



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

February 5, 2024

Mr. Russ Olson, CPA
Auditor General
Department of Legislative Audit
500 E. Capitol
Pierre, SD 57501-5070

Dear Mr. Olson:

Regarding the final audit report for the Frederick Area School District No. 6-2 for the year then ended June 30, 2023, the following items are enclosed:

- ~~• One copy of the final report of which is bound -~~
- One copy has been sent in electronic format via email to Sheri Doolittle
- A copy of our audit billing which includes the total professional time spent on the engagement.

We look forward to receiving your letter of audit report acceptance.

Sincerely,

Jason W. Bauer, CPA, CGMA, PFS

Enclosures:

1. One ~~bound~~ copy of final report
2. Audit billing

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

PO BOX 669

MOBRIDGE, SD 57601-0669

PHONE: 605-845-2927 ~ FAX: 605-845-2517

FREDERICK AREA SCHOOL DISTRICT
202 MAIN ST
FREDERICK, SD 57441

Invoice Date: 02/05/2024

Invoice Number: 67759

Client Number: 20018083

Due Date: UPON RECEIPT

AUDIT SERVICES FOR THE YEAR ENDED JUNE 30, 2023. (113.33 HOURS @ \$101.47) 11,500.00

\$11,500.00

Total Tax

Total Invoice Amount \$11,500.00

Beginning Balance \$0.00

Invoices 11,500.00

Receipts 0.00

Adjustments 0.00

Finance Charges 0.00

Amount Due \$11,500.00

A finance charge of 1.5% will be charged on the unpaid balance of invoices not paid within 30 days.

Please return this portion with payment.

20018083 FREDERICK AREA SCHOOL DISTRICT

Invoice Number: 67759

Card Type: Visa Mastercard Discover

Invoice Date: 02/05/2024

Card Number: _____

Due Date: UPON RECEIPT

Billing zip code for credit card: _____

Amount Due: \$11,500.00

Receipt for credit card: Yes No

Exp Date: _____ 3-Digit Security Code: _____

Amount Enclosed: \$ _____

Signature: _____

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
FREDERICK, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2023

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
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CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**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
Frederick Area School District No. 6-2
Brown 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, business-type activities, each major fund, and the aggregate remaining fund information of the Frederick Area School District No. 6-2, South Dakota (School District) as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 5, 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 a 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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, items 2023-001, 2023-002, 2023-003, 2023-004, and 2023-005 that we consider to be material weaknesses.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

School Board
Frederick Area School District No. 6-2
Page 2
Report on Internal Control and Compliance

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Frederick Area School District No. 6-2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

School District's Response to Findings

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

Purpose of this Report

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

Caillie Bauer

Mobridge, South Dakota
February 5, 2024

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023**

STATUS OF PRIOR AUDIT FINDINGS

Finding Number 2022-001:

Internal control over financial reporting and compliance is not adequate.

Current Status

Condition still exists, see current audit finding number 2023-001.

Finding Number 2022-002:

The District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles nor does it provide for the recording of all necessary material adjustments.

Current Status

Condition still exists, see current audit finding number 2023-002 and 2023-003.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number 2023-001:

Criteria

The internal control system of a School can help assist in achieving its performance targets and prevent the loss of resources. It helps to ensure reliable financial reporting and the compliance with laws and regulations.

Condition Found

The School District has a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions because of a lack of segregation duties.

Cause and Effect

This condition increases the risk that fraud or errors might occur in the financial reporting process.

Recommendation

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. Compensating controls should be implemented as necessary.

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023

Views of Responsible Officials and Corrective Action Plan

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

Finding Number 2023-002:

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Condition Found

The School does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Cause and Effect

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

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials and Corrective Action Plan

The business manager, Shauna Severson, is the contact person responsible for the corrective action plan for this comment. The School is continuing its work on correcting this deficiency.

Finding Number 2023-003:

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.

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023

Condition Found

While conducting our audit, 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 and 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

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 and other considerations.

Views of Responsible Officials and Corrective Action Plan

The business manager, Shauna Severson, is the contact person responsible for the corrective action plan for this comment. The School is continuing its work on correcting this deficiency.

Finding Number 2023-004:

Criteria

An organization's internal control structure should ensure that contingency transfers made are in compliance with SDCL 13-11-2.1.

Condition Found

The School District approved a contingency transfer to be made in the Capital Outlay Fund, which is a violation of SDCL 13-11-2.1.

Cause and Effect

This condition may affect the School District's ability to ensure that a misappropriation of assets does not occur.

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2023

Recommendation

We recommend that procedures are in place that will ensure that contingency transfers are not made in the future in the Capital Outlay Fund.

Views of Responsible Officials and Corrective Action Plan

The business manager, Shauna Severson, is the contact person responsible for the corrective action plan for this comment. The School District will no longer create a contingency transfer in the Capital Outlay fund.

Finding Number 2023-005:

Criteria

An organization's internal control structure should ensure that transfers from Capital Outlay Fund to the General Fund are made in compliance with SDCL 13-16-6.

Condition Found

The School District transferred an amount exceeding the allowable amount from the Capital Outlay Fund to the General Fund which is a violation of SDCL 13-16-6.

Cause and Effect

This condition may affect the School District's ability to ensure that a misappropriation of assets does not occur.

Recommendation

We recommend that procedures are in place to calculate the appropriate amount to be transferred from the Capital Outlay Fund to the General Fund to be in compliance with SDCL 13-16-6.

Views of Responsible Officials and Corrective Action Plan

The business manager, Shauna Severson, is the contact person responsible for the corrective action plan for this comment. The School District will not allow excess transfers to be made from the Capital Outlay fund to the General fund.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

School Board
Frederick Area School District No. 6-2
Brown County, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frederick Area School District No. 6-2, as of June 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frederick Area School District No. 6-2 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. exercise professional judgment and maintain professional skepticism throughout the audit.
2. 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.
3. 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.
4. 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.
5. 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 Contributions, and the Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 February 5, 2024 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 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.

Calvin Bauer

Mobridge, South Dakota
February 5, 2024

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,570,270	\$ 5,337	\$ 1,575,607
Investments	3,703,212	-	3,703,212
Taxes receivable	836,297	-	836,297
Inventories	-	4,659	4,659
Other assets	115,889	9,235	125,124
Net pension asset	5,404	164	5,568
Capital assets			
Land, improvements and construction in progress	2,000	-	2,000
Other capital assets, net depreciation	2,064,293	22,403	2,086,696
TOTAL ASSETS	8,297,365	41,798	8,339,163
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	532,746	16,099	548,845
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 532,746	\$ 16,099	\$ 548,845

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 4,676	\$ -	\$ 4,676
Other current liabilities	156,805	7,118	163,923
Noncurrent liabilities:			
Due within one year	3,248	-	3,248
Due in more than one year	14,017	-	14,017
TOTAL LIABILITIES	178,746	7,118	185,864
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for future period	863,070	-	863,070
Pension related deferred inflows	314,576	9,506	324,082
TOTAL DEFERRED INFLOWS OF RESOURCES	1,177,646	9,506	1,187,152
NET POSITION			
Net Investment in			
Capital Assets	2,051,719	22,403	2,074,122
Restricted for:			
Capital Outlay	2,548,227	-	2,548,227
Special Education	1,511,691	-	1,511,691
SDRS Pension Purposes	223,574	6,233	229,807
Unrestricted	1,138,508	12,637	1,151,145
TOTAL NET POSITION	\$ 7,473,719	\$ 41,273	\$ 7,514,992

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		
Primary government								
Governmental activities								
Instruction	\$ 1,415,826	\$ -	\$ 178,808	\$ -	\$ (1,237,018)	\$ -	\$ -	(1,237,018)
Support services	1,150,862	-	-	60,772	(1,090,090)	-	-	(1,090,090)
Nonprogrammed charges	-	2,518	-	-	2,518	-	-	2,518
Cocurricular activities	226,138	59,685	-	-	(166,453)	-	-	(166,453)
Total governmental activities	2,792,826	62,203	178,808	60,772	(2,491,043)	-	-	(2,491,043)
Business-type activities								
Food services	115,879	52,150	62,640	-	-	(1,089)	(1,089)	(1,089)
Other enterprise funds	4,482	2,450	-	-	-	(2,032)	(2,032)	(2,032)
Total business-type activities	120,361	54,600	62,640	-	-	(3,121)	(3,121)	(3,121)
Total primary government	\$ 2,913,187	\$ 116,803	\$ 241,448	\$ 60,772	\$ (2,491,043)	\$ (3,121)	\$ (3,121)	(2,494,164)
General Revenues								
Taxes								
Property taxes					1,888,985	-	-	1,888,985
Utility taxes					62,803	-	-	62,803
Revenue from state sources:								
State Aid					709,135	-	-	709,135
Unrestricted investments earnings					46,146	-	-	46,146
Other general revenues					90,128	-	-	90,128
Transfers					(18,399)	18,399	-	-
Total general revenues and transfers					2,778,798	18,399	-	2,797,197
Change in net position					287,755	15,278	-	303,033
Net position - beginning					7,173,875	25,995	-	7,199,870
Prior period adjustment (Note 15)					12,089	-	-	12,089
Net position - ending					\$ 7,473,719	\$ 41,273	\$ -	\$ 7,514,992

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

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 432,003
Investments	685,114
Taxes-receivables	411,035
Taxes-delinquent	5,529
Accounts receivable	250
Due from state government	62,793
Due from federal government	23,842
	<hr/>
TOTAL ASSETS:	\$ 1,620,566
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,645
Contracts payable	110,653
Amount held for others	1,066
Payroll deductions and withholdings payable and employer matching payable	15,309
	<hr/>
Total Liabilities	128,673
Deferred Inflows of Resources:	
Unavailable revenue - property taxes	5,529
Taxes levied for future period	414,144
Unavailable revenue - grants	7,235
	<hr/>
Total Deferred Inflows of Resources	426,908
Fund Balances:	
Restricted	
Capital outlay	-
Special education	-
Assigned	
Unemployment	9,136
Unassigned	1,055,849
	<hr/>
Total Fund Balance	1,064,985
	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:	\$ 1,620,566

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

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	1,033,811	\$	104,456	\$	1,570,270
	1,564,366		1,453,732		3,703,212
	279,384		137,628		828,047
	1,838		883		8,250
	-		-		250
	-		-		62,793
	26,730		2,274		52,846
<u>\$</u>	<u>2,906,129</u>	<u>\$</u>	<u>1,698,973</u>	<u>\$</u>	<u>6,225,668</u>
\$	-	\$	3,031	\$	4,676
	-		26,262		136,915
	-		3,515		1,066
	-		32,808		18,824
	-		32,808		161,481
	1,838		883		8,250
	300,766		148,160		863,070
	26,730		2,274		36,239
	329,334		151,317		907,559
	2,576,795		-		2,576,795
	-		1,514,848		1,514,848
	-		-		9,136
	-		-		1,055,849
	2,576,795		1,514,848		5,156,628
<u>\$</u>	<u>2,906,129</u>	<u>\$</u>	<u>1,698,973</u>	<u>\$</u>	<u>6,225,668</u>

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances - governmental funds	\$ 5,156,628
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.	5,404
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$4,121,825 and the accumulated depreciation/amortization is (\$2,055,532) for a net amount of \$2,066,293.	2,066,293
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	532,746
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$2,691 and lease liability of \$14,574.	(17,265)
Assets such as taxes receivable (delinquent) and deferred grant revenues are not available to pay for current period expenditures and therefore are deferred	44,489
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(314,576)</u>
Total net position - governmental funds	<u>\$ 7,473,719</u>

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
REVENUES:	
Revenue from local sources:	
Taxes:	
Ad valorem taxes	\$ 1,000,238
Prior years' ad valorem taxes	3,518
Tax deed revenue	366
Utility taxes	62,803
Penalties and interest on taxes	3,296
Earnings on investments and deposits	46,146
Cocurricular activities:	
Admissions	12,451
Rentals	175
Other pupil activity income	47,059
Other revenue from local sources:	
Contributions and donations	2,882
Refund of prior years' expenditures	347
Charges for services	2,432
Other	85,519
Total revenue from local sources	1,267,232
Revenue from intermediate sources	
County sources:	
County appointment	7,097
Total revenue from intermediate sources	7,097
Revenue from state sources:	
Grants-in-aid:	
Unrestricted grants-in-aid	709,135
Other state revenue	200
Total revenue from state sources	709,335
Revenue from federal sources:	
Grants-in-aid:	
Restricted grants-in-aid thru state	143,226
Total revenue from federal sources	143,226
Total revenues	\$ 2,126,890

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	592,896	\$	280,132	\$	1,873,266
	2,102		951		6,571
	57		26		449
	-		-		62,803
	2,031		918		6,245
	-		-		46,146
	-		-		12,451
	-		-		175
	-		-		47,059
	-		-		2,882
	-		-		347
	-		86		2,518
	-		-		85,519
	597,086		282,113		2,146,431
	-		-		7,097
	-		-		7,097
	-		-		709,135
	-		-		200
	-		-		709,335
	120,139		2,898		266,263
	120,139		2,898		266,263
\$	717,225	\$	285,011	\$	3,129,126

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
Expenditures:	
Instruction:	
Regular programs:	
Elementary	\$ 482,069
Middle/junior high	143,294
High school	293,832
Special programs:	
Programs for special education	-
Educationally deprived	79,279
Total instruction	998,474
Support services:	
Pupils:	
Guidance	62,685
Psychological	-
Speech pathology	-
Student therapy services	-
Instructional staff:	
Improvement of instruction	1,181
Educational media	91,366
General administration:	
Board of education	80,993
Executive administration	97,546
School administration:	
Office of the principal	156,890
Other support services	126
Business:	
Fiscal services	96,908
Facilities acquisition & construction	-
Operation and maintenance of plant	195,095
Pupil transportation	126,361
Other	7,657
Special education:	
Administrative costs	-
Transportation costs	-
Total support services	\$ 916,808

(Continued on next page)

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	59,216	\$	-	\$	541,285
	20,269		-		163,563
	46,027		-		339,859
	-		275,092		275,092
	-		-		79,279
	125,512		275,092		1,399,078
	-		-		62,685
	-		4,546		4,546
	-		11,850		11,850
	-		37,135		37,135
	-		-		1,181
	6,501		-		97,867
	-		-		80,993
	282		-		97,828
	1,442		-		158,332
	-		-		126
	6,050		-		102,958
	26,412		-		26,412
	45,507		-		240,602
	3,235		-		129,596
	2,725		-		10,382
	-		5,853		5,853
	-		468		468
\$	92,154	\$	59,852	\$	1,068,814

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund
Cocurricular activities:	
Male activities	\$ 41,094
Female activities	26,293
Transportation	11,900
Combined activities	100,947
Total cocurricular activities	180,234
Capital outlay	-
Total expenditures/expenses	2,095,516
Other financing sources (uses)	
Transfers in	366,125
Transfers out	(18,399)
Sale of surplus property	-
Compensation for loss of general capital assets	-
Total other financing sources (uses)	347,726
Net change in fund balances	379,100
Fund balance - beginning	675,005
Prior period adjustment (See Note 15)	10,880
Fund balance - ending	\$ 1,064,985

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

Capital Outlay Fund		Special Education Fund		Total Governmental Funds	
\$	4,183	\$	-	\$	45,277
	1,270		-		27,563
	-		-		11,900
	2,223		-		103,170
	7,676		-		187,910
	122,249		-		122,249
	347,591		334,944		2,778,051
	-		-		366,125
	(366,125)		-		(384,524)
	6,439		-		6,439
	7,661		-		7,661
	(352,025)		-		(4,299)
	17,609		(49,933)		346,776
	2,559,186		1,563,572		4,797,763
	-		1,209		12,089
\$	2,576,795	\$	1,514,848	\$	5,156,628

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds	\$	346,776
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation/amortization expense exceeded capital outlay.		(27,838)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized.		(20,017)
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".		2,454
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. These expenses consist of the change in compensated absences of \$2,691.		(2,691)
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. This expense consist of the reduction in pension expense of \$30,328.		30,328
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of the change in deferred inflows of grant revenues in the amount of (\$26,683).		(26,683)
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.		2,357
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.		(16,931)
Change in net position of governmental activities	<u>\$</u>	<u>287,755</u>

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 5,337	\$ -	\$ 5,337
Due from federal government	9,235	-	9,235
Inventories-materials and supplies	1,701	-	1,701
Inventories-stores for resale	2,831	-	2,831
Inventory of donated foods	127	-	127
Total Current Assets	<u>19,231</u>	<u>-</u>	<u>19,231</u>
Noncurrent assets:			
Net pension asset	151	13	164
Capital assets			
Machinery and equipment	69,168	-	69,168
Accumulated depreciation	(46,765)	-	(46,765)
Total Noncurrent Assets	<u>22,554</u>	<u>13</u>	<u>22,567</u>
TOTAL ASSETS	<u>41,785</u>	<u>13</u>	<u>41,798</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	14,851	1,248	16,099
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,851</u>	<u>1,248</u>	<u>16,099</u>
LIABILITIES:			
Current liabilities:			
Unearned revenue	7,118	-	7,118
Total current liabilities	<u>7,118</u>	<u>-</u>	<u>7,118</u>
TOTAL LIABILITIES	<u>7,118</u>	<u>-</u>	<u>7,118</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	8,769	737	9,506
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,769</u>	<u>737</u>	<u>9,506</u>
NET POSITION			
Net Investment in Capital Assets	22,403	-	22,403
Restricted for SDRS	6,233	-	6,233
Unrestricted	12,113	524	12,637
TOTAL NET POSITION	<u>\$ 40,749</u>	<u>\$ 524</u>	<u>\$ 41,273</u>

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
OPERATING REVENUES			
Sales			
To pupils	\$ 44,374	\$ -	\$ 44,374
To adults	6,024	-	6,024
Other charges for goods and services	1,752	2,450	4,202
Total operating revenues	<u>52,150</u>	<u>2,450</u>	<u>54,600</u>
OPERATING EXPENSES			
Salaries	39,794	3,680	43,474
Employee benefits	12,055	457	12,512
Purchased services	1,043	345	1,388
Supplies	3,967	-	3,967
Cost of sales - purchased food	49,079	-	49,079
Cost of sales - donated food	6,632	-	6,632
Other	545	-	545
Depreciation	2,764	-	2,764
Total operating expenses	<u>115,879</u>	<u>4,482</u>	<u>120,361</u>
Operating loss	<u>(63,729)</u>	<u>(2,032)</u>	<u>(65,761)</u>
NONOPERATING REVENUES (EXPENSES)			
State sources			
State grants	205	-	205
Federal sources			
Cash reimbursements	55,770	-	55,770
Donated food	6,665	-	6,665
Total nonoperating revenues	<u>62,640</u>	<u>-</u>	<u>62,640</u>
Income before contributions, special items	(1,089)	(2,032)	(3,121)
Transfers in	<u>15,000</u>	<u>3,399</u>	<u>18,399</u>
Change in net position	13,911	1,367	15,278
Total net position - July 1, 2022	<u>26,838</u>	<u>(843)</u>	<u>25,995</u>
Total net position - June 30, 2023	<u>\$ 40,749</u>	<u>\$ 524</u>	<u>\$ 41,273</u>

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

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund	Other Enterprise Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 48,796	\$ 2,450	\$ 51,246
Payments to employees for services	(52,399)	(4,182)	(56,581)
Payments to suppliers of goods and services	(54,171)	(345)	(54,516)
Net cash used by operating activities	<u>(57,774)</u>	<u>(2,077)</u>	<u>(59,851)</u>
CASH FLOWS FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital improvements	<u>(7,603)</u>	-	<u>(7,603)</u>
Net cash used by capital and related financing activities	<u>(7,603)</u>	-	<u>(7,603)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from the general fund	15,000	3,399	18,399
Repayment due to other funds	-	(1,322)	(1,322)
Operating grants	47,353	-	47,353
Net cash provided by noncapital financing activities	<u>62,353</u>	<u>2,077</u>	<u>64,430</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,024)	-	(3,024)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,361</u>	-	<u>8,361</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,337</u>	<u>\$ -</u>	<u>\$ 5,337</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	\$ (63,729)	\$ (2,032)	\$ (65,761)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES			
Depreciation expense	2,764	-	2,764
Value of donated commodities used	6,632	-	6,632
Change in assets and liabilities			
Inventories	1,029	-	1,029
Accounts and other payables	(566)	-	(566)
Change in unearned revenue	(3,354)	-	(3,354)
Change in pension asset/(liability)	(550)	(45)	(595)
Net cash used by operating activities	<u>\$ (57,774)</u>	<u>\$ (2,077)</u>	<u>\$ (59,851)</u>
Noncash investing, capital and financing activities:			
Value of commodities received	\$ 6,665	\$ -	\$ 6,665

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

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 25,501	\$ 35,254
TOTAL ASSETS	25,501	35,254
NET POSITION		
Restricted for student activities	-	35,254
Restricted for scholarships	25,501	-
TOTAL NET POSITION	\$ 25,501	\$ 35,254

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS		
Collections for student activities	\$ -	\$ 54,393
Other additions	3,062	-
Total additions	3,062	54,393
DEDUCTIONS		
Payments for student activities	-	21,420
Other deductions	4,000	-
Total deductions	4,000	21,420
Change in net position	(938)	32,973
Total net position - July 1, 2022	26,439	2,281
Total net position - June 30, 2023	<u>\$ 25,501</u>	<u>\$ 35,254</u>

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(See Independent Auditors' Report)**

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 the Frederick Area School District No. 6-2, 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; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and 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 is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

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

Fund Financial Statements

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

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten 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 five percent of the corresponding total for all governmental and enterprise funds combined, or;
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

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

Governmental Funds

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding 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.*

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.

NOTES TO FINANCIAL STATEMENTS - Page 3
(See Independent Auditors' Report)

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.

Proprietary Funds

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

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not 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 services), 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.

The Other Enterprise Fund is an enterprise fund maintained by the School District. This is not a major fund.

Fiduciary Funds

Fiduciary funds consist of the following sub-categories and are never considered to be a 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 funds: Scholarships.

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

c. Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Frederick Area School District No. 6-2, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2023 are expected federal reimbursements, state reimbursements, utility taxes, and miscellaneous 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.

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

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 Funds and Fiduciary Fund Types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications

Government Wide Financial Statements

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

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments

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

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, such as SD FIT.

f. Capital Assets

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

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

Government-Wide Statements

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

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.

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.

The total June 30, 2023 balance of capital assets for governmental activities includes approximately 10 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 are all valued at original cost.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, 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:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	Any Amount	N/A	N/A
Improvements, other than buildings	\$ 5,000	Straight-line	25-40 years
Buildings	5,000	Straight-line	50-100 years
Machinery and equipment	5,000	Straight-line	10-20 years
Intangible lease assets	5,000	Straight-line	Various
Intangible subscription assets	5,000	Straight-line	Various

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.

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

g. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-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 lease liability and compensated absences.

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.

h. Leases

Lessee:

The School District is a lessee for a noncancellable lease of copy machines. The School District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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 the treasury yield that corresponds to the length of the lease contract.

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.

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i. Program Revenues

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

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

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.

j. Deferred Inflows and Deferred Outflows of Resources

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

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

k. 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.

l. Cash and Cash Equivalents

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

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m. 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 (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Fund Financial Statements

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

n. Application of Net Position

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

o. Fund Balance Classification Policies and Procedures

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

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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 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.

p. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions/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 asset are recognized on an accrual basis of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

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

Deposits - The 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.

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Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) 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 that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

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.

Fair Value Measurement - The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted at prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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.

As of June 30, 2023, the School District had the following investments. All investments are in an internal deposit and investment pool.

<u>Investment</u>	<u>Credit</u>	<u>Maturities</u>	<u>Fair Value</u>
US Treasury Bills	N/A	\$ 816,000	\$ 804,206
SD Fit	Unrated	2,139	2,139
Total Investments		<u>\$ 818,139</u>	<u>\$ 806,345</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

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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 generally credit all income from investments to the General Fund.

NOTE 3 - 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.

NOTE 4 - INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out. 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 Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 5 - 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 April 30 and October 31 of the following year. 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 and not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

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NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>07/01/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/2023</u>
Primary Government				
Governmental activities				
Capital assets, not being depreciated/amortized				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Total capital assets, not being depreciated/amortized	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Capital assets, being depreciated/amortized				
Buildings	2,885,693	-	-	2,885,693
Improvements other than buildings	83,152	38,589	-	121,741
Machinery and equipment	1,122,657	83,660	(110,857)	1,095,460
Intangible lease assets	-	16,931	-	16,931
Total capital assets, being depreciated/amortized	<u>4,091,502</u>	<u>139,180</u>	<u>(110,857)</u>	<u>4,119,825</u>
Less accumulated depreciation/amortization for				
Buildings	1,331,723	70,980	-	1,402,703
Improvements other than buildings	69,431	4,919	-	74,350
Machinery and equipment	578,200	88,579	(90,840)	575,939
Intangible lease assets	-	2,540	-	2,540
Total accumulated depreciation/amortization	<u>1,979,354</u>	<u>167,018</u>	<u>(90,840)</u>	<u>2,055,532</u>
Total capital assets, being depreciated/amortized, net	<u>2,112,148</u>	<u>(27,838)</u>	<u>(20,017)</u>	<u>2,064,293</u>
Governmental activity capital assets, net	<u>\$ 2,114,148</u>	<u>\$ (27,838)</u>	<u>\$ (20,017)</u>	<u>\$ 2,066,293</u>

Depreciation/amortization expense was charged to functions as follows:

	<u>06/30/2023</u>
Governmental activities	
Instructional	\$ 37,034
Support Services	90,417
Cocurricular	<u>39,567</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 167,018</u>

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	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Business-type activities				
Capital assets, being depreciated				
Machinery and equipment	\$ 63,057	\$ 7,603	\$ (1,492)	\$ 69,168
Total capital assets, being depreciated	63,057	7,603	(1,492)	69,168
Less accumulated depreciation for Machinery and equipment	45,493	2,764	(1,492)	46,765
Total accumulated depreciation	45,493	2,764	(1,492)	46,765
Total business-type activities, capital assets, being depreciated, net	17,564	4,839	-	22,403
Business-type activities capital assets, net	\$ 17,564	\$ 4,839	\$ -	\$ 22,403

Depreciation expense was charged to functions as follows:

	06/30/2023
Business-type activities	
Food Service	\$ 2,764
Total depreciation expense - business-type activities	\$ 2,764

NOTE 7 - LONG-TERM LIABILITIES

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

	Beginning Balance 07/01/2022	Additions	Deletions	Ending Balance 06/30/2023	Due Within One Year
Primary government					
Governmental activities					
Lease liability	\$ -	\$ 16,931	\$ (2,357)	\$ 14,574	\$ 3,248
Compensated absences	-	3,445	(754)	2,691	-
Total governmental activities	\$ -	\$ 20,376	\$ (3,111)	\$ 17,265	\$ 3,248

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Long-term liabilities payable at June 30, 2023, is comprised of the following:

Copier lease, maturing September, 2027, 3.30% interest, monthly interest payments and principal payments, made from the Capital Outlay Fund.	\$ 14,574
Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within.	<u>2,691</u>
Total long term-debt	<u><u>\$ 17,265</u></u>

The annual debt service requirements to maturity for lease liability outstanding as of June 30, 2023 are as follows:

Year Ending June 30	Lease Liability	
	Principal	Interest
2024	\$ 3,248	\$ 432
2025	3,357	323
2026	3,469	211
2027	3,585	95
2028	<u>915</u>	<u>5</u>
	<u>\$ 14,574</u>	<u>\$ 1,066</u>

NOTE 8 - INDIVIDUAL FUND INTERFUND BALANCES AND INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 were as follows:

<u>06/30/2023</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Total</u>
General Fund	\$ 366,125	\$ (18,399)	\$ 347,726
Capital Outlay Fund	-	(366,125)	(366,125)
Drivers Education Fund	3,399	-	3,399
Food Service Fund	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total	<u>\$ 384,524</u>	<u>\$ (384,524)</u>	<u>\$ -</u>

Transfers from the General Fund to the Food Service Fund and Drivers Education Fund were made due to revenues being insufficient to support the expenditures of the fund. Transfers from Capital Outlay to the General Fund are allowed by state law. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

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NOTE 9 - RESTRICTED NET POSITION

<u>Fund</u>	<u>Restricted By</u>	<u>06/30/2023</u>
Special Education	Law	\$ 1,511,691
Capital Outlay	Law	\$ 2,548,227
SDRS Pension Purposes	Law	229,807
Total Restricted Net Position		<u>\$ 4,289,725</u>

These balances are restricted due to statutory requirements.

NOTE 10 - PENSION PLAN

Plan Information:

All permanent employees working twenty or more hours per week participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established 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, PO Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

Members 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.

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

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

Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%

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

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

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

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ended June 30, 2023, 2022, and 2021 was \$88,767, \$84,296, and \$80,100, respectively, equal to the required contributions each year.

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Pension Liabilities (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 shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2022 and reported by the School District as of June 30, 2023 are as follows:

Proportionate share of pension liability	\$ 8,316,242
Less proportionate share of net position restricted for pension benefits	<u>8,321,809</u>
Proportionate share of net pension asset	<u><u>\$ (5,567)</u></u>

At June 30, 2023, the School District reported an asset of \$5,567 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the School'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 .0589110%, which is an increase of .0002209% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized reduction of pension expense of \$29,913. At June 30, 2023 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 105,981	\$ 362
Changes in assumption	353,850	310,103
Net difference between projected and actual earnings on pension plan investments	-	13,342
Changes in proportion and difference between District contributions and proportionate share of contributions	247	276
School district contributions subsequent to the measurement date	<u>88,767</u>	<u>-</u>
Total	<u><u>\$ 548,845</u></u>	<u><u>\$ 324,083</u></u>

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\$88,767 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 Ended June 30:	
2024	\$ 36,726
2025	77,258
2026	(88,260)
2027	110,271
	<hr/>
TOTAL	<u>\$ 135,995</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	6.5% 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 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

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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.

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	2.7%

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from 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 asset to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, 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:

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	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate share of the net pension liability/(asset)	\$ 1,156,032	\$ (5,567)	\$ (954,901)

Pension Plan Fiduciary Net Position:

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

NOTE 11 - JOINT VENTURES

The School District participates in the North Central Special Education Cooperative, a cooperative service unit (co-op) formed for the purpose of providing Special Education Services to the member School

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

Doland School District	11.1%
Edmunds Central School District	11.1%
Frederick School District	11.1%
Groton School District	11.1%
Hitchcock Tulare School District	11.1%
Langford School District	11.1%
Leola School District	11.1%
Northwestern School District	11.1%
Warner School District	11.1%

The North Central Special Education Cooperatives governing board is composed of one representative from each member School District, who is elected by the local School Board. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the North Central Special Education Cooperative, 1200 S Jay St, Aberdeen, SD 57401, 605-626-3359.

At June 30, 2023, this joint venture had net position of \$398,387 (unaudited), and no long-term debt outstanding.

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year 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 plans available are as follows:

The plan has multiple options which includes coverage involving a deductible of \$1,500 to \$5,000 per person for a single plan and \$3,000 to \$10,000, respectively, for two party or family plans and 20% coinsurance.

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 never exceeded the liability coverage.

Liability Insurance

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for property, general liability, EDP, inland marine, accounts receivable, property in transit, valuable papers, ordinance or law, school leaders professional liability and cost of defense, crime, boiler and machinery. The agreement with the ASBSD-PLF provides that the above coverages will be provided to various limits for the different types of coverage. Member premiums are used by the pool for payment of claims and to pay for the property and automobile coverage and deductibles ranging from \$1,000 to \$10,000 for other different types of insurance coverage.

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

NOTES TO FINANCIAL STATEMENTS - Page 23
(See Independent Auditors' Report)

Unemployment Benefits

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

Worker's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

NOTE 13 - LITIGATION

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

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS - Page 24
(See Independent Auditors' Report)

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The School District is reporting a prior period adjustment because health insurance was being accrued on a liability in error on expensed contracts. The School District restated the net position and fund balances to appropriately reflect the July 1, 2022 balance as follows:

	Net Position	General Fund	Special Education Fund
Balance at June 30, 2022, as previously stated	\$ 7,173,875	\$ 675,005	\$ 1,563,572
Prior period adjustment	12,089	10,880	1,209
Balance at July 1, 2022, as restated	<u>\$ 7,185,964</u>	<u>\$ 685,885</u>	<u>\$ 1,564,781</u>

REQUIRED SUPPLEMENTARY INFORMATION

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 902,826	\$ 902,826	\$ 1,000,238	\$ 97,412
1120	Prior Years' Ad Valorem Taxes	4,000	4,000	3,518	(482)
1130	Tax Deed Revenue	-	-	366	366
1140	Utility Taxes	60,000	60,000	62,803	2,803
1190	Penalties and Interest on Taxes	2,400	2,400	3,296	896
1510	Interest	6,200	6,200	46,146	39,946
1700	Cocurricular Activities:				
1710	Admissions	7,500	7,500	12,451	4,951
1740	Rentals	100	100	175	75
1790	Other	13,400	13,400	47,059	33,659
1900	Other Revenue from Local Sources:				
1920	Contributions and Donations	1,100	1,100	2,882	1,782
1950	Refund of Prior Years' Expenditures	450	450	347	(103)
1970	Charges for Services	1,900	1,900	2,432	532
1990	Other	5,400	5,400	85,519	80,119
2000	Revenue from Intermediate Sources:				
2100	County Sources:				
2110	County Apportionment	6,400	6,400	7,097	697
3000	Revenue from State Sources:				
3110	Unrestricted Grants-in-Aid	740,936	740,936	709,135	(31,801)
3900	Other State Revenues	-	-	200	200
4000	Revenue from Federal Sources:				
4140	Restricted Directly from Federal Government	7,495	7,495	-	(7,495)
4199	Restricted Received from Federal Government Through the State	124,039	124,039	143,226	19,187
	Total Revenue	\$ 1,884,146	\$ 1,884,146	\$ 2,126,890	\$ 242,744

(Continued on next page)

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1000	Instruction:				
1100	Regular Programs:				
1111	Elementary	\$ 482,731	\$ 482,731	\$ 482,069	\$ 662
1120	Middle/Junior High	120,428	140,894	143,294	(2,400)
1130	High School	297,007	297,007	293,832	3,175
1200	Special Programs:				
1270	Educationally Deprived	84,896	84,896	79,279	5,617
2000	Support Services:				
2100	Pupils:				
2120	Guidance	61,807	63,007	62,685	322
2200	Support Services-Instructional Staff:				
2210	Improvement of Instruction	12,740	12,740	1,181	11,559
2220	Educational Media	99,863	99,863	91,366	8,497
2300	Support Services-General Administration:				
2310	Board of Education	72,795	101,948	80,993	20,955
2321	Executive Administration	94,730	96,162	97,546	(1,384)
2400	Support Services - School Administration:				
2410	Office of the Principal	166,655	166,655	156,890	9,765
2490	Other	200	200	126	74
2500	Support Services-Business				
2520	Fiscal Services	97,216	97,216	96,908	308
2540	Operation & Maintenance of Plant	222,392	222,392	195,095	27,297
2550	Pupil Transportation	129,110	129,110	126,361	2,749
2590	Other	-	7,657	7,657	-
6000	Cocurricular Activities				
6100	Male Activities	39,266	41,095	41,094	1
6200	Female Activities	28,849	28,849	26,293	2,556
6500	Transportation	10,454	11,901	11,900	1
6900	Combined Activities	86,119	96,243	100,947	(4,704)
7000	Contingencies				
		25,000	25,000	-	25,000
Total Expenditures		\$ 2,132,258	\$ 2,205,566	\$ 2,095,516	\$ 110,050

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Excess Revenue Over/Under Expenditures	\$ (248,112)	\$ (321,420)	\$ 31,374	\$ 352,794
Other Financing Sources				
5110 Transfer In	275,000	275,000	366,125	91,125
8110 Transfer Out	(31,276)	(31,276)	(18,399)	12,877
Total Other Financing Sources	243,724	243,724	347,726	104,002
Net Change in Fund Balances	(4,388)	(77,696)	379,100	456,796
Fund Balance - Beginning	675,005	675,005	675,005	-
Prior period adjustment (See Note 15)	10,880	10,880	10,880	-
Fund Balance - Ending	\$ 681,497	\$ 608,189	\$ 1,064,985	\$ 456,796

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 586,189	\$ 586,189	\$ 592,896	\$ 6,707
1120	Prior Years' Ad Valorem Taxes	3,300	3,300	2,102	(1,198)
1130	Tax Deed Revenue	-	-	57	57
1190	Penalties and Interest on Taxes	1,900	1,900	2,031	131
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government Through the State	119,282	119,282	120,139	857
	Total Revenue	\$ 710,671	\$ 710,671	\$ 717,225	\$ 6,554

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
1000	Instruction:			
1100	Regular Programs:			
1111	\$ 42,311	\$ 42,311	\$ 59,216	\$ (16,905)
1120	38,415	38,415	20,269	18,146
1130	39,718	39,718	46,027	(6,309)
2200	Support Services-Instructional Staff:			
2220	32,514	32,514	6,501	26,013
2300	Support Services-General Administration:			
2321	666	666	282	384
2400	Support Services-School Administration:			
2410	1,199	1,199	1,442	(243)
2500	Support Services-Business			
2520	6,050	6,050	6,050	-
2530	60,000	60,000	26,412	33,588
2540	98,515	140,667	98,090	42,577
2550	-	60,772	64,007	(3,235)
2590	895	895	2,725	(1,830)
6000	Cocurricular Activities			
6100	1,250	1,250	4,183	(2,933)
6200	-	-	1,270	(1,270)
6900	10,035	10,035	11,117	(1,082)
	<u>331,568</u>	<u>434,492</u>	<u>347,591</u>	<u>86,901</u>
	Excess Revenue Over/Under Expenditures			
	<u>379,103</u>	<u>276,179</u>	<u>369,634</u>	<u>93,455</u>
	Other Financing Sources			
8110	(275,000)	(376,810)	(366,125)	10,685
5130	4,405	-	6,439	6,439
5140	-	-	7,661	7,661
	<u>(270,595)</u>	<u>(376,810)</u>	<u>(352,025)</u>	<u>24,785</u>
	<u>108,508</u>	<u>(100,631)</u>	<u>17,609</u>	<u>118,240</u>
	Fund Balance - Beginning			
	<u>2,559,186</u>	<u>2,559,186</u>	<u>2,559,186</u>	<u>-</u>
	<u>\$ 2,667,694</u>	<u>\$ 2,458,555</u>	<u>\$ 2,576,795</u>	<u>\$ 118,240</u>

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
REVENUES:					
1000	Revenue from Local Sources:				
1100	Taxes:				
1110	Ad Valorem Taxes	\$ 300,000	\$ 300,000	\$ 280,132	\$ (19,868)
1120	Prior Years' Ad Valorem Taxes	-	-	951	951
1130	Tax Deed Revenue	-	-	26	26
1190	Penalties and Interest on Taxes	-	-	918	918
1900	Other Revenue from Local Sources:				
1970	Charges for Services	-	-	86	86
4000	Revenue from Federal Sources:				
4199	Received Directly from Federal Government Through the State	-	-	2,898	2,898
Total Revenue	\$ 300,000	\$ 300,000	\$ 285,011	\$ (14,989)	

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2023

Data	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget	
	Original	Final			
EXPENDITURES:					
1200	Special Programs:				
1220	Programs for Special Education	\$ 295,224	\$ 295,647	\$ 275,092	\$ 20,555
2000	Support Services:				
2100	Pupils:				
2140	Psychological Services	4,547	4,547	4,546	1
2150	Speech	11,779	11,779	11,850	(71)
2170	Student Therapy Services	29,000	36,065	37,135	(1,070)
2700	Special Education:				
2710	Administrative Costs	5,853	8,115	5,853	2,262
2730	Transportation Costs	1,400	1,400	468	932
Total Expenditures		347,803	357,553	334,944	22,609
Excess Revenue Over/Under Expenditures		(47,803)	(57,553)	(49,933)	7,620
Net Change in Fund Balances		(47,803)	(57,553)	(49,933)	7,620
Fund Balance - Beginning		1,563,572	1,563,572	1,563,572	-
Prior Period Adjustment (Note 15)		1,209	1,209	1,209	-
Fund Balance - Ending		\$ 1,516,978	\$ 1,507,228	\$ 1,514,848	\$ 7,620

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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 trust and agency 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 five 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 Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
SDRS	6/30/2023	0.0589%	\$ (5,567)	\$ 1,401,974	-0.40%	100.10%
SDRS	6/30/2022	0.0590%	(449,748)	1,335,006	-33.70%	105.52%
SDRS	6/30/2021	0.0587%	(2,550)	1,289,335	-0.20%	100.04%
SDRS	6/30/2020	0.0588%	(6,234)	1,250,723	-0.50%	100.09%
SDRS	6/30/2019	0.0591%	(1,380)	1,219,480	-0.10%	100.02%
SDRS	6/30/2018	0.0596%	(5,407)	1,210,603	-0.40%	100.10%
SDRS	6/30/2017	0.0545%	183,944	1,035,460	17.80%	96.89%
SDRS	6/30/2016	0.0539%	(228,630)	984,164	-23.20%	104.10%
SDRS	6/30/2015	0.0552%	(397,875)	965,734	-41.20%	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 the 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.

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
SCHEDULE OF THE SCHOOL DISTRICT PENSION CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	6/30/2023	\$ 88,767	\$ 88,767	\$ -	\$ 1,479,447	6.00%
SDRS	6/30/2022	84,296	84,296	-	1,401,974	6.00%
SDRS	6/30/2021	80,100	80,100	-	1,335,006	6.00%
SDRS	6/30/2020	77,360	77,360	-	1,289,335	6.00%
SDRS	6/30/2019	75,045	75,045	-	1,250,723	6.00%
SDRS	6/30/2018	73,169	73,169	-	1,219,480	6.00%
SDRS	6/30/2017	72,636	72,636	-	1,210,603	6.00%
SDRS	6/30/2016	62,128	62,128	-	1,035,460	6.00%
SDRS	6/30/2015	59,050	59,050	-	984,164	6.00%

*Until a full 10-year trend is compiled, the School District will present information for those years in which information is available.

**FREDERICK AREA SCHOOL DISTRICT NO. 6-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS**

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%.

FREDERICK AREA SCHOOL DISTRICT NO. 6-2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2023
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

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%.

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 7 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.