aaron Lorenzen  
BJ Kalkman

Superintendent:

Grant Vander Vorst

Business Manager:

Lisa Hushka

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## TABLE OF CONTENTS

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	<u>Page</u>
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 <u>Government Auditing Standards</u>	1 - 2
Schedule of Prior Audit Findings and Questioned Costs	3
Schedule of Current Audit Findings	4 - 5
Independent Auditors' Report	6 - 8
Basic Financial Statements:	
Government-Wide Financial Statements:	
As of June 30, 2023:	
Statement of Net Position	9
Year Ended June 30, 2023:	
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
As of June 30, 2023:	
Balance Sheet	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Year Ended June 30, 2023:	
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	14
Proprietary Funds:	
As of June 30, 2023:	
Statement of Net Position	15

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## TABLE OF CONTENTS (Continued)

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	<u>Page</u>
Year Ended June 30, 2023:	
Statement of Revenues, Expenses and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
As of June 30, 2023:	
Statement of Net Position	18
Year Ended June 30, 2023:	
Statement of Changes in Net Position	19
Notes to the Financial Statements	20 - 42
Required Supplementary Information:	
Year Ended June 30, 2023:	
Budgetary Comparison Schedule - Budgetary Basis - General Fund	43 - 44
Budgetary Comparison Schedule - Budgetary Basis - Capital Outlay Fund	45
Budgetary Comparison Schedule - Budgetary Basis - Special Education Fund	46
Notes to the Required Supplementary Information - Budgetary Comparison Schedules	47
Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset)	48
Schedule of the School District Pension Contributions	49
Notes to the Required Supplementary Information - Pension Schedules	50 - 51

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2023, 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 January 24, 2024.

**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 were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items #2023-001 and #2023-002 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **School District's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the School District's responses to the findings identified in our audit and described in the accompanying Schedule of Current Audit Findings. 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*

January 24, 2024

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2023**

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PRIOR AUDIT FINDINGS:

Finding #2022-001

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 #2023-001.

Finding #2022-002

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 #2023-002.

Finding #2022-003

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. This finding has been resolved.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2023**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2023-001

Criteria

Internal control can help a 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, net assets, 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.

Cause

The School District has 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 School Board take a more active role in their oversight of inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations.

Views of Responsible Officials

Aaron Lorenzen is the contact person responsible for the corrective action plan for this comment. Faulkton Area Schools District No. 24-4 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, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations. Faulkton Area Schools District No. 24-4 is aware of this problem and is attempting to provide compensating controls by having board members (2) look through all invoices one by one to make sure nothing is being spent that is not correct. The board chairman also reviews the bank statement every month to detect any suspicious activity. All trust and custodial vouchers for payment are reviewed and signed off on by the advisor of said account. All school checks are signed by the business manager and board chairman. However, this lack of segregation of duties regarding inventory, receivables, unavailable revenue, capital assets, payables, indebtedness, net assets, revenues, and the preparation of trust and custodial receipts, disbursements, and bank reconciliations continues to exist.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**JUNE 30, 2023**  
**(Continued)**

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Finding #2023-002

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.

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 statement data consistent with the assertions of management in the financial statements.

Recommendation

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

Views of Responsible Officials

Aaron Lorenzen is the contact person responsible for the corrective action plan for this comment. He stated, "The School District understands 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."

COMPLIANCE AND OTHER MATTERS:

There are no written current compliance audit findings to report.

**KOHLMAN, BIERSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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WITH AN OFFICE IN  
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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, 2023, 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, 2023, 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.

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the 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 43 through 51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2024, 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.

*Kohlman, Bierschbach & Anderson, LLP*

January 24, 2024

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 4,222,891	\$ 99,015	\$ 4,321,906
Taxes receivable	1,497,050	--	1,497,050
Inventories	48,346	--	48,346
Other assets	114,263	--	114,263
Restricted Assets:			
Cash and cash equivalents	--	12,961	12,961
Net pension asset	8,836	96	8,932
Capital Assets:			
Land, improvements, and construction/development in progress	1,700	--	1,700
Other capital assets, net of depreciation/amortization	<u>11,634,538</u>	<u>128,009</u>	<u>11,762,547</u>
<b>TOTAL ASSETS</b>	<u>17,527,624</u>	<u>240,081</u>	<u>17,767,705</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>877,009</u>	<u>8,137</u>	<u>885,146</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>877,009</u>	<u>8,137</u>	<u>885,146</u>
<b>LIABILITIES:</b>			
Accounts payable	6,743	--	6,743
Other current liabilities	364,107	--	364,107
Unearned revenue	--	15,889	15,889
Noncurrent Liabilities:			
Due within one year	393,336	--	393,336
Due in more than one year	<u>9,284,743</u>	--	<u>9,284,743</u>
<b>TOTAL LIABILITIES</b>	<u>10,048,929</u>	<u>15,889</u>	<u>10,064,818</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Taxes levied for future period	1,788,879	--	1,788,879
Pension related deferred inflows	<u>519,148</u>	<u>4,674</u>	<u>523,822</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,308,027</u>	<u>4,674</u>	<u>2,312,701</u>
<b>NET POSITION:</b>			
Net investment in capital assets	2,063,104	128,009	2,191,113
Restricted for:			
Capital outlay purposes	1,927,201	--	1,927,201
Special education purposes	475,964	--	475,964
Debt service purposes	132,654	--	132,654
SDRS pension purposes	366,697	3,559	370,256
Unrestricted	<u>1,082,057</u>	<u>96,087</u>	<u>1,178,144</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,047,677</u>	<u>\$227,655</u>	<u>\$ 6,275,332</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, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Instruction	\$2,879,598	\$ --	\$367,000	\$ 16,824	\$(2,495,774)		\$(2,495,774)
Support services	1,511,313	5,127	8,184	190,265	(1,307,737)		(1,307,737)
*Interest on long-term debt	307,996	--	--	--	(307,996)		(307,996)
Cocurricular activities	<u>369,144</u>	<u>27,260</u>	<u>10,055</u>	<u>--</u>	<u>(331,829)</u>		<u>(331,829)</u>
Total Governmental Activities	<u>5,068,051</u>	<u>32,387</u>	<u>385,239</u>	<u>207,089</u>	<u>(4,443,336)</u>		<u>(4,443,336)</u>
<b>Business-Type Activities:</b>							
Food service	<u>223,611</u>	<u>128,741</u>	<u>88,703</u>	<u>--</u>		\$ (6,167)	<u>(6,167)</u>
Total Business-Type Activities	<u>223,611</u>	<u>128,741</u>	<u>88,703</u>	<u>--</u>		<u>(6,167)</u>	<u>(6,167)</u>
Total Primary Government	<u>\$5,291,662</u>	<u>\$161,128</u>	<u>\$473,942</u>	<u>\$207,089</u>	<u>(4,443,336)</u>	<u>(6,167)</u>	<u>(4,449,503)</u>
<b>* 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.</b>							
<b>General Revenues:</b>							
<b>Taxes:</b>							
					3,563,356	--	3,563,356
					117,002	--	117,002
<b>Revenue from state sources:</b>							
					1,162,443	--	1,162,443
					73,728		73,728
					3,235	--	3,235
					776	--	776
					37,948	--	37,948
					<u>(10,000)</u>	<u>10,000</u>	<u>--</u>
Total General Revenues and Transfers					<u>4,948,488</u>	<u>10,000</u>	<u>4,958,488</u>
<b>CHANGE IN NET POSITION</b>					505,152	3,833	508,985
<b>NET POSITION - BEGINNING</b>					<u>5,542,525</u>	<u>223,822</u>	<u>5,766,347</u>
<b>NET POSITION - ENDING</b>					<u>\$ 6,047,677</u>	<u>\$227,655</u>	<u>\$ 6,275,332</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, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$1,513,910	\$1,994,279	\$541,445	\$173,257	\$4,222,891
Taxes receivable - current	683,214	401,534	167,323	242,458	1,494,529
Taxes receivable - delinquent	1,774	430	159	158	2,521
Accounts receivable, net	558	--	--	--	558
Due from the federal government	39,493	--	16,343	--	55,836
Due from state government	49,509	--	--	--	49,509
Due from county government	8,360	--	--	--	8,360
Inventory of supplies	<u>48,346</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>48,346</u>
<b>TOTAL ASSETS</b>	<u><b>\$2,345,164</b></u>	<u><b>\$2,396,243</b></u>	<u><b>\$725,270</b></u>	<u><b>\$415,873</b></u>	<u><b>\$5,882,550</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 6,743	\$ --	\$ --	\$ --	\$ 6,743
Contracts payable	274,503	--	47,262	--	321,765
Payroll deductions and withholdings and employer matching payable	<u>35,752</u>	<u>--</u>	<u>6,590</u>	<u>--</u>	<u>42,342</u>
<b>TOTAL LIABILITIES</b>	<u><b>316,998</b></u>	<u><b>--</b></u>	<u><b>53,852</b></u>	<u><b>--</b></u>	<u><b>370,850</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	1,774	430	159	158	2,521
Taxes levied for future period	<u>841,164</u>	<u>469,042</u>	<u>195,454</u>	<u>283,219</u>	<u>1,788,879</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>842,938</b></u>	<u><b>469,472</b></u>	<u><b>195,613</b></u>	<u><b>283,377</b></u>	<u><b>1,791,400</b></u>
<b>FUND BALANCES:</b>					
Nonspendable	48,346	--	--	--	48,346
Restricted	--	1,926,771	475,805	132,496	2,535,072
Assigned	232,803	--	--	--	232,803
Unassigned	<u>904,079</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>904,079</u>
<b>TOTAL FUND BALANCES</b>	<u><b>1,185,228</b></u>	<u><b>1,926,771</b></u>	<u><b>475,805</b></u>	<u><b>132,496</b></u>	<u><b>3,720,300</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><b>\$2,345,164</b></u>	<u><b>\$2,396,243</b></u>	<u><b>\$725,270</b></u>	<u><b>\$415,873</b></u>	<u><b>\$5,882,550</b></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, 2023**

---

Total Fund Balances - Governmental Funds \$ 3,720,300

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. 8,836

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 11,636,238

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 877,009

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

Bonds	\$8,370,000	
Unamortized Premiums	\$ 676,425	
CO Certificates	\$ 481,238	
Lease Liability	\$ 17,757	
Early Retirement	\$ 50,846	
Accrued Leave	\$ 54,099	
Accrued Interest	\$ <u>27,714</u>	
		(9,678,079)

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

Taxes Receivable	\$ <u>2,521</u>	2,521
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (519,148)

Net Position - Governmental Activities \$ 6,047,677

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, 2023**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Special Education Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$1,681,434	\$ 937,066	\$372,545	\$565,560	\$3,556,605
Prior years' ad valorem taxes	866	300	92	157	1,415
Utility taxes	117,002	--	--	--	117,002
Penalties and interest on taxes	2,422	1,325	507	794	5,048
Earnings on investments and deposits	776	--	--	--	776
Cocurricular activities:					
Admissions	22,506	--	--	--	22,506
Other student activity income	4,754	--	--	--	4,754
Other revenue from local sources:					
Rentals	8,144	--	--	--	8,144
Contributions and donations	--	8,048	--	--	8,048
Charges for services	4,696	--	431	--	5,127
Other	9,783	--	--	--	9,783
Revenue from Intermediate Sources:					
County sources:					
County apportionment	19,271	--	--	--	19,271
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	1,236,171	--	--	--	1,236,171
Restricted grants-in-aid	2,008	--	250	--	2,258
Other state revenue	2,248	--	--	--	2,248
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received from federal government through an intermediate source	3,235	--	--	--	3,235
Restricted grants-in-aid received directly from federal government	--	16,824	--	--	16,824
Restricted grants-in-aid received from federal government through the state	<u>273,174</u>	<u>190,265</u>	<u>99,511</u>	<u>--</u>	<u>562,950</u>
<b>TOTAL REVENUES</b>	<b><u>3,388,490</u></b>	<b><u>1,153,828</u></b>	<b><u>473,336</u></b>	<b><u>566,511</u></b>	<b><u>5,582,165</u></b>
<b>EXPENDITURES:</b>					
Instruction:					
Regular programs:					
Elementary	1,181,244	69,199	--	--	1,250,443
Middle/Junior high	241,746	75,255	--	--	317,001
High school	474,199	15,067	--	--	489,266
Preschool services	27,961	--	--	--	27,961
Special programs:					
Programs for special education	--	--	401,955	--	401,955
Educationally deprived	196,064	18,053	--	--	214,117
Support Services:					
Students:					
Guidance	32,746	--	--	--	32,746
Health	4,400	--	--	--	4,400

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Psychological	--	--	20,848	--	20,848
Speech pathology	--	--	76,470	--	76,470
Student therapy services	--	--	9,296	--	9,296
Instructional staff:					
Improvement of instruction	7,553	--	--	--	7,553
Educational media	106,568	265	--	--	106,833
General administration:					
Board of education	43,991	3,950	--	--	47,941
Executive administration	111,160	--	--	--	111,160
School administration:					
Office of the principal	167,930	--	--	--	167,930
Other	298	--	--	--	298
Business:					
Fiscal services	86,528	8,690	--	--	95,218
Operation and maintenance of plant	464,789	40,251	--	--	505,040
Student transportation	236,470	--	--	--	236,470
Food services	--	1,830	--	--	1,830
Special education:					
Administrative costs	--	--	21,985	--	21,985
Nonprogrammed Charges:					
Early retirement payments	27,622	--	--	--	27,622
Debt Services	--	86,107	--	559,510	645,617
Cocurricular Activities:					
Male activities	53,600	--	--	--	53,600
Female activities	37,515	--	--	--	37,515
Transportation	40,717	--	--	--	40,717
Combined activities	120,146	46,045	--	--	166,191
Capital Outlay	<u>--</u>	<u>873,159</u>	<u>--</u>	<u>--</u>	<u>873,159</u>
<b>TOTAL EXPENDITURES</b>	<u>3,663,247</u>	<u>1,237,871</u>	<u>530,554</u>	<u>559,510</u>	<u>5,991,182</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(274,757)</u>	<u>(84,043)</u>	<u>(57,218)</u>	<u>7,001</u>	<u>(409,017)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	200,000	--	--	--	200,000
Transfers out	(10,000)	(200,000)	--	--	(210,000)
General long-term debt issued	--	21,308	--	--	21,308
Sale of surplus property	<u>750</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>750</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>190,750</u>	<u>(178,692)</u>	<u>--</u>	<u>--</u>	<u>12,058</u>
<b>NET CHANGE IN FUND BALANCES</b>	(84,007)	(262,735)	(57,218)	7,001	(396,959)
<b>FUND BALANCE - BEGINNING</b>	<u>1,269,235</u>	<u>2,189,506</u>	<u>533,023</u>	<u>125,495</u>	<u>4,117,259</u>
<b>FUND BALANCE - ENDING</b>	<u>\$1,185,228</u>	<u>\$1,926,771</u>	<u>\$475,805</u>	<u>\$132,496</u>	<u>\$3,720,300</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, 2023**

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Net Change in Fund Balances - Total Governmental Funds \$(396,959)

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. 873,159

This amount represents the current year depreciation/amortization 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. (370,168)

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	\$ 235,000	
CO Certificate	\$ 66,490	
Lease	\$ 3,551	
Early Retirement	<u>\$ 27,622</u>	332,663

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

Lease	\$ 21,308	(21,308)
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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." 288

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	\$ 7,490	(7,490)
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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. 941

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 62,387

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. 31,639

Change in Net Position of Governmental Activities \$ 505,152

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, 2023**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$ <u>90,443</u>	\$ <u>8,572</u>	\$ <u>99,015</u>
Total Current Assets	<u>90,443</u>	<u>8,572</u>	<u>99,015</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	12,961	--	12,961
Net pension asset	96	--	96
Capital Assets:			
Machinery and equipment - local funds	193,647	--	193,647
Less: accumulated depreciation	<u>(65,638)</u>	<u>--</u>	<u>(65,638)</u>
Total Noncurrent Assets	<u>141,066</u>	<u>--</u>	<u>141,066</u>
<b>TOTAL ASSETS</b>	<b><u>231,509</u></b>	<b><u>8,572</u></b>	<b><u>240,081</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension related deferred outflows	<u>8,137</u>	<u>--</u>	<u>8,137</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>8,137</u></b>	<b><u>--</u></b>	<b><u>8,137</u></b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Unearned revenue	<u>15,889</u>	<u>--</u>	<u>15,889</u>
<b>TOTAL LIABILITIES</b>	<b><u>15,889</u></b>	<b><u>--</u></b>	<b><u>15,889</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension related deferred inflows	<u>4,674</u>	<u>--</u>	<u>4,674</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>4,674</u></b>	<b><u>--</u></b>	<b><u>4,674</u></b>
<b>NET POSITION:</b>			
Net investment in capital assets	128,009	--	128,009
Restricted for:			
SDRS pension purposes	3,559	--	3,559
Unrestricted net position	<u>87,515</u>	<u>8,572</u>	<u>96,087</u>
<b>TOTAL NET POSITION</b>	<b><u>\$219,083</u></b>	<b><u>\$8,572</u></b>	<b><u>\$227,655</u></b>

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, 2023**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
OPERATING REVENUE:			
Food Sales:			
Student	\$ 86,699	\$ --	\$ 86,699
Adult	9,551	--	9,551
Ala Carte	31,505	--	31,505
Other Charges for Goods and Services	<u>986</u>	<u>--</u>	<u>986</u>
TOTAL OPERATING REVENUE	<u>128,741</u>	<u>--</u>	<u>128,741</u>
OPERATING EXPENSES:			
Salaries	15,449	--	15,449
Employee benefits	6,742	--	6,742
Purchased services	169,950	--	169,950
Supplies	975	--	975
Cost of sales - purchased	608	--	608
Cost of sales - donated	14,761	--	14,761
Depreciation/amortization	<u>15,126</u>	<u>--</u>	<u>15,126</u>
TOTAL OPERATING EXPENSES	<u>223,611</u>	<u>--</u>	<u>223,611</u>
OPERATING LOSS	<u>(94,870)</u>	<u>--</u>	<u>(94,870)</u>
NONOPERATING REVENUE:			
State grants	430	--	430
Federal grants	73,512	--	73,512
Donated food	<u>14,761</u>	<u>--</u>	<u>14,761</u>
TOTAL NONOPERATING REVENUE	<u>88,703</u>	<u>--</u>	<u>88,703</u>
LOSS BEFORE TRANSFERS	(6,167)	--	(6,167)
TRANSFERS IN	<u>10,000</u>	<u>--</u>	<u>10,000</u>
CHANGE IN NET POSITION	3,833	--	3,833
NET POSITION - BEGINNING	<u>215,250</u>	<u>8,572</u>	<u>223,822</u>
NET POSITION - ENDING	<u>\$ 219,083</u>	<u>\$8,572</u>	<u>\$ 227,655</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, 2023**

	Enterprise Funds		Totals
	Food Service Fund	Other Enterprise Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 133,066	\$ --	\$ 133,066
Cash payments to employees for services	(22,572)	--	(22,572)
Cash payments to suppliers of goods or services	(171,533)	--	(171,533)
Net cash used by operating activities	(61,039)	--	(61,039)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from General Fund	10,000	--	10,000
Operating grants	73,942	--	73,942
Net cash provided by noncapital financing activities	83,942	--	83,942
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
	--	--	--
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	--	--	--
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	22,903	--	22,903
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	80,501	8,572	89,073
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 103,404	\$ 8,572	\$ 111,976
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</u></b>			
<b>OPERATING LOSS</b>	\$(94,870)	\$ --	\$(94,870)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Depreciation/amortization	15,126	--	15,126
Value of donated commodities used	14,761	--	14,761
Change in assets and liabilities:			
Pension related deferred outflows	798	--	798
Net pension asset	4,984	--	4,984
Unearned revenue	4,325	--	4,325
Pension related deferred inflows	(6,163)	--	(6,163)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	\$(61,039)	\$ --	\$(61,039)
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Value of commodities received	\$ 14,761	\$ --	\$ 14,761

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, 2023**

	Private-Purpose Trust Funds	Custodial Funds
<b>ASSETS:</b>		
Cash and cash equivalents	\$18,701	\$95,295
Certificates of deposit	<u>4,000</u>	<u>--</u>
<b>TOTAL ASSETS</b>	<b><u>\$22,701</u></b>	<b><u>\$95,295</u></b>
<b>NET POSITION:</b>		
Restricted For:		
Organizations	\$ --	\$95,295
Scholarships	<u>22,701</u>	<u>--</u>
<b>TOTAL NET POSITION</b>	<b><u>\$22,701</u></b>	<b><u>\$95,295</u></b>

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, 2023**

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	<u>Private-Purpose Trust Funds</u>	<u>Custodial Funds</u>
ADDITIONS:		
Investment earnings:		
Interest and dividends	\$ 126	\$ --
Collections for student activities	<u>    --</u>	<u>161,090</u>
TOTAL ADDITIONS	<u>    126</u>	<u>161,090</u>
DEDUCTIONS:		
Payments for student activities	--	188,811
Other deductions	<u>2,260</u>	<u>    --</u>
TOTAL DEDUCTIONS	<u>2,260</u>	<u>188,811</u>
CHANGE IN NET POSITION	(2,134)	(27,721)
NET POSITION - BEGINNING	<u>24,835</u>	<u>123,016</u>
NET POSITION - ENDING	<u>\$22,701</u>	<u>\$ 95,295</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, 2023**

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**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, 2023**

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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.

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.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

- 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.

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:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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, 2023, 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.

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:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity 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 acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total June 30, 2023 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, 2023 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. For capital assets used in business-type activities/proprietary fund's operations, construction-period interest is not capitalized in accordance with USGAAP.

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

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 1 - (Continued)

	<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
Intangible Lease Assets	\$ 5,000	Straight-line	3 - 20 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, lease liabilities, 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 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.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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:

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:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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 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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 1 - (Continued)

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.

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.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 1 - (Continued)

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, 2023

	<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	\$ 48,346	\$ --	\$ --	\$ --	\$ 48,346
Restricted for:					
Capital Outlay Fund	--	1,926,771	--	--	1,926,771
Special Education Fund	--	--	475,805	--	475,805
Debt Service Requirements	--	--	--	132,496	132,496
Assigned to:					
Unemployment	34,029	--	--	--	34,029
Subsequent year's budget	198,774	--	--	--	198,774
Unassigned	<u>904,079</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>904,079</u>
<b>Total Fund Balances</b>	<b><u>\$1,185,228</u></b>	<b><u>\$1,926,771</u></b>	<b><u>\$475,805</u></b>	<b><u>\$132,496</u></b>	<b><u>\$3,720,300</u></b>

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 2023, the School District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. This statement changes the way that subscription-based information technology arrangements are reported. The effect of the implementation of this standard had no effect on the financial statements.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**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, 2023, the School District investments reported in the financial statements consist of only certificates of deposit.

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

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

**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.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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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:
\$12,961	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.

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

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 7 - (Continued)

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, 2023, is as follows:

PRIMARY GOVERNMENT

	<u>Balance</u> <u>07/01/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/23</u>
Governmental activities:				
Capital assets, not being depreciated/ amortized:				
Land	\$ 1,700	\$ --	\$ --	\$ 1,700
Construction/Development in progress	<u>344,929</u>	<u>--</u>	<u>344,929</u>	<u>--</u>
Total capital assets, not being depreciated/amortized	<u>346,629</u>	<u>--</u>	<u>344,929</u>	<u>1,700</u>
Capital assets, being depreciated/ amortized:				
Improvements	569,528	1,018,247	--	1,587,775
Buildings	10,802,163	166,380	--	10,968,543
Machinery and equipment	687,640	12,153	6,083	693,710
Intangible lease assets	<u>--</u>	<u>21,308</u>	<u>--</u>	<u>21,308</u>
Total capital assets, being depreciated/ amortized	<u>12,059,331</u>	<u>1,218,088</u>	<u>6,083</u>	<u>13,271,336</u>
Less accumulated depreciation/ amortization for:				
Improvements	152,175	74,292	--	226,467
Buildings	814,845	249,819	--	1,064,664
Machinery and equipment	305,693	41,795	6,083	341,405
Intangible lease asset	<u>--</u>	<u>4,262</u>	<u>--</u>	<u>4,262</u>
Total accumulated depreciation/ amortization	<u>1,272,713</u>	<u>370,168</u>	<u>6,083</u>	<u>1,636,798</u>
Total capital assets, being depreciated/amortized, net	<u>10,786,618</u>	<u>847,920</u>	<u>--</u>	<u>11,634,538</u>
Governmental activity capital assets, net	<u>\$11,133,247</u>	<u>\$ 847,920</u>	<u>\$344,929</u>	<u>\$11,636,238</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

NOTE 8 - (Continued)

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:

Instruction	\$217,531
Support services	79,020
Cocurricular activities	<u>73,617</u>

Total depreciation/amortization expense - governmental activities \$370,168

	<u>Balance</u> <u>07/01/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/23</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>50,512</u>	<u>15,126</u>	<u>--</u>	<u>65,638</u>
Business-type activity capital assets, net	<u>\$143,135</u>	<u>\$(15,126)</u>	<u>\$ --</u>	<u>\$128,009</u>

Depreciation/amortization expense was charged to functions as follows:

Business-Type Activities:

Food services	<u>\$15,126</u>
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NOTE 9 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2023, is as follows:

PRIMARY GOVERNMENT

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds Payable:					
General Obligation	\$ 8,605,000	\$ --	\$235,000	\$8,370,000	\$245,000
Capital Outlay Certificates	547,728	--	66,490	481,238	68,399
Unamortized Premiums	708,064	--	31,639	676,425	31,638
Copier Lease	--	21,308	3,551	17,757	3,636
Early Retirement Payable	78,468	--	27,622	50,846	16,949
Accrued Compensated					
Absences	46,609	7,490	--	54,099	--
Accrued Interest	<u>28,655</u>	<u>--</u>	<u>941</u>	<u>27,714</u>	<u>27,714</u>
Total Governmental Activities	<u>\$10,014,524</u>	<u>\$28,798</u>	<u>\$365,243</u>	<u>\$9,678,079</u>	<u>\$393,336</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 9 - (Continued)

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, 2023, 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. \$8,370,000

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, from the Capital Outlay Fund with an interest rate of 2.85% with the final payment to be made December 1, 2029. \$ 481,238

Accrued Compensated Absences:

Payable for accrued sick leave generally paid from the fund from which the employee's most recent compensation had been paid. \$ 54,099

Early Retirement Benefits Payable:

Payments to qualified individuals electing early retirement paid from General Fund for the year ended June 30, 2023, and maturing in the years ending June 30, 2024, 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 2 employees receiving early retirement benefits. \$ 50,846

Accrued Interest:

Interest due in December on the General Obligation Bonds and Capital Outlay Certificates. \$ 27,714

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2023, are as follows:

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 9 - (Continued)**

Annual Requirements to Maturity for Long-Term Debt  
June 30, 2023

Year Ending June 30,	General Obligation Bonds		Capital Outlay Certificates		Early Retirement Benefits Payable	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
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	8,475	357,935	289,921
2028	285,000	271,550	76,597	5,034	--	361,597	276,584
2029 - 2033	1,615,000	1,172,750	119,038	3,409	--	1,734,038	1,176,159
2034 - 2038	1,965,000	815,950	--	--	--	1,965,000	815,950
2039 - 2043	2,385,000	384,725	--	--	--	2,385,000	384,725
2044 - 2045	<u>1,080,000</u>	<u>32,700</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,080,000</u>	<u>32,700</u>
	<u>\$8,370,000</u>	<u>\$3,871,875</u>	<u>\$481,238</u>	<u>\$49,362</u>	<u>\$50,846</u>	<u>\$8,902,084</u>	<u>\$3,921,237</u>

**NOTE 10 - LEASES**

The School District has a 12-month lease for the football field at a rate of \$3,500 per year. The payment was paid out of the Capital Outlay Fund. The School District paid a total of \$3,500 from the Capital Outlay Fund for the year ended June 30, 2023.

**Lease Payable**

The School District has a lease for a copier for 5 years beginning September 2022, which was being paid out of the Capital Outlay Fund. The School District paid a total of \$4,477 for the copier lease from the Capital Outlay Fund for the year ended June 30, 2023.

The future principal and interest lease payments as of June 30, 2023, were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 3,636	\$ 841	\$ 4,477
2025	4,188	696	4,884
2026	4,433	451	4,884
2027	4,692	192	4,884
2028	<u>808</u>	<u>6</u>	<u>814</u>
Total	<u>\$17,757</u>	<u>\$2,186</u>	<u>\$19,943</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 11 - RESTRICTED NET POSITION**

Restricted net position for the year ended June 30, 2023, was as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Capital Outlay Purposes	Law	\$1,927,201
Special Education Purposes	Law	475,964
Debt Services Purposes	Law	132,654
SDRS Pension Purposes	Law	<u>370,256</u>
 Total Restricted Net Position		 <u>\$2,906,075</u>

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

**NOTE 12 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2023, 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>200,000</u>	<u>--</u>	<u>200,000</u>
	<u>\$200,000</u>	<u>\$10,000</u>	<u>\$210,000</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 13 - 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 hybrid 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, 2023**

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**NOTE 13 - (Continued)**

**Benefits Provided:**

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/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 3<sup>rd</sup> 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 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

**Contributions:**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 13 - (Continued)**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2023, 2022 and 2021, were \$147,422, \$135,396, and \$128,201, 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, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the School District as of this measurement period ended June 30, 2022, and reported by the School District as of June 30, 2023, are as follows:

Proportionate share of pension liability	\$13,340,769
Less proportionate share of net pension restricted for pension benefits	<u>13,349,701</u>
Proportionate share of net pension asset	\$ <u>(8,932)</u>

At June 30, 2023, the School District reported an asset of \$8,932 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, 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, 2022, the School District's proportion was .094504%, which is an increase of .000349% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of expense of \$(62,767). At June 30, 2023, 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	\$170,012	\$ 580
Changes in assumption	567,641	497,461
Net difference between projected and actual earnings on pension plan investments	--	21,403
Changes in proportion and difference between School District contributions and proportionate share of contributions	71	4,378
School District contributions subsequent to the measurement date	<u>147,422</u>	<u>---</u>
<b>Total</b>	<b><u>\$885,146</u></b>	<b><u>\$523,822</u></b>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 13 - (Continued)

\$147,422 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30:

2024	\$ 55,177
2025	123,441
2026	(141,601)
2027	<u>176,885</u>
 Total	 <u>\$ 213,902</u>

**Actuarial Assumptions:**

The total pension asset in the June 30, 2022 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 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	2.10%

**Mortality Rates:**

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

**Active and Terminated Vested Members:**

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

**Retired Members:**

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

**Beneficiaries:**

- PubG-2010 contingent survivor mortality table

**Disabled Members:**

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 13 - (Continued)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	<u>2.0%</u>	0.4%
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>\$1,854,486</u>	<u>\$(8,932)</u>	<u>\$(1,531,835)</u>

**Pension Plan Fiduciary Net Position:**

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

# FAULKTON AREA SCHOOLS DISTRICT NO. 24-4

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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### NOTE 14 - 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, 2023, 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 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, 2023, no claims for unemployment benefits were paid. At June 30, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

### NOTE 15 - LITIGATION

At June 30, 2023, the School District was not involved in any litigation.

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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NOTE 16 - SUBSEQUENT EVENTS

The School District has evaluated all subsequent events through January 24, 2024, the date on which the financial statements were available to be issued. The School District has determined there are none.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$1,653,398	\$1,653,398	\$1,681,434	\$ 28,036
Prior years' ad valorem taxes	3,500	3,500	866	(2,634)
Utility taxes	116,000	116,000	117,002	1,002
Penalties and interest on taxes	2,500	2,500	2,422	(78)
Earnings on investments and deposits	60	60	776	716
Cocurricular activities:				
Admissions	23,000	23,000	22,506	(494)
Other student activity income	3,500	3,500	4,754	1,254
Other revenue from local sources:				
Rentals	350	350	8,144	7,794
Charges for services	4,600	4,600	4,696	96
Other	8,500	8,500	9,783	1,283
Revenue from Intermediate Sources:				
County sources:				
County apportionment	31,000	31,000	19,271	(11,729)
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	1,164,835	1,164,835	1,236,171	71,336
Restricted grants-in-aid	--	--	2,008	2,008
Other state revenue	--	--	2,248	2,248
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received from federal government through an intermediate source	3,000	3,000	3,235	235
Restricted grants-in-aid received directly from the federal government	--	--	--	--
Restricted grants-in-aid received from federal government through the state	<u>299,631</u>	<u>299,631</u>	<u>273,174</u>	<u>(26,457)</u>
<b>TOTAL REVENUES</b>	<u><b>3,313,874</b></u>	<u><b>3,313,874</b></u>	<u><b>3,388,490</b></u>	<u><b>74,616</b></u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	1,190,053	1,190,053	1,181,244	8,809
Middle/Junior high	240,800	240,800	241,746	(946)
High school	528,358	528,358	474,199	54,159

	<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	31,900	31,900	27,961	3,939
Special programs:				
Educationally deprived	245,520	245,520	196,064	49,456
Support Services:				
Students:				
Guidance	34,500	34,500	32,746	1,754
Health	4,500	4,500	4,400	100
Instructional staff:				
Improvement of instruction	15,600	15,600	7,553	8,047
Educational media	116,975	116,975	106,568	10,407
General administration:				
Board of education	44,100	44,100	43,991	109
Executive administration	114,800	114,800	111,160	3,640
School administration:				
Office of the principal	172,700	172,700	167,930	4,770
Other	400	400	298	102
Business:				
Fiscal services	87,600	87,600	86,528	1,072
Operation and maintenance of plant	473,200	473,200	464,789	8,411
Student transportation services	224,000	224,000	236,470	(12,470)
Nonprogrammed Charges:				
Early retirement payments	25,600	25,600	27,622	(2,022)
Cocurricular Activities:				
Male activities	57,100	57,100	53,600	3,500
Female activities	45,250	45,250	37,515	7,735
Transportation	45,000	45,000	40,717	4,283
Combined activities	119,050	119,050	120,146	(1,096)
Contingencies	90,000	90,000		
Amount transferred		--		<u>90,000</u>
TOTAL EXPENDITURES	<u>3,907,006</u>	<u>3,907,006</u>	<u>3,663,247</u>	<u>243,759</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(593,132)</u>	<u>(593,132)</u>	<u>(274,757)</u>	<u>318,375</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	200,000	200,000	200,000	--
Transfers out	(35,000)	(35,000)	(10,000)	25,000
Sale of surplus property	--	--	750	<u>750</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>165,000</u>	<u>165,000</u>	<u>190,750</u>	<u>25,750</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2023**  
(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	(428,132)	(428,132)	(84,007)	344,125
FUND BALANCE - BEGINNING	<u>1,269,235</u>	<u>1,269,235</u>	<u>1,269,235</u>	--
FUND BALANCE - ENDING	<u>\$ 841,103</u>	<u>\$ 841,103</u>	<u>\$1,185,228</u>	<u>\$344,125</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - CAPITAL OUTLAY FUND**  
**YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 935,691	\$ 935,691	\$ 937,066	\$ 1,375
Prior years' ad valorem taxes	--	--	300	300
Penalties and interest on taxes	--	--	1,325	1,325
Other revenue from local sources:				
Contributions and donations	--	--	8,048	8,048
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received directly from federal government	16,824	16,824	16,824	--
Restricted grants-in-aid received from federal government through the state	<u>190,265</u>	<u>190,265</u>	<u>190,265</u>	<u>--</u>
<b>TOTAL REVENUES</b>	<u>1,142,780</u>	<u>1,142,780</u>	<u>1,153,828</u>	<u>11,048</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular programs:				
Elementary	66,180	66,180	80,279	(14,099)
Middle/Junior high	106,830	106,830	79,517	27,313
High school	22,730	22,730	21,033	1,697
Special programs:				
Educationally deprived	18,574	18,574	18,053	521
Support Services:				
Instructional staff:				
Educational media	15,000	15,000	7,018	7,982
General administration:				
Board of education	4,500	4,500	3,950	550
Business:				
Fiscal services	7,300	7,300	8,690	(1,390)
Facilities acquisition and construction	595,678	761,678	762,057	(379)
Operation and maintenance of plant	323,900	323,900	117,892	206,008
Food services	1,800	1,800	1,830	(30)
Debt Services	82,000	82,000	86,107	(4,107)
Cocurricular Activities:				
Combined activities	<u>39,700</u>	<u>39,700</u>	<u>51,445</u>	<u>(11,745)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,284,192</u>	<u>1,450,192</u>	<u>1,237,871</u>	<u>212,321</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 (UNDER) EXPENDITURES	<u>(141,412)</u>	<u>(307,412)</u>	<u>(84,043)</u>	<u>223,369</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>--</u>
Proceeds of general long-term debt	<u>--</u>	<u>--</u>	<u>21,308</u>	<u>21,308</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(178,692)</u>	<u>21,308</u>
NET CHANGE IN FUND BALANCES	<u>(341,412)</u>	<u>(507,412)</u>	<u>(262,735)</u>	<u>244,677</u>
FUND BALANCE - BEGINNING	<u>2,189,506</u>	<u>2,189,506</u>	<u>2,189,506</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,848,094</u>	<u>\$1,682,094</u>	<u>\$1,926,771</u>	<u>\$244,677</u>

**FAULKTON AREA SCHOOLS DISTRICT NO. 24-4**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - SPECIAL EDUCATION FUND**  
**YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$388,750	\$388,750	\$372,545	\$ (16,205)
Prior years' ad valorem taxes	--	--	92	92
Penalties and interest on taxes	--	--	507	507
Other revenue from local sources:				
Charges for services	--	--	431	431
Revenue from State Sources				
Grants-in-aid:				
Restricted grants-in-aid	--	--	250	250
Revenue from Federal Sources:				
Grants-in-aid:				
Restricted grants-in-aid received from federal government through the state	<u>102,661</u>	<u>102,661</u>	<u>99,511</u>	<u>(3,150)</u>
<b>TOTAL REVENUES</b>	<u>491,411</u>	<u>491,411</u>	<u>473,336</u>	<u>(18,075)</u>
<b>EXPENDITURES:</b>				
Instruction:				
Special programs:				
Programs for special education	436,225	436,225	401,955	34,270
Support Services:				
Students:				
Psychological	15,000	15,000	20,848	(5,848)
Speech pathology	83,136	83,136	76,470	6,666
Student therapy services	14,000	14,000	9,296	4,704
Special education:				
Administrative costs	<u>18,050</u>	<u>18,050</u>	<u>21,985</u>	<u>(3,935)</u>
<b>TOTAL EXPENDITURES</b>	<u>566,411</u>	<u>566,411</u>	<u>530,554</u>	<u>35,857</u>
<b>NET CHANGE IN FUND BALANCES</b>	(75,000)	(75,000)	(57,218)	17,782
<b>FUND BALANCE - BEGINNING</b>	<u>533,023</u>	<u>533,023</u>	<u>533,023</u>	--
<b>FUND BALANCE - ENDING</b>	<u>\$458,023</u>	<u>\$458,023</u>	<u>\$475,805</u>	<u>\$ 17,782</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, 2023**

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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 9 Fiscal Years*								
	(Dollar amounts in thousands)								
	<u>2023</u>	<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)	0.0945040%	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)	\$(9)	\$(721)	\$(4)	\$(9)	\$(2)	\$(7)	\$230	\$(348)	\$(607)
District's covered payroll	\$2,257	\$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	.40%	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)	100.10%	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**

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	Last 10 Fiscal Years (Dollar amounts in thousands)									
	<u>2023</u>	<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>
Contractually required contribution	\$ 147	\$ 135	\$ 128	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90	\$ 88
Contributions in relation to the contractually required contribution	\$ 147	\$ 135	\$ 128	\$ 118	\$ 111	\$ 103	\$ 97	\$ 78	\$ 90	\$ 88
District's covered payroll	\$2,459	\$2,257	\$2,137	\$1,970	\$1,846	\$1,722	\$1,620	\$1,294	\$1,496	\$1,474
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, 2023**

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Changes from Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes:

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes:

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

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%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

**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, 2023**  
**(Continued)**

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As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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

Actuarial Method Changes:

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.