



Financial Statements
June 30, 2023

Groton Area School District 06-6

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Independent Auditor's Report

The School Board
Groton Area School District 06-6
Groton, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Groton Area School District 06-6 (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the 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 School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary schedules, schedule of employer's share of net pension liability (asset), and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Management has omitted the management's discussion and analysis 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 opinions on the basic financial statements are not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2024, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota
June 5, 2024

Groton Area School District 06-6
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,165,342	\$ 209,032	\$ 3,374,374
Investments held by fiscal agent	5,407,842	-	5,407,842
Taxes receivable	2,663,538	-	2,663,538
Accounts receivable	1,337,920	32,323	1,370,243
Inventories	-	15,173	15,173
Net pension asset	13,847	398	14,245
Capital assets:			
Land, improvements and construction in progress	673,837	-	673,837
Other capital assets, net of depreciation	10,803,475	10,207	10,813,682
Total assets	24,065,801	267,133	24,332,934
Deferred Outflows of Resources			
Pension related deferred outflows	1,376,855	39,579	1,416,434
	<u>\$ 25,442,656</u>	<u>\$ 306,712</u>	<u>\$ 25,749,368</u>
Liabilities			
Accounts payable	\$ 257,587	\$ -	\$ 257,587
Other current liabilities	375,834	1,574	377,408
Unearned revenue	-	44,571	44,571
Noncurrent liabilities:			
Due within one year	5,782,839	-	5,782,839
Due in more than one year	5,934,645	-	5,934,645
Total liabilities	12,350,905	46,145	12,397,050
Deferred Inflows of Resources			
Pension related deferred inflows	805,358	23,150	828,508
Taxes levied for future period	2,928,971	-	2,928,971
Total deferred inflows of resources	3,734,329	23,150	3,757,479
Net Position			
Net investment in capital assets	5,418,802	10,207	5,429,009
Restricted for:			
Capital Outlay	836,664	-	836,664
Special Education	343,158	-	343,158
SDRS pension benefits	585,344	16,827	602,171
Debt service	102	-	102
Unrestricted	2,173,352	210,383	2,383,735
Total net position	9,357,422	237,417	9,594,839
	<u>\$ 25,442,656</u>	<u>\$ 306,712</u>	<u>\$ 25,749,368</u>

Groton Area School District 06-6
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
						Governmental Activities	Business-Type Activities
Primary Government							
Governmental activities:							
Instruction	\$ 3,733,302	\$ 8,425	\$ 456,545	\$ 382,524	\$ (2,885,808)	\$ -	\$ (2,885,808)
Support services	2,897,551	180	-	-	(2,897,371)	-	(2,897,371)
Community services	5,688	-	-	-	(5,688)	-	(5,688)
*Interest on long-term debt	309,021	-	-	-	(309,021)	-	(309,021)
Co-curricular activities	350,187	135,723	-	-	(214,464)	-	(214,464)
Total governmental activities	7,295,749	144,328	456,545	382,524	(6,312,352)	-	(6,312,352)
Business-type activities:							
Food service	259,549	160,502	156,620	-	-	57,573	57,573
After school program	82,374	74,027	7,020	-	-	(1,327)	(1,327)
Driver's education	3,655	10,020	-	-	-	6,365	6,365
Total business-type activities	345,578	244,549	163,640	-	-	62,611	62,611
Total primary government	\$ 7,641,327	\$ 388,877	\$ 620,185	\$ 382,524	(6,312,352)	62,611	(6,249,741)
General Revenues							
Taxes:							
Property taxes					5,725,738	-	5,725,738
Gross receipts tax					726,022	-	726,022
Revenue from state sources:							
State aid					339,808	-	339,808
Other					4,330	-	4,330
Revenue from federal sources					3,625	-	3,625
Grants and contributions not restricted to specific programs					16,653	-	16,653
Unrestricted investment earnings					10,515	-	10,515
Other general revenues					109,290	-	109,290
Total general revenues					6,935,981	-	6,935,981
Change in Net Position					623,629	62,611	686,240
Net Position - Beginning					8,733,793	174,806	8,908,599
Net Position - Ending					\$ 9,357,422	\$ 237,417	\$ 9,594,839

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

Groton Area School District 06-6
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,750,998	\$ 970,180	\$ 444,164	\$ -	\$ 3,165,342
Investments held by fiscal agent	-	5,407,842	-	-	5,407,842
110 Taxes receivable - current	1,382,130	854,028	404,720	-	2,640,878
112 Taxes receivable - delinquent	12,761	6,402	3,395	102	22,660
140 Due from state government	732,279	605,641	-	-	1,337,920
	<u>\$ 3,878,168</u>	<u>\$ 7,844,093</u>	<u>\$ 852,279</u>	<u>\$ 102</u>	<u>\$ 12,574,642</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
402 Accounts payable	\$ -	\$ 257,587	\$ -	\$ -	\$ 257,587
404 Contracts payable	218,172	-	36,159	-	254,331
450 Payroll deductions and withholdings and employer matching payable	104,232	-	17,271	0	121,503
Total liabilities	<u>322,404</u>	<u>257,587</u>	<u>53,430</u>	<u>-</u>	<u>633,421</u>
Deferred Inflows of Resources					
553 Taxes levied for future period	1,511,695	961,585	455,691	-	2,928,971
551 Unavailable revenue - delinquent property taxes	12,761	6,402	3,395	102	22,660
559 Other	1,494	380,415	-	-	381,909
Total deferred inflows of resources	<u>1,525,950</u>	<u>1,348,402</u>	<u>459,086</u>	<u>102</u>	<u>3,333,540</u>
Fund Balances					
Restricted:					
Capital outlay	-	830,262	-	-	830,262
Special education	-	-	339,763	-	339,763
Bond redemption	-	5,407,842	-	-	5,407,842
Assigned:					
Other purposes - clubs	114,326	-	-	-	114,326
Unemployment	31,134	-	-	-	31,134
Unassigned	1,884,354	-	-	-	1,884,354
Total fund balances	<u>2,029,814</u>	<u>6,238,104</u>	<u>339,763</u>	<u>-</u>	<u>8,607,681</u>
	<u>\$ 3,878,168</u>	<u>\$ 7,844,093</u>	<u>\$ 852,279</u>	<u>\$ 102</u>	<u>\$ 12,574,642</u>

See Notes to Financial Statements

Groton Area School District 06-6
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Total Fund Balances - Governmental Funds	\$ 8,607,681
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,477,312
Long-term debt and liabilities, including bonds payable, financing payables, SD SDBF assessment, direct financing obligation, and early retirement payables are not due and payable in the current period and, therefore, are not reported in the funds.	(11,550,735)
Unamortized balance of premiums and discounts are not due and payable in the current period and, therefore, are not reported in the funds.	(166,749)
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	22,660
Assets such as grants receivable are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	381,909
Net pension liability (asset), pension related deferred inflows of resources, and pension related deferred outflows of resources do not represent available financial resources and, therefore, are not reported in the funds.	585,344
Net Position - Governmental Funds	<u>\$ 9,357,422</u>

Groton Area School District 06-6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Revenues					
1000 Revenue from local sources					
1100 Taxes:					
1110 Ad valorem taxes	\$ 2,982,355	\$ 1,802,987	\$ 901,813	\$ -	\$ 5,687,155
1120 Prior year's ad valorem taxes	9,266	3,384	1,794	194	14,638
1130 Tax deed revenue	3,677	1,824	864	-	6,365
1140 Gross receipt taxes	726,022	-	-	-	726,022
1190 Penalties and interest on taxes	5,899	2,558	1,365	68	9,890
1300 Tuition and fees:					
1360 Regular day school transportation fees	180	-	-	-	180
1500 Earnings on investments and deposits	10,515	-	-	-	10,515
1700 Co-curricular activities:					
1710 Admissions	40,827	-	-	-	40,827
1740 Rentals	1,191	-	-	-	1,191
1790 Other pupil activity income	93,705	-	-	-	93,705
1900 Other revenue from local sources:					
1910 Rentals	2,300	-	-	-	2,300
1920 Contributions and donations	16,653	-	-	-	16,653
1970 Charges for services	7,430	-	995	-	8,425
1990 Other	39,602	30,460	-	-	70,062
2000 Revenue from intermediate sources					
2100 County sources:					
2110 County apportionment	36,890	-	-	-	36,890
2200 Revenue in lieu of taxes	-	-	38	-	38
3000 Revenue from state sources					
3100 Grants-in-aid:					
3110 Unrestricted grants-in-aid	339,808	-	-	-	339,808
3120 Restricted grants-in-aid	2,129	-	-	-	2,129
3900 Other state revenue	1,139	-	3,191	-	4,330
4000 Revenue from federal sources					
4100 Grants-in-aid:					
4140 Restricted grants-in-aid received directly from federal government	26,767	-	-	-	26,767
4150-4199 Restricted grants-in-aid received from federal government through the state	201,749	301,731	-	-	503,480
4900 Other federal revenue	2,585	1,040	-	-	3,625
Total revenues	<u>4,550,689</u>	<u>2,143,984</u>	<u>910,060</u>	<u>262</u>	<u>7,604,995</u>

Groton Area School District 06-6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Outlay Fund	Special Education Fund	Bond Redemption Fund	Total Governmental Funds
Expenditures					
1000 Instruction					
1100 Regular programs:					
1110 Elementary	1,109,376	65,826	-	-	1,175,202
1120 Middle school/junior high	524,554	3,309	-	-	527,863
1130 High school	913,208	52,891	-	-	966,099
1140 Preschool services	39,448	410	-	-	39,858
1200 Special programs:					
1210 Gifted and talented	3,209	-	-	-	3,209
1220 Programs for special education	-	1,800	647,650	-	649,450
1230 At-risk youth	56,071	-	-	-	56,071
1250 Culturally different	23,024	-	-	-	23,024
1270 Educationally deprived	138,412	-	-	-	138,412
2000 Support services					
2100 Pupils:					
2120 Guidance	68,057	169	-	-	68,226
2130 Health	44,370	919	-	-	45,289
2140 Psychological	-	-	15,389	-	15,389
2150 Speech pathology	-	-	40,534	-	40,534
2170 Student therapy services	-	-	116,089	-	116,089
2200 Support services - instructional staff:					
2210 Improvement of instruction	33,465	-	-	-	33,465
2220 Educational media	128,836	48,824	-	-	177,660
2300 Support services - general administration:					
2310 Board of Education	76,329	-	-	-	76,329
2320 Executive administration	146,189	527	-	-	146,716
2400 Support services - school administration:					
2410 Office of the Principal	323,882	1,325	-	-	325,207
2490 Other	508	-	-	-	508
2500 Support services - business:					
2520 Fiscal services	172,714	6,150	-	-	178,864
2530 Facilities acquisition and construction	10,726	65,383	-	-	76,109
2540 Operation and maintenance of plant	816,285	30,897	-	-	847,182
2550 Pupil transportation	446,301	1,106	-	-	447,407
2700 Support services - special education:					
2710 Administrative costs	-	-	24,870	-	24,870
2730 Transportation costs	-	-	7,315	-	7,315
2740 Other health impairments	-	-	5,817	-	5,817
2750 Other special education costs	-	-	2,407	-	2,407
4000 Nonprogrammed charges					
4500 Early retirement payments	26,913	-	-	-	26,913
5000 Debt services	-	982,650	-	-	982,650
6000 Co-curricular activities	-	-	-	-	-
6900 Combined activities	273,200	28,063	-	-	301,263
7500 Capital outlay	-	1,224,387	-	-	1,224,387
Total expenditures	<u>5,375,077</u>	<u>2,514,636</u>	<u>860,071</u>	<u>-</u>	<u>8,749,784</u>
Excess of Revenue over (under) Expenditures	<u>(824,388)</u>	<u>(370,652)</u>	<u>49,989</u>	<u>262</u>	<u>(1,144,789)</u>
Other Financing Sources (uses)					
5510 Transfers in	600,000	262	-	-	600,262
8110 Transfer out	-	(600,000)	-	(262)	(600,262)
5120 General long-term debt issued	-	62,880	-	-	62,880
Total other financing sources (uses)	<u>600,000</u>	<u>(536,858)</u>	<u>-</u>	<u>(262)</u>	<u>62,880</u>
Net Change in Fund Balances	<u>(224,388)</u>	<u>(907,510)</u>	<u>49,989</u>	<u>-</u>	<u>(1,081,909)</u>
Fund Balance - Beginning	<u>2,254,202</u>	<u>7,145,614</u>	<u>289,774</u>	<u>-</u>	<u>9,689,590</u>
Fund Balance - Ending	<u>\$ 2,029,814</u>	<u>\$ 6,238,104</u>	<u>\$ 339,763</u>	<u>\$ -</u>	<u>\$ 8,607,681</u>

See Notes to Financial Statements

Groton Area School District 06-6
 Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
 Government-Wide Statement of Activities
 Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (1,081,909)
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 Capital Outlay (\$1,224,387) exceeded depreciation (\$540,117) in the current period.	684,270
In both the government-wide and fund financial statements, revenues from tax levies are applied to finance the budget of a particular period. Accounting for revenues from 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."	7,690
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	306,693
The issuance of long-term debt is another financing source in the fund statements, but is an increase in long-term liabilities on the government-wide statements.	(62,880)
Repayment of early retirement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. New early retirement approved was \$0, payments of early retirement were \$20,000.	20,000
Governmental funds report the effect of premiums and discounts when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This is the amount amortized in the current period.	12,422
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	668,120
Expenses or reductions of expenses related to pensions reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the funds.	69,223
Change in Net Position of Governmental Activities	\$ 623,629

Groton Area School District 06-6
Statement of Net Position – Proprietary Funds
June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other	Total
Assets			
Current Assets			
101 Cash and cash equivalents	\$ 160,469	\$ 48,563	\$ 209,032
120 Accounts receivable	13,022	19,301	32,323
170 Inventory of supplies	4,858	-	4,858
171 Inventory of stores purchased for resale	6,432	-	6,432
172 Inventory of donated food	3,883	-	3,883
Total current assets	<u>188,664</u>	<u>67,864</u>	<u>256,528</u>
Noncurrent Assets			
196 Net pension asset	267	131	398
200 Capital assets:			
204 Machinery and equipment - local funds	124,941	-	124,941
205 Machinery and equipment - federal	7,698	-	7,698
Less accumulated depreciation	<u>(122,432)</u>	<u>-</u>	<u>(122,432)</u>
Total noncurrent assets	<u>10,474</u>	<u>131</u>	<u>10,605</u>
Deferred Outflows of Resources			
252 Pension related deferred outflows	<u>26,548</u>	<u>13,031</u>	<u>39,579</u>
Total assets and deferred outflows of resources	<u>\$ 225,686</u>	<u>\$ 81,026</u>	<u>\$ 306,712</u>
Liabilities, Deferred Inflows, and Net Position			
Current Liabilities			
450 Payroll deductions and withholdings and employer matching payable	\$ 1,574	\$ -	\$ 1,574
474 Unearned revenue	<u>38,200</u>	<u>6,371</u>	<u>44,571</u>
Total current liabilities	<u>39,774</u>	<u>6,371</u>	<u>46,145</u>
Deferred Inflows of Resources			
554 Pension related deferred inflows	<u>15,528</u>	<u>7,622</u>	<u>23,150</u>
Net Position			
706 Net investment in capital assets	10,207	-	10,207
707.2 SDRS pension benefits	11,287	5,540	16,827
708 Unrestricted net position	<u>148,890</u>	<u>61,493</u>	<u>210,383</u>
Total net position	<u>170,384</u>	<u>67,033</u>	<u>237,417</u>
Total liabilities, deferred inflows, and net position	<u>\$ 225,686</u>	<u>\$ 81,026</u>	<u>\$ 306,712</u>

Groton Area School District 06-6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other	Total
Operating Revenue			
Tuition and fees			
1310 Student tuition	\$ -	\$ 10,020	\$ 10,020
1980 Parent tuition	-	74,027	74,027
Sales			
1610 To pupils	155,210	-	155,210
1620 To adults	1,497	-	1,497
1660 Other	3,795	-	3,795
Total operating revenue	<u>160,502</u>	<u>84,047</u>	<u>244,549</u>
Operating Expenses			
100 Salaries	78,287	57,663	135,950
200 Employee benefits	28,381	13,352	41,733
300 Purchased services	8,594	3,655	12,249
400 Supplies	7,745	11,359	19,104
461 Cost of sales - purchased food	96,572	-	96,572
462 Cost of sales - donated food	38,231	-	38,231
910 Depreciation - local funds	1,739	-	1,739
Total operating expenses	<u>259,549</u>	<u>86,029</u>	<u>345,578</u>
Operating Loss	<u>(99,047)</u>	<u>(1,982)</u>	<u>(101,029)</u>
Nonoperating Revenue			
Other local revenue			
1920 Contributions and donations	-	7,020	7,020
State sources			
3810 Cash reimbursements	599	-	599
Federal sources			
4000 Federal grants	7,354	-	7,354
4810 Cash reimbursements	110,914	-	110,914
4820 Donated food	37,753	-	37,753
Total nonoperating revenue	<u>156,620</u>	<u>7,020</u>	<u>163,640</u>
Change in Net Position	57,573	5,038	62,611
Net Position - Beginning	<u>112,811</u>	<u>61,995</u>	<u>174,806</u>
Net Position - Ending	<u>\$ 170,384</u>	<u>\$ 67,033</u>	<u>\$ 237,417</u>

Groton Area School District 06-6
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Enterprise Funds		
	Food Service Fund	Other	Total
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 157,849	\$ 72,096	\$ 229,945
Payments to suppliers	(112,650)	(15,014)	(127,664)
Payments to employees	(105,349)	(71,631)	(176,980)
Net Cash used for Operating Activities	<u>(60,150)</u>	<u>(14,549)</u>	<u>(74,699)</u>
Cash Flows used for Capital and Related Financing Activities			
Purchase of capital assets	(7,698)	-	(7,698)
Net Cash used for Capital and Related Financing Activities	<u>(7,698)</u>	<u>-</u>	<u>(7,698)</u>
Cash Flows from Noncapital Financing Activities			
Contributions and donations	-	7,020	7,020
Operating subsidies	118,389	-	118,389
Net Cash from Noncapital Financing Activities	<u>118,389</u>	<u>7,020</u>	<u>125,409</u>
Net Change in Cash and Cash Equivalents	50,541	(7,529)	43,012
Cash and Cash Equivalents, Beginning of Year	109,928	56,092	166,020
Cash and Cash Equivalents, End of Year	<u>\$ 160,469</u>	<u>\$ 48,563</u>	<u>\$ 209,032</u>
Reconciliation of Operating Loss to Net Cash from (used for) Operating Activities:			
Operating loss	\$ (99,047)	\$ (1,982)	\$ (101,029)
Adjustments to reconcile operating loss to net cash from (used for) operating activities:			
Depreciation expense	1,739	-	1,739
Non-cash inventory costs	38,231	-	38,231
Change in assets and liabilities:			
Accounts receivable	(4,143)	(9,828)	(13,971)
Inventories	261	-	261
Pension liability, asset, deferred inflows and deferred outflows	1,539	(616)	923
Accounts and other payables	(220)	-	(220)
Unearned revenue	1,490	(2,123)	(633)
Net Cash used for Operating Activities	<u>\$ (60,150)</u>	<u>\$ (14,549)</u>	<u>\$ (74,699)</u>
Noncash Investing, Capital and Financing Activities			
Value of commodities received	\$ 37,753	\$ -	\$ 37,753

Groton Area School District 06-6
 Statements of Fiduciary Net Position
 June 30, 2023

	Private Purpose Trust Fund	Custodial Fund
Assets		
Cash	\$ -	\$ 148,924
Investments	104,843	-
	\$ 104,843	\$ 148,924
Net Position		
Net position held for organizations, clubs and classes	\$ -	\$ 148,924
Net position held in trust for scholarships	104,842	-
	104,842	148,924
Total net position	\$ 104,842	\$ 148,924

Groton Area School District 06-6
Statement of Changes in Fiduciary Net Position
June 30, 2023

	Private Purpose Trust Fund	Custodial Fund
Additions		
Contributions, donations and fundraisers	\$ -	\$ 270,411
Investment income	8,981	-
Total additions	8,981	270,411
Deductions		
Organization, club and class expenses	-	274,448
Scholarships	3,757	-
Investments fees	1,463	-
Total deductions	5,220	274,448
Change in Net Position	3,761	(4,037)
Net Position - Beginning	101,081	152,961
Net Position - Ending	\$ 104,842	\$ 148,924

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Groton Area School District 06-6 (the School District) conform to generally accepted accounting principles applicable to government entities in the United States of America.

Financial Reporting Entity

The School District consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the School District's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District does not have any component units.

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

Basis of Presentation

The financial statements of the School District have been prepared in accordance with generally accepted accounting principles (GAAP) as presented by the Governmental Accounting Standards Board (GASB). The GASB is the standard setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. They include all funds of the School District 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 and deferred outflows of resources minus liabilities and deferred inflows of resources equals net position). Net position is displayed in three components, as applicable: net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

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

Fund Financial Statements

Fund financial statements of the School District 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, and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The funds of the School District 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 Fund Types – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Capital Outlay Fund and Special Education Fund are the special revenue funds maintained by the School District.

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

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

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

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

Proprietary Funds

Enterprise Fund Types – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Other Fund – A fund used to record financial transactions related to the driver's education operations and the after-school program operations. This fund is financed by tuition charges for both driver's education and the after-school program. This is a major fund.

Fiduciary Funds

Fiduciary Funds are never considered to be major funds.

Custodial Fund Types – Custodial funds are used to account for resources held by the School District in a purely custodial capacity. Since custodial funds are custodial in nature, they do not involve the measurement of results of operations. The School District maintains custodial funds to account for student funds generated within the School District by the students or other School District organizations.

Private-Purpose Trust Fund Types – Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefits individuals, private organizations or other governments. The School District maintains the following private-purpose trust fund, which is used for the purpose of providing scholarships to students:

- Dick and Gert Ruden Scholarship Fund

Measurement Focus and Basis of Accounting

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

Measurement Focus**Government-Wide Financial Statements**

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the current financial resources measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary and similar trust 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 School District, the length of that cycle is 60 days. Utility tax receivables and grant receivables, which are accrued at June 30, 2023, are due from the state and county governments for \$1,337,920.

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

Inventory

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt. In the government-wide financial statements and the proprietary funds in the 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 in the General Fund and special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a non-spendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The School District did not have any material amounts of inventory in the General Fund or special revenue funds.

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

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. Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land*	All	N/A	N/A
Improvements	\$ 5,000	Straight-line	15 - 25 years
Buildings	25,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5 - 20 years

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

Fund Financial Statements

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

Unearned Revenue

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. Reported unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Long-Term Debt and Other Long-Term Liabilities

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

All long-term debt and other liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt primarily consists of long-term bonds and direct financing payables. The other long-term liabilities consist of early retirement payables.

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.

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.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 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 current year's appropriations and, therefore, is not susceptible to accrual, has been reported as deferred inflows of resources in both the fund financial statements and 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."

Proprietary Funds Revenue and Expense Classifications

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

Cash and Cash Equivalents

The School District pools its cash resources for deposit purposes. Accordingly, the enterprise funds have access to its cash resources on demand. All reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statements of cash flows. 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.

Equity Classifications**Government-Wide Statements**

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

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable), and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance and may distinguish between non-spendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity is reported as net position held in trust for other purposes or held for other organizations, clubs or classes.

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.

Fund Balance Classification Policies and Procedures

The School District classifies governmental fund balances as follows:

- Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted or committed. Fund balance may be assigned by the School Board or Business Manager.
- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

The School District does not have a formal minimum fund balance policy.

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

Major Special Revenue Fund

Revenue Source

Capital Outlay
Special Education

Property taxes and grants
Property taxes and grants

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense and revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of items that qualify for reporting in this category. The School District reports unavailable revenues from property taxes and grant revenue on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to changes in the net pension liability (asset) not included in pension revenue/expense reported in the government-wide statement of net position.

Note 2 - Deposits and Investments

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

Deposits

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

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

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

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. The School District does not have a policy for custodial credit risk. The financial institutions where the collateral is held must be a member of the FDIC. As of June 30, 2023, the financial institutions that hold the School District’s deposits were properly collateralized.

The actual bank balances at June 30, 2023, were as follows:

	<u>Bank Balance</u>
Insured (FDIC/NCUA)	\$ 250,000
Uninsured, collateral jointly held by State's/School District's agent in the name of the State and the pledging financial institution	<u>3,309,302</u>
	<u>\$ 3,559,302</u>

The School District's carrying amount of deposits at June 30, 2023	<u>\$ 3,523,298</u>
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Reconciliation of deposits to government-wide statement of net position:

Cash and cash equivalents	\$ 3,374,374
Add: Fiduciary fund cash (not included in government-wide statement of net position)	<u>148,924</u>
	<u>\$ 3,523,298</u>

Investments

In general, SDCL 4-5-6 permits School District 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 (c) 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. There were investments held in a private purpose trust fund as of June 30, 2023.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have an investment policy for custodial risk. When the School District does own investments, they are held in the School District’s name.

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

Credit Risk – Currently, the School District has no policy in regard to credit risk.

Concentration of Credit Risk – The School District does not have a policy in place.

Note 3 - Changes in Capital Assets

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

Primary Government Governmental Activities	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets not being depreciated:				
Land	\$ 103,596	\$ -	\$ -	\$ 103,596
Construction in progress	82,000	570,241	82,000	570,241
Total capital assets not being depreciated	<u>185,596</u>	<u>570,241</u>	<u>82,000</u>	<u>673,837</u>
Capital assets being depreciated:				
Buildings	14,909,178	142,417	-	15,051,595
Improvements other than buildings	1,203,879	7,591	-	1,211,470
Machinery and equipment	2,151,339	586,138	-	2,737,477
Total capital assets being depreciated	<u>18,264,396</u>	<u>736,146</u>	<u>-</u>	<u>19,000,542</u>
Less accumulated depreciation for:				
Buildings	5,070,102	281,140	-	5,351,242
Improvements other than buildings	958,450	72,159	-	1,030,609
Machinery and equipment	1,628,398	186,818	-	1,815,216
Total accumulated depreciation	<u>7,656,950</u>	<u>540,117</u> **	<u>-</u>	<u>8,197,067</u>
Total capital assets being depreciated, net	<u>10,607,446</u>	<u>196,029</u>	<u>-</u>	<u>10,803,475</u>
Governmental activity capital assets, net	<u>\$ 10,793,042</u>	<u>\$ 766,270</u>	<u>\$ 82,000</u>	<u>\$ 11,477,312</u>

** Depreciation expense was charged to functions as follows:

Governmental activities:			
Instruction			\$ 200,867
Support services			283,433
Community services			5,688
Co-curricular activities			50,129
Total depreciation expense - governmental activities			<u>\$ 540,117</u>

Proprietary Fund	Balance 7/1/2022	Increases	Decreases	Balance 6/30/2023
Capital assets being depreciated:				
Machinery and equipment - local and federal	\$ 124,941	\$ 7,698	\$ -	\$ 132,639
Total capital assets being depreciated	<u>124,941</u>	<u>7,698</u>	<u>-</u>	<u>132,639</u>
Less accumulated depreciation for:				
Machinery and equipment	120,693	1,739	-	122,432
Total accumulated depreciation	<u>120,693</u>	<u>1,739</u>	<u>-</u>	<u>122,432</u>
Total capital assets being depreciated, net	<u>4,248</u>	<u>5,959</u>	<u>-</u>	<u>10,207</u>
Proprietary fund activities capital assets, net	<u>\$ 4,248</u>	<u>\$ 5,959</u>	<u>\$ -</u>	<u>\$ 10,207</u>

** Depreciation expense was charged to functions as follows:

Proprietary fund activities:			
Food services			\$ 1,739
Total depreciation expense - proprietary fund activities			<u>\$ 1,739</u>

Note 4 - Long-Term Debt

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

Governmental Activities	7/1/2022	Increase	Decrease	6/30/2023	Due In One Year
General obligation	\$ 12,005,000	\$ -	\$ (590,000)	\$ 11,415,000	\$ 5,710,000
Direct financing	120,975	62,880	(78,120)	105,735	45,417
Net unamortized premium (discount)	179,171	-	(12,422)	166,749	12,422
	<u>\$ 12,305,146</u>	<u>\$ 62,880</u>	<u>\$ (680,542)</u>	<u>\$ 11,687,484</u>	<u>\$ 5,767,839</u>

Debt payable at June 30, 2023, is comprised of the following:

General Obligation Debt

Series 2021 General Obligation Refinancing Bonds, matures December 2036, with interest rates varying from .40%-2.50% for the life of the loan, paid by the Capital Outlay Fund. \$ 5,775,000

Series 2016 General Obligation Certificates, matures December 2036, with interest rates varying from 2.00%-4.00% for the life of the loan, paid by the Capital Outlay Fund. 5,640,000

Other Long-Term Debt

Laptop direct financing debt, matures July 2024, 4.04% interest, annual payments of \$21,330, paid by the Capital Outlay Fund. 40,050

Laptop direct financing debt, matures December 2024, 4.04% interest, annual payments of \$22,900, paid by the Capital Outlay Fund. 62,880

A&B Business, copiers direct financing debt, matures October 2023, 3.50% interest, monthly payments of \$706, paid by the Capital Outlay Fund. 2,805

Plus unamortized premiums 166,749
\$ 11,687,484

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

Year Ending June 30,	G.O. Bonds Payable		Direct Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 5,710,000	\$ 205,350	\$ 45,417	\$ 1,638	\$ 5,755,417	\$ 206,988
2025	400,000	103,785	39,416	4,644	439,416	108,429
2026	405,000	100,763	20,902	1,998	425,902	102,761
2027	405,000	96,490	-	-	405,000	96,490
2028	410,000	47,040	-	-	410,000	47,040
2029-2033	2,175,000	362,218	-	-	2,175,000	362,218
2034-2038	1,910,000	116,850	-	-	1,910,000	116,850
	<u>\$ 11,415,000</u>	<u>\$ 1,032,496</u>	<u>\$ 105,735</u>	<u>\$ 8,280</u>	<u>\$ 11,520,735</u>	<u>\$ 1,040,776</u>

In July 2021, the School District issued general obligation refunding certificates, Series 2021, at a par value of \$5,885,000, to refund a portion of the 2016 general obligation certificates. The interest rates on the 2021 certificates will range from .40% to 2.50% with a final maturity date of December 15, 2036. The debt is a crossover refunding. The School District will continue to use the pledged revenue stream on the 2016 obligation and the 2016 debt obligation will be redeemed in full on the crossover date of December 15, 2023, at which time the 2016 debt obligation will be paid from the escrow fund. As a result of qualifying as a crossover refunding, the School District will maintain both refunded debt and refunding debt on the financial statements along with the cash held by a fiscal agent until the crossover date. The amount held by a fiscal agent at year-end was \$5,407,842.

Note 5 - Other Long-Term Liabilities

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

<u>Governmental Activities</u>	<u>7/1/2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2023</u>	<u>Due In One Year</u>
Early retirement payable (See Note 6)	\$ 50,000	\$ -	\$ (20,000)	\$ 30,000	\$ 15,000
	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ 30,000</u>	<u>\$ 15,000</u>

Other long-term liabilities at June 30, 2023, is comprised of the following:

Early Retirement	
Requires annual payments of not more than \$30,000 from the General Fund, final payment in fiscal year 2025. (See Note 6)	\$ 30,000
	<u>\$ 30,000</u>

The annual required payments to maturity for all other long-term liabilities outstanding as of June 30, 2023, is as follows:

<u>Year Ending June 30,</u>	<u>Early Retirement Principal</u>
2024	\$ 15,000
2025	15,000
	<u>\$ 30,000</u>

Note 6 - Special Termination Benefits

The School District has an early retirement policy in which the employee will receive a one-time benefit of \$20,000 payable in two different options: \$5,000 paid directly to retiree over four years, or \$5,000 paid to a tax-free investment plan for four years. The employee must meet the following criteria: the employee has served the School District for at least 15 years and is between the ages of 55 and 63 as of June 30 of the retirement year. Employees hired after July 2015 will no longer be eligible for early retirement provisions. The maximum number of recipients approved in any one year shall not exceed four, and the chronological order in which the applications are received will determine the priority of the recipients. During the 2023 fiscal year, no employees were approved to receive the benefit.

Note 7 - Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the School District has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District invests in mutual funds. The mutual funds are valued on a recurring basis on readily determinable fair values based on daily redemption values and are classified within Level 1.

Note 8 - 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. There have been no decreases in coverage from the previous fiscal year and settled claims have not exceeded coverage in any of the three previous fiscal years. 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 (SD SDBF). This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local governmental entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage provides for deductibles ranging from \$1,500 to \$3,000, and \$3,000 to \$6,000 for single and family policies, respectively, and 20% coinsurance.

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

Liability Insurance

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

Workers' Compensation Insurance

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 provides 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 workers' 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 pool to resolve any workers' compensation claims. The School District pays an annual premium, to provide workers' 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 pool 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.

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

Unemployment Benefits

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

The School District has assigned fund balance in the General Fund in the amount of \$31,134 for the payment of future unemployment benefits.

At June 30, 2023, no claims have been paid for unemployment benefits in the current year and no claims are anticipated for unemployment in the next fiscal year.

Note 9 - Restricted Net Position

The following table shows the net assets restricted for other purposes as shown on the statement of net position:

Fund	Restricted By	Amount
Capital Outlay	Law	\$ 836,664
Special Education	Law	343,158
Debt Service	Law	102
SDRS Pension Benefits	Pension Plan	602,171
		\$ 1,782,095

Note 10 - Joint Ventures

The School District participates in the Northern High Tech Modules Consortium (Co-op), formed for the purpose of providing services to the member school districts.

The members of the Co-op have equal participation and are as follows:

Edmunds Central School District	Leola School District
Groton Area School District	Herreid School District
Eureka School District	Selby Area School District
Ipswich School District	Warner School District

The Warner School District serves as the school of record, and the advisory board is composed of one representative from each school district, who is the Superintendent. The board oversees adopting the budget and setting service fees at a level adequate to fund the adopted budget.

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

Separate financial statements for this joint venture are available from Northern High Tech Modules Consortium.

At June 30, 2023, this joint venture had total fund equity of \$6,489 and no long-term debt.

The School District also participates in the North Central Special Education Co-op, a multi-district cooperative service unit (co-op) formed for the purpose of providing special education services to the member school districts. All members participate equally. Members of the co-op are as follows:

Hitchcock-Tulare School District
Langford Area School District
Frederick Area School District
Northwestern Area School District
Edmunds Central School District

Doland School District
Leola School District
Groton Area School District
Warner School District

The North Central Special Education Cooperative's governing board is composed of one representative from each member school district. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

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

Financial statements are available by contacting the North Central Special Education Cooperative.

At June 30, 2023, the North Central Special Education Cooperative had fund equity of \$329,824 and no long-term debt.

Note 11 - Pension Plan

Plan Information

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, hybrid defined-benefit plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota, 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

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

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

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

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

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 judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution.

The School District's share of contributions to the SDRS for the fiscal years ending June 30, 2023, 2022, and 2021, were \$226,736, \$215,948 and \$211,271, respectively, equal to the required contributions each year.

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

At June 30, 2022, SDRS is 100.10% funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension asset of the 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 total pension liability	\$ 21,277,557
Less proportionate share of net position restricted for pension benefits	<u>21,291,802</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (14,245)</u></u>

At June 30, 2023, the School District reported a liability (asset) of (\$14,245) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the School District's proportion was 0.1507270%, which is a decrease of 0.0044370% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School District recognized pension expense (reduction of pension expense) of (\$68,300). 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	\$ 271,158	\$ 925
Changes in assumption	905,346	793,415
Net difference between projected and actual earnings on pension plan investments	-	34,137
Changes in proportion and difference between School District contributions and proportionate share of contributions	13,194	31
School District contributions subsequent to the measurement date	<u>226,736</u>	<u>-</u>
	<u><u>\$ 1,416,434</u></u>	<u><u>\$ 828,508</u></u>

There is \$226,736 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	Amount
2024	\$ 101,081
2025	200,774
2026	(223,647)
2027	282,982
	\$ 361,190

Actuarial Assumptions

The total pension liability (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%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	2.10%

Mortality Rates

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

Best estimates of real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table using geometric means:

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

Discount Rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability (asset)	\$ 2,957,770	\$ (14,245)	\$ (2,443,166)

Pension Plan Fiduciary Net Position

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

Note 12 - Interfund Transactions

During 2023, the School District made the following transfers:

- The Capital Outlay Fund transferred \$600,000 to the General Fund, as allowed by SDCL 13-16-6, to cover certain operating expenses.
- The Bond Redemption Fund transferred \$262 to the Capital Outlay Fund to close out the revenue from the bond fund.



Required Supplementary Information
June 30, 2023

Groton Area School District 06-6

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 2,968,784	\$ 2,968,784	\$ 2,982,355	\$ 13,571
1120 Prior year's ad valorem taxes	17,000	17,000	9,266	(7,734)
1130 Tax deed revenue	-	-	3,677	3,677
1140 Gross receipts taxes	735,000	735,000	726,022	(8,978)
1190 Penalties and interest on taxes	7,000	7,000	5,899	(1,101)
1300 Tuition and fees:				
1360 Regular day school transportation fees	300	300	180	(120)
1500 Earnings on investments and deposits	1,200	1,200	10,515	9,315
1700 Co-curricular activities:				
1710 Admissions	37,700	37,700	40,827	3,127
1740 Rentals	1,250	1,250	1,191	(59)
1790 Other pupil activity income	95,750	95,750	93,705	(2,045)
1900 Other revenue from local sources:				
1910 Rentals	600	600	2,300	1,700
1920 Contributions and donations	1,500	1,500	16,653	15,153
1970 Charges for services	7,200	7,200	7,430	230
1990 Other	22,650	22,650	39,602	16,952
2000 Revenue from intermediate sources				
2100 County sources:				
2110 County apportionment	37,500	37,500	36,890	(610)
2200 Revenue in lieu of taxes	100	100	-	(100)
3000 Revenue from state sources				
3100 Grants-in-aid:				
3110 Unrestricted grants-in-aid	343,000	343,000	339,808	(3,192)
3120 Restricted grants-in-aid	2,000	2,000	2,129	129
3900 Other state revenue	600	600	1,139	539
4000 Revenue from federal sources:				
4100 Grants-in-aid:				
4130 Unrestricted grants-in-aid received from federal government through an intermediate source	5,000	5,000	-	(5,000)
4140 Restricted grants-in-aid received directly from federal government	22,685	22,685	26,767	4,082
4150-4199 Restricted grants-in-aid received from federal government through the state	219,570	233,910	201,749	(32,161)
4900 Other federal revenue	1,000	1,000	2,585	1,585
Total revenues	<u>4,527,389</u>	<u>4,541,729</u>	<u>4,550,689</u>	<u>8,960</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	1,139,190	1,139,190	1,109,376	29,814
1111 Middle school/junior high	552,418	552,418	524,554	27,864
1130 High school	1,003,822	1,003,822	913,208	90,614
1140 Preschool services	46,223	46,223	39,448	6,775
1190 Other regular programs	1,500	1,500	-	1,500
1200 Special programs:				
1210 Gifted and talented	23,408	23,408	3,209	20,199
1230 At-risk youth	57,469	57,469	56,071	1,398
1250 Culturally different	24,038	24,038	23,024	1,014
1270 Educationally deprived	138,475	138,475	138,412	63
2000 Support services				
2100 Pupils:				
2120 Guidance	71,449	71,449	68,057	3,392
2130 Health	46,784	46,784	44,370	2,414
2200 Support services - instructional staff:				
2210 Improvement of instruction	46,017	60,357	33,465	26,892
2220 Educational media	138,355	138,355	128,836	9,519
2300 Support services - general administration:				
2310 Board of Education	96,040	96,040	76,329	19,711
2320 Executive administration	152,798	152,798	146,189	6,609
2400 Support services - school administration:				
2410 Office of the Principal	345,567	345,567	323,882	21,685
2490 Other	1,000	1,000	508	492
2500 Support services - business:				
2520 Fiscal services	177,404	177,404	172,714	4,690
2530 Facilities acquisition and construction	4,000	4,000	10,726	(6,726)
2540 Operation and maintenance of plant	866,044	866,044	816,285	49,759
2550 Pupil transportation	452,683	452,683	446,301	6,382
4000 Nonprogrammed charges				
4500 Early retirement payments	28,913	28,913	26,913	2,000
6000 Co-curricular activities				
6900 Combined activities	307,513	307,513	273,200	34,313
7000 Contingencies				
Amount transferred	-	-	-	-
Total expenditures	<u>5,771,110</u>	<u>5,785,450</u>	<u>5,375,077</u>	<u>410,373</u>
Excess of Revenue over (under) Expenditures	<u>(1,243,721)</u>	<u>(1,243,721)</u>	<u>(824,388)</u>	<u>419,333</u>
Other Financing Sources (Uses)				
5510 Transfers in	600,000	600,000	600,000	-
5130 Sale of surplus property	50	50	-	(50)
Total other financing sources	<u>600,050</u>	<u>600,050</u>	<u>600,000</u>	<u>(50)</u>
Net Change in Fund Balances	(643,671)	(643,671)	(224,388)	419,283
Fund Balance - Beginning	<u>2,254,202</u>	<u>2,254,202</u>	<u>2,254,202</u>	-
Fund Balance - Ending	<u>\$ 1,610,531</u>	<u>\$ 1,610,531</u>	<u>\$ 2,029,814</u>	<u>\$ 419,283</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 1,803,300	\$ 1,803,300	\$ 1,802,987	\$ (313)
1120 Prior year's ad valorem taxes	7,000	7,000	3,384	(3,616)
1130 Tax deed revenue	-	-	1,824	1,824
1190 Penalties and interest on taxes	2,800	2,800	2,558	(242)
1900 Other revenue from local sources:				
1990 Other	-	-	30,460	30,460
4000 Revenue from federal sources				
4100 Grants-in-aid:				
4150-4199 Restricted grants-in-aid received from federal government through the state	820,182	820,182	301,731	(518,451)
4900 Other federal revenue	1,036	1,036	1,040	4
Total revenues	<u>2,634,318</u>	<u>2,634,318</u>	<u>2,143,984</u>	<u>(490,334)</u>
Expenditures				
1000 Instruction				
1100 Regular programs:				
1110 Elementary	82,150	82,150	128,346	(46,196)
1120 Junior high/middle school	4,800	4,800	3,309	1,491
1130 High school	278,632	278,632	336,785	(58,153)
1140 Preschool services	600	600	410	190
1190 Other regular programs	2,000	2,000	-	2,000
1200 Special programs:				
1210 Gifted and Talented	5,000	5,000	-	5,000
1220 Programs for special education	2,850	2,850	1,800	1,050
1250 Culturally different	700	700	-	700
2000 Support services				
2100 Pupils:				
2120 Guidance	400	400	169	231
2130 Health	3,650	3,650	919	2,731
2150 Speech pathology	500	500	-	500
2200 Support services - instructional staff:				
2220 Educational media	229,955	229,955	48,824	181,131
2300 Support services - general administration:				
2320 Executive administration	700	700	527	173
2400 Support services - school administration:				
2410 Office of the Principal	1,875	1,875	1,325	550
2500 Support services - business:				
2520 Fiscal services	6,700	6,700	6,150	550
2530 Facilities acquisition and construction	1,183,250	1,183,250	827,411	355,839
2540 Operation and maintenance of plant	95,800	95,800	30,897	64,903
2550 Pupil transportation	135,000	135,000	106,414	28,586
5000 Debt services	789,805	789,805	982,650	(192,845)
6000 Co-curricular activities				
6900 Combined activities	46,350	46,350	38,700	7,650
Total expenditures	<u>2,870,717</u>	<u>2,870,717</u>	<u>2,514,636</u>	<u>356,081</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Capital Outlay Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of Revenue over Expenditures	(236,399)	(236,399)	(370,652)	(134,253)
Other Financing Sources (Uses)				
5510 Transfer in	100	100	262	162
8110 Transfers out	(600,000)	(600,000)	(600,000)	-
5120 General long-term debt issued	-	-	62,880	62,880
Total other financing sources (uses)	(599,900)	(599,900)	(536,858)	63,042
Net Change in Fund Balances	(836,299)	(836,299)	(907,510)	(71,211)
Fund Balance - Beginning	7,145,614	7,145,614	7,145,614	-
Fund Balance - Ending	<u>\$ 6,309,315</u>	<u>\$ 6,309,315</u>	<u>\$ 6,238,104</u>	<u>\$ (71,211)</u>

Groton Area School District 06-6
 Budgetary Comparison Schedule – Budgetary Basis – Special Education Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
1000 Revenue from local sources				
1100 Taxes:				
1110 Ad valorem taxes	\$ 901,750	\$ 901,750	\$ 901,813	\$ 63
1120 Prior year's ad valorem taxes	4,000	4,000	1,794	(2,206)
1130 Tax deed revenue	-	-	864	864
1190 Penalties and interest on taxes	1,450	1,450	1,365	(85)
1900 Other revenue from local sources:				
1970 Charges for services	7,900	7,900	995	(6,905)
2000 Revenue from intermediate sources				
2200 Revenue in lieu of taxes	-	-	38	38
3000 Revenue from state sources				
3900 Other state revenue	5,400	5,400	3,191	(2,209)
	<u>920,500</u>	<u>920,500</u>	<u>910,060</u>	<u>(10,440)</u>
Total revenues				
Expenditures				
1000 Instruction				
1200 Special programs:				
1220 Programs for special education	727,411	727,411	647,650	79,761
2000 Support services				
2100 Pupils:				
2130 Health	8,000	8,000	-	8,000
2140 Psychological	15,390	15,390	15,389	1
2150 Speech pathology	40,722	40,722	40,534	188
2170 Student therapy services	132,000	132,000	116,089	15,911
2300 Support services - general administration:				
2310 Board of Education	400	400	-	400
2700 Support services - special education:				
2710 Administrative costs	26,538	26,538	24,870	1,668
2730 Transportation costs	17,367	17,367	7,315	10,052
2740 Other health impairments	5,074	5,074	5,817	(743)
2750 Other special education costs	-	-	2,407	(2,407)
	<u>972,902</u>	<u>972,902</u>	<u>860,071</u>	<u>112,831</u>
Total expenditures				
Net Change in Fund Balances	(52,402)	(52,402)	49,989	102,391
Fund Balance - Beginning	289,774	289,774	289,774	-
Fund Balance - Ending	<u>\$ 237,372</u>	<u>\$ 237,372</u>	<u>\$ 339,763</u>	<u>\$ 102,391</u>

Note 1 - Basis of Presentation

The budgetary comparison schedules have been prepared using the modified accrual basis of accounting. The budgetary comparison schedules present expenditures for capital outlay purposes within each function, while the governmental funds statement of revenues, expenditures and changes in fund balance presents capital outlay expenditures as a separate function.

Note 2 - Budgetary Legal Requirements

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

1. Prior to the first regular School 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 at the fund level and actual expenditures of each fund cannot exceed the amounts budgeted for that fund, except as indicated in Number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% 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.
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. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Generally accepted accounting principles prescribe that budgetary information be presented for the General Fund and special revenue funds of the School District only.

Groton Area School District 06-6

Schedule of Employer's Share of Net Pension Liability (Asset) and Schedule of Employer's Contributions
Year Ended June 30, 2023

Schedule of Employer's Share of Net Pension Liability (Asset)

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	0.1507270%	\$ (14,245)	\$ 3,599,136	0.40%	100.10%
SDRS	6/30/2022	0.1551640%	(1,188,291)	3,521,177	33.75%	105.52%
SDRS	6/30/2021	0.1570648%	(6,821)	3,447,096	0.20%	100.04%
SDRS	6/30/2020	0.1633706%	(17,313)	3,473,589	0.50%	100.09%
SDRS	6/30/2019	0.1685351%	(3,931)	3,503,675	0.11%	100.02%
SDRS	6/30/2018	0.1702116%	(15,447)	3,458,565	0.45%	100.10%
SDRS	6/30/2017	0.1711098%	577,992	3,253,709	17.76%	96.89%
SDRS	6/30/2016	0.1706572%	(723,806)	3,115,729	23.23%	104.10%
SDRS	6/30/2015	0.1739782%	(1,253,442)	3,042,404	41.20%	107.30%

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

Schedule of Employer's Contributions

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	\$ 226,736	\$ 226,736	-	\$ 3,779,197	6.0%
SDRS	6/30/2022	215,948	215,948	-	3,599,136	6.0%
SDRS	6/30/2021	211,271	211,271	-	3,521,177	6.0%
SDRS	6/30/2020	206,826	206,826	-	3,447,096	6.0%
SDRS	6/30/2019	208,416	208,416	-	3,473,589	6.0%
SDRS	6/30/2018	210,221	210,221	-	3,503,675	6.0%
SDRS	6/30/2017	207,498	207,498	-	3,458,565	6.0%
SDRS	6/30/2016	195,222	195,222	-	3,253,709	6.0%
SDRS	6/30/2015	186,943	186,943	-	3,115,729	6.0%

*GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full ten-year trend is compiled, the School District will present information for those years for which information is available.

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2022 legislative session, no significant SDRS benefit changes were made and gaming enforcement agents became Class B public safety members.

Actuarial Assumption Changes

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

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

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

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

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

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

Actuarial Method Changes

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



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

To the School Board
Groton Area School District 06-6
Groton, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Groton Area School District 06-6 (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated June 5, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying Schedule of 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Aberdeen, South Dakota
June 5, 2024

Current Audit Findings and Recommendations

Finding 2023-001 – Preparation of Financial Statements, Footnotes and Schedule of Expenditures of Federal Awards (SEFA) including Significant Audit Journal Entries

Criteria: The Groton Area School District 06-6's (School District) internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: The School District requested the external auditors to assist in the preparation of the financial statements and related footnotes along with assistance in preparing the SEFA for the year ended June 30, 2023. As part of the financial statement preparation process, we proposed material audit adjustments that were not identified as a result of the School District's existing internal controls and, therefore, result in a misstatement of the School District's financial statements.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements, footnotes and SEFA and could cause the need for auditors to propose material journal entries.

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

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2023

Groton Area School District 06-6

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs 8



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

To the School Board
Groton Area School District 06-6
Groton, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Groton Area School District 06-6 (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated June 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Aberdeen, South Dakota
June 5, 2024



**Independent Auditor’s Report on Compliance for the Major Federal Program;
Report on Internal Control over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors
Groton Area School District 06-6
Groton, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Groton Area School District 06-6’s (the School District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the School District’s major federal program for the year ended June 30, 2023. The School District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the School District and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of the major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Groton Area School District 06-6 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Groton Area School District 06-6's basic financial statements. We issued our report thereon dated June 5, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Aberdeen, South Dakota

June 13, 2024, except for our report on the schedule of expenditures of federal awards, for which the date is June 5, 2024

Groton Area School District 06-6
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
Department of Agriculture			
Passed through South Dakota Division of Elementary and Secondary Education			
Child Nutrition Cluster			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	***	\$ 37,752
National School Lunch Program	10.555	***	97,487
School Breakfast Program	10.553	***	<u>9,512</u>
Total Child Nutrition Cluster			<u>144,751</u>
Total Department of Agriculture			<u>144,751</u>
U.S Environmental Protection Agency			
Passed through the South Dakota Department of Natural Resources			
Diesel Emmissions Reduction Act (DERA) State Grants:			
South Dakota Clean Diesel Grant Program	66.040	***	<u>23,140</u>
Department of Education			
Direct Federal Funding:			
Rural Education	84.358	N/A	26,767
Passed through the SD Department of Education:			
Title I Grants to Local Educational Agencies	84.010	***	95,189
Improving Teacher Quality State Grants	84.367	***	32,243
School Support and Academic Enrichment Grants	84.424	***	12,164
COVID-19 - Education Stabilization Fund:			
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER 2)	84.425D	2021G-CRRSA06006	165,458
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER 3)	84.425U	2021G-ARP06006	256,480
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER 3)	84.425U	2023G-506	7,354
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER 3)	84.425U	2023G-377	<u>225,958</u>
Total COVID-19 - Education Stabilization Fund			<u>655,250</u>
Total Department of Education			<u>821,613</u>
Department of Social Services			
Passed through State of South Dakota Department of Social Services			
Medical Assistance Payments	93.778	***	<u>8,425</u>
Total Department of Social Services			<u>8,425</u>
Total Federal Financial Assistance			<u>\$ 997,929</u>

*** - Pass through number not provided to School.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Groton Area School District 06-6 (the School District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The School District does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

Note 4 - Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the Organization had food commodities totaling \$3,883 in inventory.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
COVID-19 - Education Stabilization Fund:	
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER 2)	84.425D
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER 3)	84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2023-001 – Preparation of Financial Statements, Footnotes and Schedule of Expenditures of Federal Awards (SEFA) including Significant Audit Journal Entries

Criteria: The Groton Area School District 06-6's (School District) internal control structure should be designed to provide for the preparation of the financial statements, footnotes, and the SEFA, which includes having an adequate system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: The School District requested the external auditors to assist in the preparation of the financial statements and related footnotes along with assistance in preparing the SEFA for the year ended June 30, 2023. As part of the financial statement preparation process, we proposed material audit adjustments that were not identified as a result of the School District's existing internal controls and, therefore, result in a misstatement of the School District's financial statements.

Cause: The limited size of the School District's staff and resources causes the inability to prepare the financial statements, footnotes and SEFA and could cause the need for auditors to propose material journal entries.

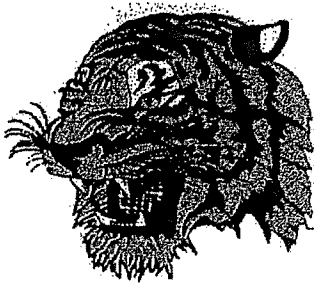
Effect: This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. Also, a thorough review of the transactions in each fund should take place prior to the beginning of the audit, to ensure generally accepted accounting principles have been followed for each fund type, especially for transaction types infrequent in occurrence.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

None noted.



GROTON AREA SCHOOL DISTRICT 06-6

MIDDLE/HIGH SCHOOL

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Martin Weismantel, VP
Tigh Flichs
Travis Harder
Dr. Heather Lerseth-Flichs,
DVM
Kara Pharis
Grant Rix

Superintendent

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Technology Coordinator

Aaron Helvig
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Aaron.Helvig@k12.sd.us

Management's Response to Auditor's Findings:

Summary Schedule of Prior Audit Findings and

Corrective Action Plan

June 30, 2023

Prepared by Management of

Groton Area School District 06-6



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Summary Schedule of Prior Audit Findings

Finding 2022-001

Initial Fiscal Year Finding Occurred: 2011

Finding Summary: Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements. At times, the auditors, proposed material audit adjustments that were not identified by us.

Status: Ongoing. Due to cost considerations, we will continue to have Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements.



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Corrective Action Plan

Finding 2023-001

Finding Summary:

Eide Bailly LLP prepared our draft financial statements and accompanying notes to the financial statements including the Schedule of Expenditures of Federal Awards (SEFA). They also proposed material audit adjustments that would not have been identified because of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals:

Becky Hubsch, Business Manager

Corrective Action Plan:

It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepared the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, and we have reviewed with and agree with the material adjustments proposed during the audit.

Anticipated Completion Date:

Ongoing